

ENTREPRENEURS  
BACKING  
ENTREPRENEURS

# Monk's Hill Ventures

## The Emergence of Entrepreneurship Ecosystems Across Southeast Asia: Views of a Venture Capitalist

### Part 3 of 4

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# In the news... Singapore #1 for tech talent?

	Ranking		Performance	Funding	Market Reach	Talent	Startup Experience	Growth Index
Silicon Valley	1	0	1	1	1	2	1	4.2
New York City	2	0	3	2	3	7	4	4.5
London	3	▲ 3	4	4	2	10	5	4.8
Beijing	4	NEW	2	5	19	8	2	4.4
Boston	5	▼ 1	6	6	12	4	3	4.0
Tel Aviv	6	▼ 1	9	8	4	11	7	4.5
Berlin	7	▲ 2	7	9	6	5	10	4.6
Shanghai	8	NEW	8	3	10	9	13	5.5
Los Angeles	9	▼ 6	5	7	15	14	11	4.2
Seattle	10	▼ 2	12	13	14	3	6	4.5
Paris	11	0	14	14	9	16	8	4.2
<b>Singapore</b>	12	▼ 2	16	16	11	<b>1</b>	20	4.6
Austin	13	0	15	11	18	6	9	4.3
Stockholm	14	NEW	17	20	8	18	12	5.3
Vancouver	15	▲ 3	19	19	7	15	15	4.3
Toronto	16	▲ 1	18	12	5	20	18	4.7
Sydney	17	▼ 1	20	10	13	12	17	6.3
Chicago	18	▼ 11	13	15	20	13	14	3.9
Amsterdam	19	0	10	17	17	19	16	4.8
Bangalore	20	▼ 5	11	18	16	17	19	4.7

1

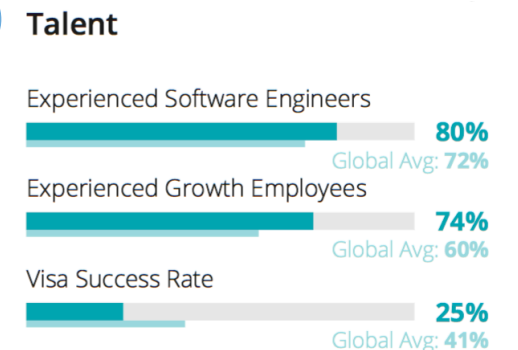


Software Engineer Salary  
Global Avg: 49 k

2



3



# Appendix

# Google & Temasek's joint perspectives were developed using 4 independent data sources

DATA SOURCE	DESCRIPTION
1 Proprietary Google data	Query and click data to assess demand by country; internet usage data by country; smartphone penetration by country
2 Temasek research	VC and startup activity by country (including number of deals, exits, size of startups, number of startups by funding stage, etc.)
3 Expert interviews	59 expert interviews (21 startups, 12 VCs, 23 analysts at leading banks, and 3 industry experts across 6 countries) to validate research findings
4 Secondary data sources	Numerous sources such as Worldbank, UN, EIU, Euromonitor, McKinsey, WEF, and government websites were used to calculate economic development indicators such as population trends, GDP growth, etc.

# Research scope

	INCLUDED	EXCLUDED
Sectors	<p><b>3 major sectors:</b></p> <ol style="list-style-type: none"><li>1. <b>First-hand eCommerce</b> (i.e. online spend on electronics, apparel/clothing, household goods, food/grocery)</li><li>2. <b>Travel</b> (online spend on hotels, airlines and ride hailing)</li><li>3. <b>Media</b> (online spend on ads and gaming)</li></ol>	<p><b>Online spending in sectors which have not materially been disrupted by the internet in SEA, such as:</b></p> <ol style="list-style-type: none"><li>1. Education</li><li>2. Entertainment/movies</li><li>3. Health (insurance, etc.)</li><li>4. Financial services</li></ol> <p><b>Second-hand eCommerce purchases</b></p>
Geographies	<p><b>6 major SEA countries</b> including Indonesia, Singapore, Malaysia, Philippines, Thailand and Vietnam</p>	<p><b>Other SEA countries</b> such as Cambodia, Laos and Myanmar</p>

