TECH FOR GOOD INSTITUTE

The Platform Economy: Southeast Asia's Digital Growth Catalyst

Research Partner

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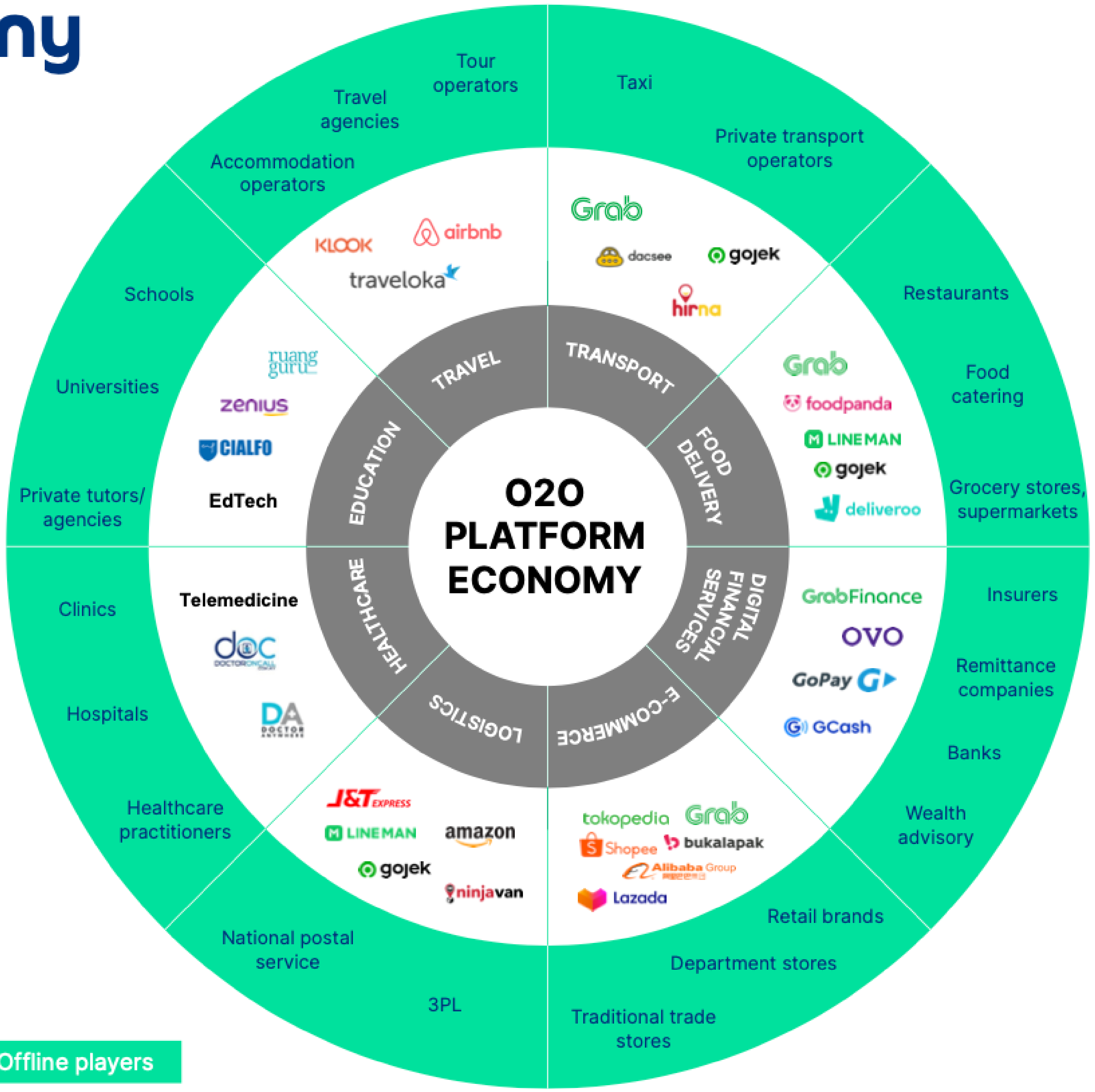
O2O Platforms have brought many offline experiences online in Southeast Asia

- A large set of global and home-grown O2O **Platforms are present in Southeast Asia**
- These Platforms are **onboarding consumers, partners, and merchants** into the Platform Economy
- Platforms are also accelerating **investments and innovation to address infrastructure challenges,** and facilitate more seamless O2O experiences



