CHAIR
Dr. James T. Riady,  
CEO, Lippo Group

CO-CHAIR
Arthur Tan,  
CEO, IMI

RESEARCH PARTNER
A.T. Kearney
Lifting-the-Barsiers Roundtable

Role of E-Commerce in ASEAN Integration (Retail)

ABC Forum Presentation
Singapore, September 8th 2014
Roundtable Agenda

Introduction and roundtable set-up

Presentation by Geir Olsen, Partner at A.T. Kearney

Perspectives from Chair and Co-Chair

Floor discussion

Closing remarks
Introducing today’s speakers

**Chair**
Dr. James T. RIAKY
CEO, Lippo Group

Dr. James T. Riady is the Chief Executive Officer of Lippo Group of Companies.

He is also the Founder and Chairman of Pelita Harapan Educational Foundation and the Deputy Chairman of The Indonesian General Chamber of Commerce and Industry.

As a member of the National Economic Council, Dr. James T. Riady contributed as part of the Special Advisory Team to the President of Indonesia.

**Co-Chair**
Arthur R. TAN
CEO, IMI

Arthur R. Tan is the Chief Executive Officer of IMI and a Senior Managing Director of Ayala Corporation

He is also the Chairman of the Semiconductor Electronics Industries in the Philippines Inc. (SEIPI), a Director of Renewable Energy Test Center (RETC LLC).

Arthur R. Tan is a member of the Board of Trustees of Philippine Quality and Productivity Movement (PQPM) & Philippine Development Foundation (PhilDev)

**Moderator**
Geir OLSEN
Partner, A.T. Kearney

Geir Olsen is Partner at A.T. Kearney and Head of the Consumer and Retail practice in Asia Pacific

He led some of the firm’s largest and most successful global client relationships in consumer goods, retail and high technology.

Geir Olsen was also Managing Director of A.T. Kearney Nordics region and a Senior Partner at a major global advertising agency network.
Objectives and set-up of the roundtable

Key objectives

1. Discuss role of E-commerce into ASEAN integration
2. Review key barriers to E-commerce growth in ASEAN
3. Discuss key interventions to drive E-commerce in the region

Set-up of the roundtable

- Key facts on E-commerce in ASEAN
- Perspectives from Chair and Co-Chair
- Open discussion between participants
Roundtable Agenda

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In the past 5 years, the ASEAN online retail market has grown at a 14.1% CAGR with particularly strong growth in Indonesia.

ASEAN online retail market\(^1\) growth
(US$ Mn, 2008-2013)

<table>
<thead>
<tr>
<th>Year</th>
<th>Philippines</th>
<th>Malaysia</th>
<th>Indonesia</th>
<th>Thailand</th>
<th>Singapore</th>
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<tbody>
<tr>
<td>2008</td>
<td>1,316</td>
<td>137</td>
<td>189</td>
<td>405</td>
<td>527</td>
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<tr>
<td>2009</td>
<td>1,503</td>
<td>143</td>
<td>217</td>
<td>147</td>
<td>547</td>
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<tr>
<td>2010</td>
<td>1,753</td>
<td>164</td>
<td>252</td>
<td>243</td>
<td>526</td>
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<tr>
<td>2011</td>
<td>2,024</td>
<td>187</td>
<td>293</td>
<td>321</td>
<td>610</td>
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<tr>
<td>2012</td>
<td>2,237</td>
<td>221</td>
<td>335</td>
<td>411</td>
<td>596</td>
</tr>
<tr>
<td>2013</td>
<td>2,547</td>
<td>252</td>
<td>384</td>
<td>510</td>
<td>648</td>
</tr>
</tbody>
</table>

Key growth drivers:
- High economic growth
- Changing consumer preferences
- Improvement in technology options
- Regional government alignment

1. Online retail market defined by all the sales of consumer goods to the general public via internet; online retailing market size here only covers Indonesia, Singapore, Malaysia, Thailand and Philippines.
Source: Euromonitor, EIU, A.T. Kearney
Retail E-commerce market is expected to keep growing across South East Asia in the coming years

**Indonesia online retail market forecast** (2013-2018e, US$ Mn)

![Graph showing Indonesia online retail market forecast from 2013 to 2018e](chart.png)

**Key drivers**

- **Increase in internet users**
  - +20% year-on-year mainly due to proliferation of cheap smartphones

- **Expending middle class**
  - Rapidly grows discretionary spending

- **Entry of high profile players**
  - e.g. Rakuten, Zalora, Sukamart etc...