# Executive summary (1/2)

- SEA<sup>1</sup> is the world's fastest growing internet region (~14% 5-year CAGR) with an existing internet user base of 260m growing to ~480m users by 2020 (~3.8m / month)

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- Consequently, the SEA<sup>1</sup> internet economy<sup>2</sup> is expected to grow to ~\$200+ billion by 2025; driven mostly by the growth of first-hand eCommerce market (32% CAGR over next 10 years) followed by online media (18% CAGR), and online travel (15% CAGR)

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- The total first-hand eCommerce market in SEA<sup>1</sup> is expected to reach ~\$88 billion by 2025; significantly outpacing the growth of offline retail (32% vs. 7% 10-year CAGR) with potential to reach ~\$120 billion

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- 3 factors that are unique to SEA<sup>1</sup> will drive growth:
  - A burgeoning young population with ~70% under the age of 40
  - Lack of big-box retail (SEA retail stores per capita ~1/3<sup>rd</sup> of US); access particularly difficult in remote islands which are abundant in PH and ID
  - Rapidly growing middle-class (forecasted GDP growth of 5.3% over next 10 years)

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- Number of transactions expected to be biggest growth driver (27% 10-year CAGR), as more people gain access to the internet and availability of products online increases

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- All SEA countries are expected to have an eCommerce market >\$5b

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- Online travel (hotels, airlines, and rides) is expected to reach ~\$90 billion by 2025 (15% CAGR);
  - Hotels + airlines will compose 85% of total online travel market (15% CAGR) or ~\$77 billion; Low Cost Carriers will drive majority of growth due to their prominence in SEA (35% of gross booking vs 13% in rest of APAC) and higher online penetration (55% vs 35% for regional carriers)

<sup>1</sup> includes PH, VN, TH, SG, MY, ID

<sup>2</sup> includes first-hand eCommerce (apparel, electronics, household goods, food/grocery), travel (hotels, airlines, ride hailing), and online media (ads + gaming)