Legend: O2O platforms | Offline players

Source: Bain analysis

Our perspective – in a nutshell

Platforms have transformed how we work, socialize and create economic value in SEA	The largest home-grown SEA platforms are O2O in nature – they are very different from information platforms in that they need both physical and digital infrastructure to function.
Platforms are a key part of SEA's digital economy growth	Beyond the GMV growth observed, Platforms have invested in and helped in building SEA's digital economy through infrastructure development (e.g., scale investments in digital payments, logistics network), and bringing access and convenience to consumers and Micro, Small and Medium Enterprise (MSMEs) during the COVID-19 pandemic.
The Platform Economy is developing rapidly in SEA as seen via our inaugural edition of the New Economy Progress Index (NPI)	Good progress has been made in digital and physical infrastructure development. Two priorities stand out: 1) continued improvement in connectivity and logistics infrastructure, especially in non-urban areas, and 2) strengthening the population's digital skills to drive further consumer and MSME participation.
Consumer and MSME perception of platforms is overwhelmingly positive	80% of both surveyed consumers and MSMEs agree that platforms have brought significant value and benefits in terms of how they transact.
As with any technology/ innovation, there are challenges/ risks that SEA needs to manage in the Platform Economy	Many countries are still exploring options to manage the challenges of the Platform Economy and SEA is no different. With the benefits that the Platform Economy brings to SEA and SEA's own unique set of circumstances and stage of development, SEA should chart its own course to strike the balance between capturing the benefits of platforms while managing potential challenges and risks.
The time is now for SEA to work together to navigate the Platform Economy for all	The Platform Economy can be a powerful force for stronger and inclusive development in the next decade. Four key priorities for SEA: (1) Close collaboration between regulators and market participants on policy development and execution (2) An iterative and adaptive approach to deal with the evolving challenges (3) Responsible and sustainable development of the Platform Economy (4) Regional ASEAN coordination to maximize impact.

Consumers have embraced platforms in Malaysia

Platform usage has grown rapidly in recent years

7 in 10 Consumers have increased spend on O2O service compared to 1-2 years ago

80% Consumers agree that Platforms have had a positive influence on their quality of life

e-Commerce & Food Delivery

89% Agree that they can access wider range of products via e-commerce

88% Agree that food delivery platforms have improved the experience of ordering food during COVID-19

Ride hailing

85% Agree that they can travel more easily to places previously difficult to reach

77% Agree entry of ride hailing apps has led to taxi operators improving ride experiences

Digital Financial Services

81% Agree that it is faster and more convenient to use digital payments vs. cash

68% Digital lending users, previously unable to get loans from banks / lenders

Source: SEA-6 O2O Platforms Consumer Survey by Bain & Company, May 2021 (N=2,800); SEA-6 O2O Platforms MSME Survey by Bain & Company, May 2021 (N=666)

Platforms have a positive impact on MSMEs

Platforms are becoming an integral part of the economy

1 in 2 MSMEs are using Platforms [1]

85% MSMEs agree they need to use Platforms to succeed in the future

e-Commerce & Food Delivery

85% Agree that they can reach more customers through Platforms vs. selling offline

71% Agree that sales would have declined during COVID-19, if Platforms were not used

Digital Financial Services

80% Saw an improvement in sales after they started accepting digital payments

63% Digital lending users, previously unable to get loans from banks / lenders

Platform work opportunities

73% Drivers with increased income after joining Grab (incl. previously unemployed)

#1 "Flexibility of work" the #1 reason why drivers work for Grab in Malaysia

Note: 1) Based on press release on MSME e-commerce adoption
Source: SEA-6 O2O Platforms Consumer Survey by Bain & Company, May 2021 (N=2,800); SEA-6 O2O Platforms MSME Survey by Bain & Company, May 2021 (N=666)

New Economy Progress Index

2021 Malaysia score

New Economy Progress Index designed to measure progress of the Platform Economy in SEA

- Consists of four broad dimensions
- Provides framework for countries to better understand and identify areas of current strength or weakness
- Results viewed as a benchmark to measure starting point of each country's Platform Economy development

Digital infrastructure
61%
Mobile internet subscribers: 67%
Mobile wallet users: 55%

Physical infrastructure
54%
Same-day delivery: 67%
Mobile internet download speed: 40%

Overall 52%

MSMEs
36%
Online food and e-commerce sales: 12%
Digital MSME sales from Platforms[1]: 61%