Source: Euromonitor, Financial Times, A.T. Kearney
ASEAN integration is coming and will form one single market with a free-flow of goods, services and investments

Benefits of ASEAN integration

Free trade in goods
(Eliminate tariffs, simplify procedures, …)

Free flow of skilled labor
(Manage mobility, ease work permits issuance, …)

Free flow of investment
(Harmonize and streamline investment policies, …)

Freer flow of capital
(Facilitate capital market access, …)

Free trade in services
(Facilitate cross-borders interactions, …)
E-commerce will play a key role in the integration of the ASEAN retail sector, providing major benefits across the value chain.

### E-commerce benefits to major stakeholders

<table>
<thead>
<tr>
<th>Value chain from production to sale</th>
<th>Manufacturers (SMEs)</th>
<th>Retailers</th>
<th>Logistics players</th>
<th>Consumers</th>
</tr>
</thead>
</table>
| **Manufacturers (SMEs)**           | • Access to > 600 million consumers in S.E. Asia  
                                    | • Promote local products to the **international stage** | | | |
| **Retailers**                      | • Provide an **innovative medium** to connect with consumers  
                                    | • Learn consumer behavior through data analytics  
                                    | • Optimize capex required to grow business | | |
| **Logistics players**              | **• Access big revenue pie** from E-commerce growth | | | |
| **Consumers**                      | • Access to **more choices**  
                                    | • Access to **lower prices and better quality products**  
                                    | • Offer **maximum convenience** | | 

Source: A.T. Kearney analysis
However challenges around culture, regulations & infrastructure need to be addressed to keep driving E-commerce growth.

Challenges among E-commerce stakeholders

**Culture**
- Consumers **preference for traditional store format**
- SMEs manufacturers **slow conversion** to E-commerce mainly due to poor bandwidth, lack of financial support and concerns about security

**Regulation**
- Heterogeneous **taxes and duties** systems
- Different **legal approaches** and political systems
- Absence of **independent regulators**

**Infrastructure**
- Uneven **technology infrastructure** development
- Undeveloped infrastructure in **payment systems and data security**
- Large **gap of logistics infrastructure** between members

Source: A.T. Kearney
Governments joint action is critical to make E-commerce a successful opportunity for ASEAN

Illustration of actions taken by the European Union

**Culture**
- Improved business and consumers confidence by providing legal certainty (Electronic Commerce Directive, 2000)

**Regulation**
- Improved administrative cooperation
- Protected intellectual property rights
- Fought unfair business practices

**Infrastructure**
- Encouraged high-speed network investment
- Proposed an EU strategy on cyber security
- Developed strategy for payment integration (card, internet and mobile)

**Key benefits**
- Increase in consumer revenues
- Creation of new jobs
- Access to better products at lower prices for consumers
- Greater cultural and social exchanges
- Access to new markets beyond borders

Source: A.T. Kearney
Discussion: How to lift the barriers of E-commerce in ASEAN?

Preliminary levers to lift E-commerce barriers

**Culture**
- Consumers habits
- Manufacturers trust
- …

**Regulation**
- Taxes and duties systems
- Legal framework
- Regulator
- …

**Infrastructure**
- Technology
- Payment systems and security
- Logistics infrastructure
- …

“**A concrete measure from ASEAN governments would be to …**”

“It is crucial for future developments that retailers …”

Source: A.T. Kearney
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**Culture**
- Consumers habits
- Manufacturers trust
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**Regulation**
- Taxes and duties systems
- Legal approaches
- Regulator
  ...

**Infrastructure**
- Technology
- Payment systems and security
- Logistics infrastructure
  ...

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Closing remarks
A.T. Kearney is a global team of forward-thinking partners that delivers immediate impact and growing advantage for its clients. We are passionate problem solvers who excel in collaborating across borders to co-create and realize elegantly simple, practical, and sustainable results. Since 1926, we have been trusted advisors on the most mission-critical issues to the world’s leading organizations across all major industries and service sectors. A.T. Kearney has 59 offices located in major business centers across 40 countries.

<table>
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<th>Americas</th>
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<td>Moscow</td>
<td>Prague</td>
</tr>
</tbody>
</table>
Appendix
Any additional challenges other than Culture, Regulation and Infrastructure?
What is the highest barrier to lift in your view?

Culture

Regulation

Infrastructure
Are there any industry specific challenges regarding regional E-commerce?
THANK YOU