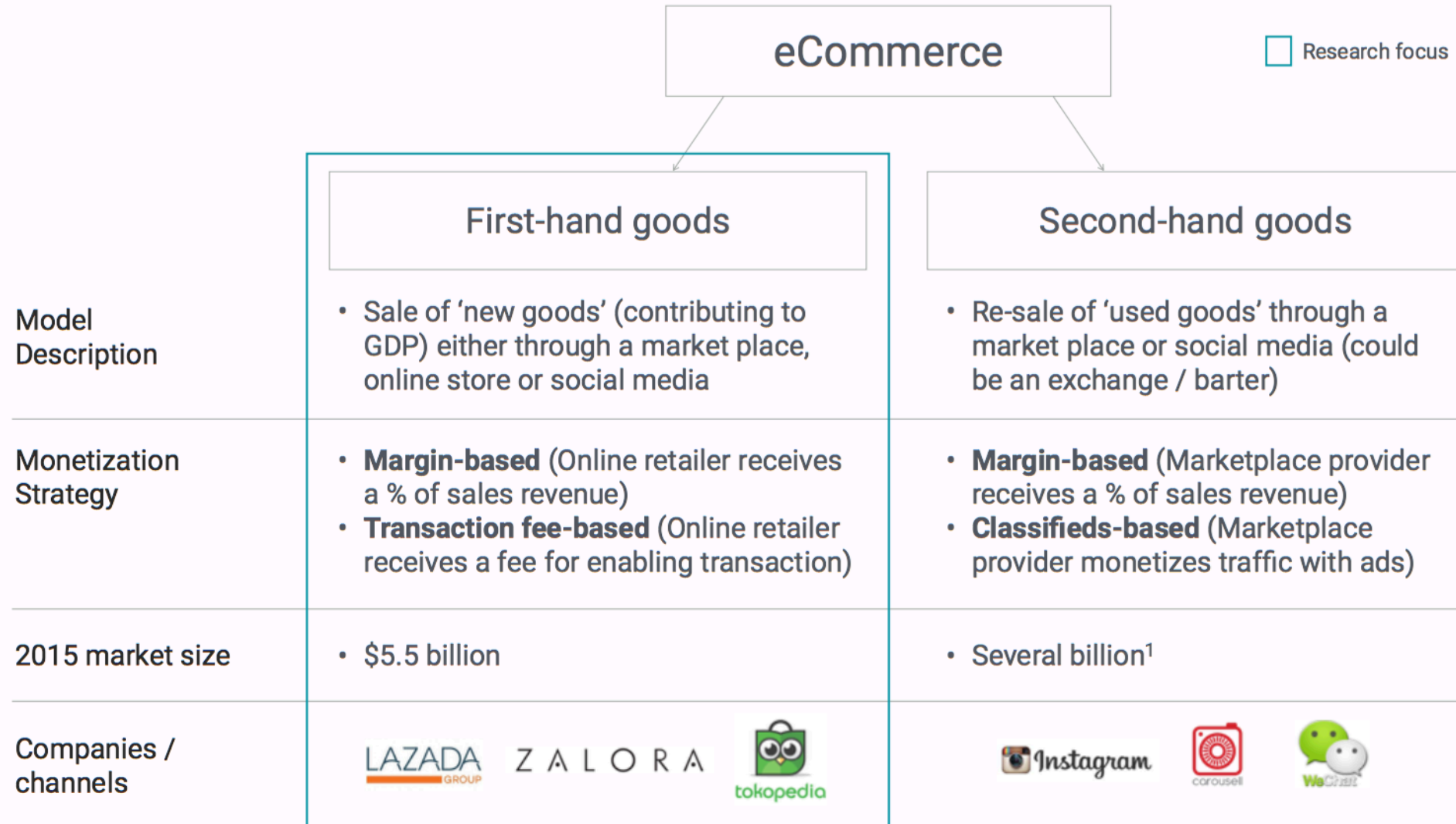
# Executive summary (2/2)

- Online rides (e.g., Uber, Grab) should reach ~\$13 billion (18% CAGR); Number of riders biggest driver of growth; 30-day active riders expected to reach ~29m (vs 7.3m in 2015)
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- Online media (ads + gaming) will contribute ~\$20 billion by 2025 (~10% of total GMV) but will be highly profitable sectors
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- Making SEA a \$200 billion internet economy<sup>2</sup> will require ~\$40-50 billion of additional investments over the next 10 years (assumes VC investment as a percentage of GDP reaches similar levels to India and SEA <sup>1</sup> GDP grows at 5.3% CAGR )
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- Additionally, 5 other challenges must be addressed through public and private-sector initiatives including:
    1. **Talent / engineering:** Lack of senior developer and CXO-level talent causing startups to rely on expat talent from China and US; new tech-focused educational programs will need to be instated to create future pipeline
    2. **Payment mechanisms:** Still no scalable e-payment alternative resulting in increase of 'Cash on Delivery' transactions, which, in turn increases risk and cost for merchants
    3. **Internet infrastructure:** Low internet speeds and penetration rate due to regulatory and geographical constraints (e.g., Philippines has 2<sup>nd</sup> slowest internet in Asia due to duopoly structure); innovative PPP initiatives (e.g., Project Loon) required to make high-speed internet a commodity in SEA
    4. **Logistics infrastructure:** Government investment and focus will be required to improve road and rail networks which are critical to ensure a fast and efficient delivery system
    5. **Lack of consumer trust:** Consumers wary of making transactions online due to various security issues such as fraud (e.g., orders from Indonesia are 12x as likely to be fraudulent as global average);