Consumers
59%
Digital consumers[2]: 83%
Population using 3+ O2O services: 35%

Great strides made on digital infrastructure

2 out of 3 of the population use mobile internet
1 out of 2 use digital payments

More can be done on physical infrastructure

2 in 3 have access to same-day delivery, but lower than global average for mobile download speed

While consumer & MSME adoption have increased, more can be done on depth

Opportunity to increase total online sales (12%) and consumer depth of usage (35%)

Note: 1) MSMEs which uses Platforms at the point of being surveyed 2) Digital consumers are consumers who had made an online purchase in the past 12 months
Source: Bain analysis based on data from Euromonitor, Fitch Solutions, Forrester, GlobalData, GSMA Intelligence, Ookla

Navigating challenges and tradeoffs

Challenges	Example policy considerations and trade offs
Competition	How does SEA continue to be attractive for large scale regional platforms to attract the investments needed for the next stage of infrastructure development in the Platform Economy? How do we encourage the innovation and growth for local platforms, alongside larger regional platforms?
Consumer protection	How do we let businesses use consumer data for better service experience while protecting the consumer? How do we create a consumer data protection policy that is not overly burdensome for both MSMEs and large platforms to implement?
Future of work	How do we safeguard the interests of platform participants (e.g., gig economy workers, merchants) while ensuring platform economics are scalable? How do we support the transition of the wider labor population to the new digital economy?
Digital divide	How do we ensure it is economically attractive for platforms to serve the underserved, to minimize the Digital divide? How do we support the growth of the Platform Economy to be more equitable?

Critical to share responsibilities across Platform stakeholders to collaboratively advance Platform Economy; Smart regulation is more effective than over-regulation

Priorities for Southeast Asia

To develop well-tailored solutions that maximize benefits from the Platform Economy while mitigating the issues and risks

Stakeholder collaboration

Co-create smart, grounded and implementable solutions that meet policy intent, while promoting policy predictability and transparency

Bring together resources (e.g., know-how, financial capabilities) for long-term meaningful public-private partnerships to amplify benefits for communities

Iterative and adaptive

Maintain ongoing engagement with Platforms while tailoring solutions to development needs of SEA Platform Economy

Reinvent policy tools and use innovative experimentation (e.g., regulatory sandboxes) to assess implications of Platform Economy development

Responsible and sustainable

Platforms to develop and be accountable to good governance mechanisms and responsible behaviors

Platforms to act responsibly in developing sustainable SEA Platform Economy

Regional coordination

On pan-ASEAN topics (e.g., cross-border data protection, investment capital inflow) that would benefit from a coherent ASEAN strategy, governance and/or implementation

Opportunity to support home-grown SEA platforms to compete on a global stage

Southeast Asia Platforms' responsibilities

Platforms' behavior	What it means	Examples
Increase transparency, be accountable and co-create solutions	Be authentic, transparent and collaborative with **Policymakers** in a manner that deepens understanding of Platform's business and Platform Economy Co-create regulations, policies and initiatives that amplify Platform benefits, while delivering on commitments	Mobile payment platform offered a cash disbursement system for government aid to reach users much faster and partnered with tax agencies to support contactless tax filing and payment
Invest in Platform ecosystem building	Enhance access and guide **MSMEs and Consumers** towards using Platforms services safely and responsibly while benefiting from the experience Provide upskilling opportunities to workers for longer-term career advancements	E-commerce platform developed a credit score for MSMEs which enabled them access to capital loans to grow their online shops E-commerce platform also encouraged users interested in upskilling to apply for its digital training program that included mentoring
Promote Platform users' interests	Build trust and enhance security for **users** e.g., data protection Engage in healthy and fair competition with other **Platforms** to create better user experience	Global financial services company developed a set of data responsibility principles on its commitment to data security
Environmental, social and governance responsibility(ESG)	Create long-term environmental value and social outcomes in **Communities,** independent of profit objectives	Multi-service platform which is working towards carbon neutrality by accelerating transition to electric vehicles for drivers

The time for Southeast Asia is now

We need to work together to navigate the Platform Economy for all

1. **The Platform Economy brings significant benefits in propelling SEA's digital ambitions**

   Platforms are well positioned to bring new opportunities and innovation in the development of the wider digital economy in SEA

2. **Challenges of the Platform Economy will need to be managed to reap benefits**

   Smart regulations can be leveraged to support the growth of the Platform Economy

3. **Prime opportunity to collaborate on playbook creation and tailored solutions for SEA**

   With the emerging nature of the Platform Economy, it is important to collaborate on smart solutions, be innovative yet iterative, and focus on what could work for SEA's context

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