GOING DIGITAL

THE STATUS AND FUTURE POTENTIAL OF INTERNET-BASED ECONOMIES IN ASIA

TRPC
About This Whitepaper

This report focuses on case studies from 5 economies of Asia to assess the status and the future potential of these economies to transition from an Intenet economy towards a fully digital economy.
Asia is transitioning from an Internet to a Digital Economy

Internet economy is a stand-alone sector, representing production and consumption activities on the Internet and World Wide Web. e.g. ISPs, Internet portals, online media and developers of apps.

Digital economy refers to a connected economy wherein the Internet is an embedded and pervasive infrastructure and driver across all sectors of the economy.
However, successful transition requires a few building blocks other than technology:

- Economy open to investment and trade, open access to the market.
- Good policy making practice, enabling regulations.
- Condusive business environment.
- Ubiquitous Internet access, Widespread use of mobile.
- Interoperable digital payments and networks.
Its force is not only empowering various sectors across the economy, but also rejuvenating traditional sectors and reshaping business models...

**CLOUD COMPUTING IN AGRICULTURE, JAPAN**

- Helping new breed of young farmers use ICT and cloud to manage crops
- Reducing resources required in farming and helping regain competitiveness of agricultural sector

**MOBILE FOOD ORDER APP, KOREA**

- Transforming the way food delivery market works
- Moving paper ads and word-of-mouth marketing to online
- Expanding business opportunities and increasing ROI for mom-and-pop shops
Access to devices, information and market remains a priority in emerging markets...

**E-PAYMENTS IN VIETNAM**

- Interconnecting payments to streamline fulfillment process
- Building trust among consumers and suppliers in nascent e-commerce industries

**E-COMMERCE IN INDONESIA**

- A rising middle class and affordability of access driving social media use and digitisation
- E-commerce is in the vanguard of an emerging digital economy ecosystem, opening doors for MSMEs to grow and go global
India’s demographic supports rapid Internet growth...

300 million Internet users = 15% of the total population

80% of mobile penetration

140 million smartphone users

Internet’s contribution to India’s economy in 2014

4.1% of GDP

But its business climate needs to improve in order to encourage entrants of innovative start-ups...

Ranked at 142 out of 189 countries in ease of doing business

Efforts to reduce paperwork burden and incubating start-ups needed
Case 1 **Zomato**: Giving digital presence to thousands of local eateries, regardless of size and location.
Zomato Takeaways

Zomato’s success lies in:

- **Simplicity in design**, with no more than 3- steps from inquiry to booking
- **Scalable model**, based upon hyper-local advertising and user preferences
- **Continual technical support and innovation** and platform agnostic, regularly updated features

9,000 restaurants across 12 cities in India (and over 330 thousand in 19 countries)
Case 2 Kanaja.in: Providing inclusive community service and contents for the minority Kannada people
Case 2 Kanaja.in Takeaways

- Even community services designed to enhance welfare of small groups or minorities are **going online**

- To achieve inclusion and cultural preservation, adoption of open content and latest technologies (e.g. text-to-audio) are necessary

- Engaging social media is beneficial but requires enforcement of good net-behaviours among users.

- There is a need for these services to go completely mobile
India - Recommendations

- Strong commitment to **Digital India** is vital to ensure universal broadband access at affordable prices.

- **Soft infrastructure** of laws and regulations need to be put in place.

- A **“net zero import”** policy should be pursued by boosting exports.

- **Business registration** processes need to be sped up and business transactions costs reduced.

- Capacity building across the public sector is needed to transition to digital.
Appendices: Other countries

- Indonesia
- Japan
- South Korea
- Vietnam
Indonesia is soon to become Asia’s 3rd largest e-comm market

- 80 million Internet users,
- Will exceed 100 million by 2016
- 80 million
- USD 2 billion
- E-comm market size (2015)
- Online transaction growing 300% times faster than offline ones.
- Smartphone users reached 45% in 2014
- 45%

And its growing middle class and MSMEs will benefit

- 48 million MSMEs
- And growing local tech start-ups
- Open market conditions and competition
- More Indonesian businesses penetrating outside market and going global
Japan has an advanced Internet infrastructure but faces strong demographic pressure.

- **Internet’s contribution to GDP**: 4.7%
- **Broadband access**: 55%
- **2 out of 10 are 65 years or older**

Need to promote lifelong learning and retooling of the aging population to stay competitive.

- **1st OECD country with negative population growth**
- **Only 2% of adults participate in formal education** (OECD average = 10%)
- **Share of population in agriculture**
  - In 1990: 7%
  - In 2010: 4%
South Korea is a world leading digital powerhouse

Internet’s share of the economy: 7.3%

Fast and ubiquitous Internet access:
Average connection speed = 25.3 Mbps
(World Average = 4 Mbps)

73% of smartphone penetration

But some sectors face regulatory humps to fully digitise

>93 million internet banking accounts

- Active-X (abolished in ‘15)
- Peer-to-peer lending (temporarily suspended in ‘14)
- KakaoPay (launched in ‘14)

FinTech in Infancy
Vietnam rapidly became one of the most mobile nations

A nascent digital ecosystem is emerging, led by e-commerce

Internet population: 44%
Smartphone users: 36%
USD 10 for 3G/month
ID = USD25 and TH = USD54

Average monthly spending on online purchase: USD 145
Proportion of online commerce VS overall retail: 2%
Government needs a clear vision for digital advancement, encompassing all sectors of the economy.

Policies and regulations that govern digital economy need to be transparent, consistent and predictable.

Harmonizing regulations enables access to global markets, and investment into local markets.
Recommendations - continued

4. Ecosystems
A domestic **digital ecosystem** including auxiliary sectors needs to be developed

5. Capacity Building
**Lifelong human capacity building** is vital to create workforce that can reinvent itself in a digital economy

6. Impacts
Minimise unintended impacts with "**smart**" regulation
7. Business Climate

Business processes need to be simplified to encourage new entrants to enter and innovate

8. Industry Engagement

The government should continuously consult and engage with the industry
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