<sup>1</sup> includes PH, VN, TH, SG, MY, ID

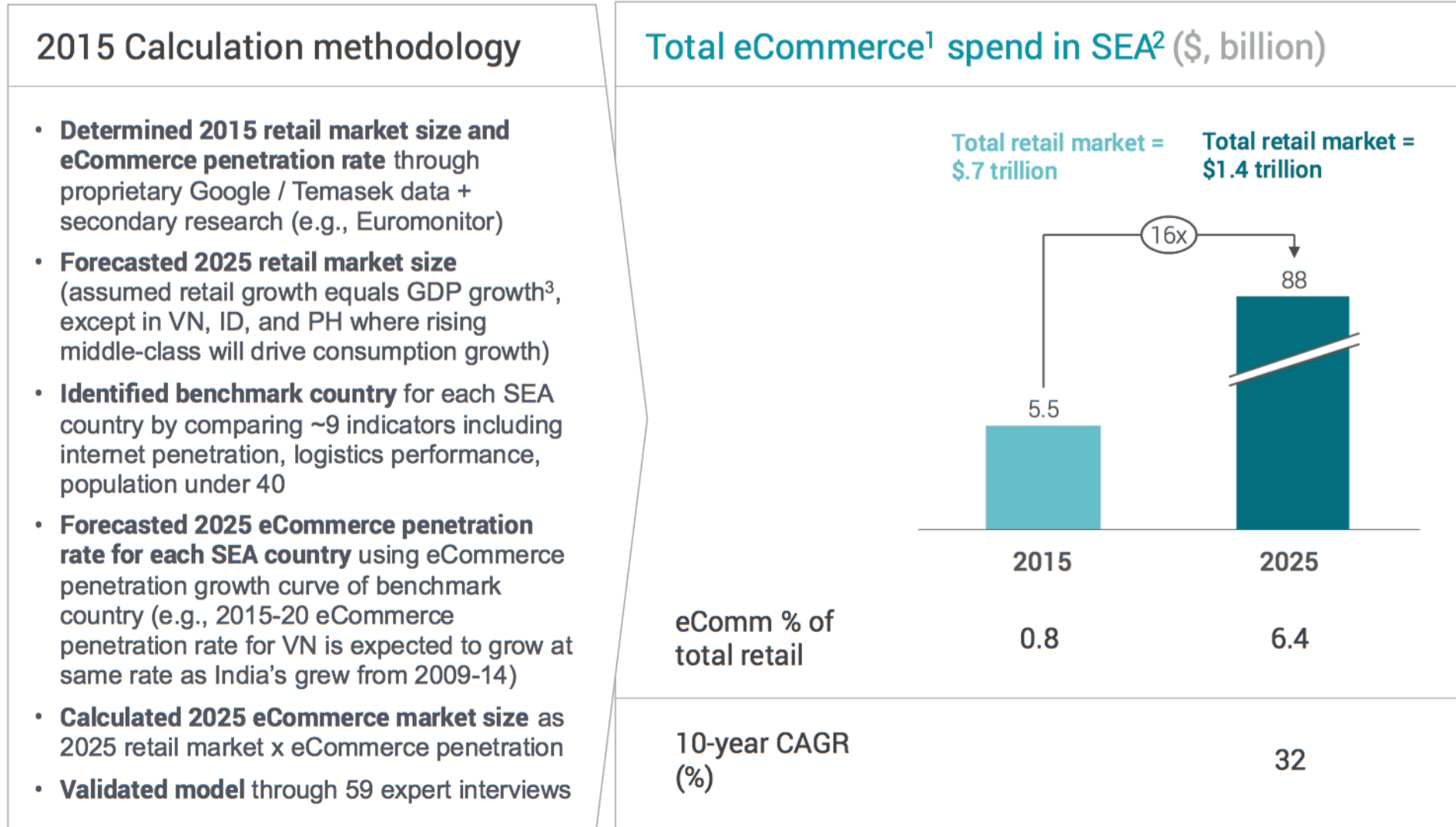
<sup>2</sup> includes first-hand eCommerce (apparel, electronics, household goods, food/grocery), travel (hotels, airlines, ride hailing), and online media (ads + gaming)

# 1 The eCommerce market is split into two key segments, each with a different operating and monetization model





# 1 SEA eCommerce expected to 16x by 2025, reaching \$88 billion (~32% CAGR), with the potential to exceed



1 includes groceries, apparel/clothing, electronics, household goods, and food / grocery

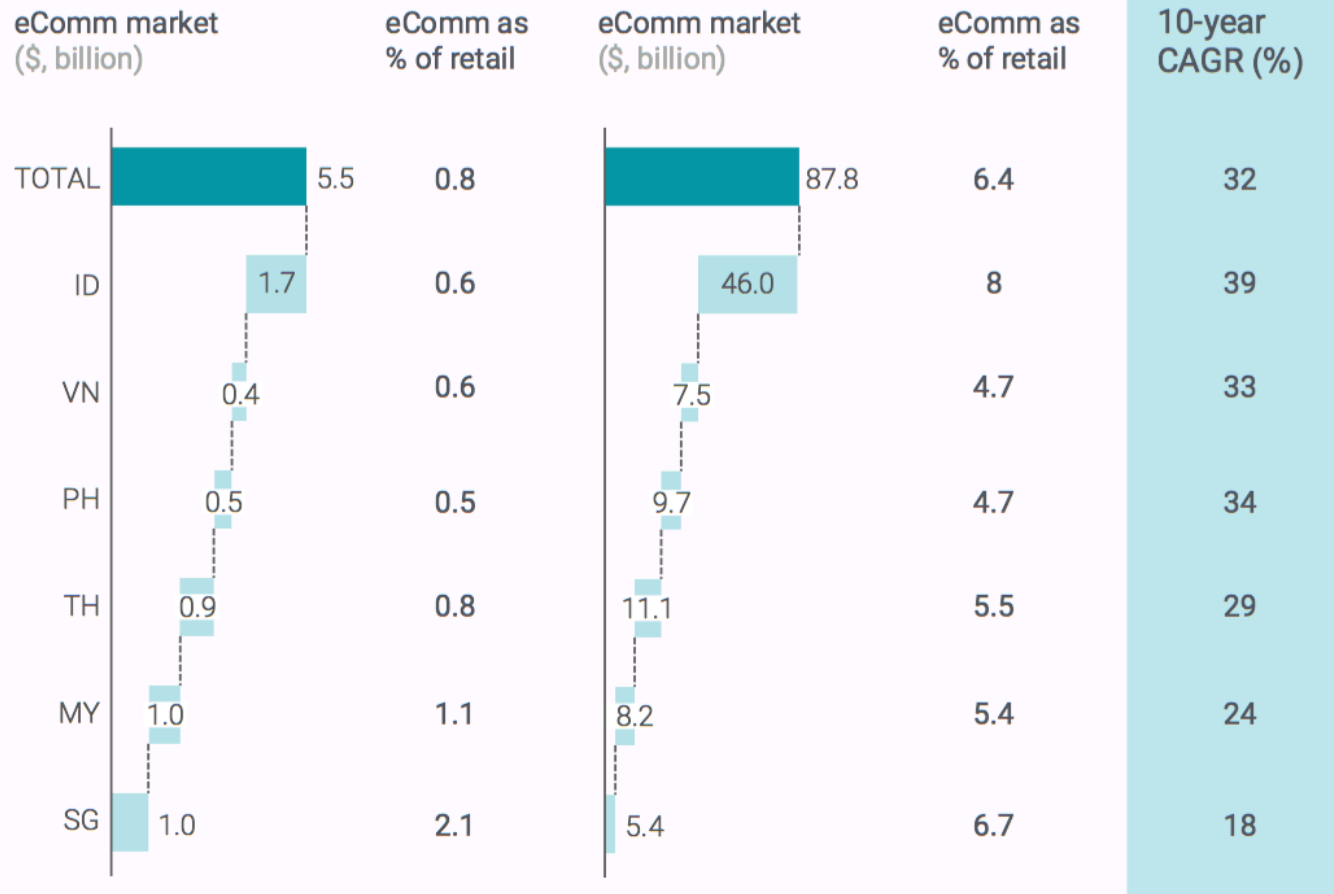
2 defined as PH, TH, VN, ID, MY, and SG

3 based on constant GDP (2005 USD)

# 1 By 2025, all SEA countries will have an eCommerce market >\$5 billion; Indonesia expected to reach \$46 billion

2015

2025



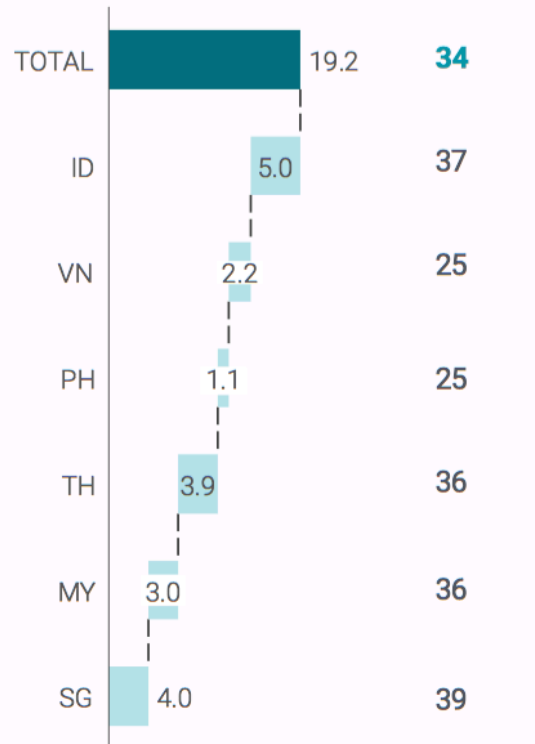
- **Indonesia is expected to comprise 52% of eCommerce** in SEA by 2025 (vs 31% in 2015), driven by large middle-class population, increased access to internet, and growth of tier2/3 cities, where access to organized retail is limited
- **Vietnam, Philippines, Thailand and Malaysia will all be sizeable markets**, ranging between \$8-11 billion
- **SG eCommerce will be >\$5 billion**, larger than the 2015 casino industry (~\$4 billion)

2A

# Online hotels and airlines expected to 5x by 2025, reaching ~\$76 billion (15% CAGR) and making up 85% of the total travel market

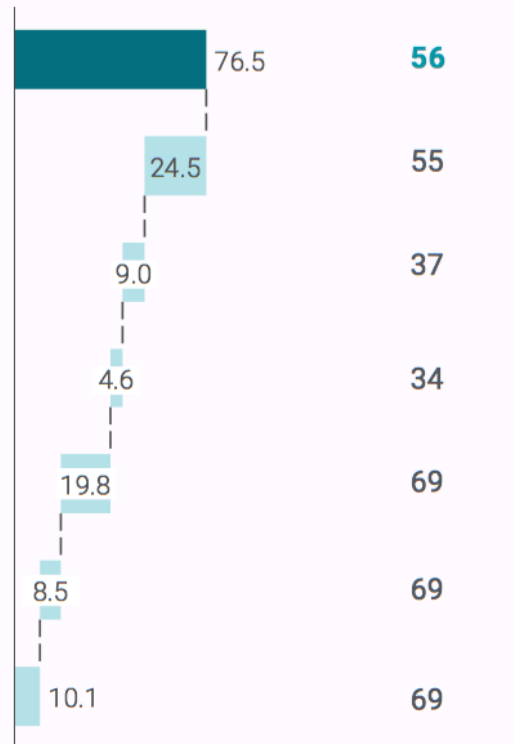
2015

Online hotels + airlines market (\$, billion)



2025

Online hotels + airlines market (\$, billion)



10-year CAGR (%)

15

17

15

15

18

11

10

- **Hotels + airlines to reach ~\$77 billion market by 2025**, bigger than gross booking size of the largest market players in 2015: (Expedia, Inc. = \$60 billion; Priceline = \$55 billion, globally)
- **Indonesia is expected to be the largest market**, comprising 32% of online travel in SEA by 2025 (vs 26% in 2015)
- **Thailand positioned to be the second largest market** in SEA due to booming tourism industry (Bangkok is 2<sup>nd</sup> most visited city in the world<sup>1</sup>)
- **VN, SG and MY will also be sizeable** (~\$8-10 billion)