## Unlocking the next wave of digital growth: beyond metropolitan Indonesia

A study by Alpha JWC Ventures and Kearney in collaboration with Credit Suisse, AWS, and Xiaomi

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## VENTURES KEARNEY

In collaboration with:

**CREDIT SUISSE** 



## **Research methodology**



We collected quantitative and qualitative data with stratified sampling through FGD and in-depth interviews with consumers and multiple industry stakeholders in 13 Tier 2 and Tier 3 cities; and through phone surveys in 23 cities (n=2100+ for end consumers and n=1100 for retailers). Data gathering was commissioned to and conducted by Nielsen Indonesia, while analysis stage was led by Alpha JWC and Kearney

## **Sector coverage** Seven prominent sectors in the digital economy



Notes: Ride hailing includes both transport and food delivery. Business-to-business (B2B) services consist of end-to-end services for B2B (marketing and sales), logistics and shipping, supplier and vendor sourcing, inventory management, bookkeeping, payment and lending services. SME is small and medium-size enterprises.

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# Executive summary

#### Southeast Asia's crown jewel: Indonesia's digital opportunities

2020 was a rocky year for Indonesia with COVID-19 impacting key economic sectors. However, despite the pandemic, 2020 saw large digital investments as funding doubled to about \$4.4 billion.

We also reaffirmed the bright prospect of the country with our interviews revealing that 80 percent of investors and start-ups have a bullish outlook for Indonesia regarding the economy bouncing back and the information and communications technology (ICT) sector continuing to grow post-pandemic.

In short, we believe that even in light of the pandemic, the underlying economy is strong, and Indonesia remains the crown jewel of Southeast Asia's digital opportunities.

Going into 2021, we expect the emergence of one key investment theme: the next wave of growth will be driven by non-metropolitan Indonesia.

#### The next wave of growth: digital beyond metropolitan Indonesia

Our research classified Indonesia's 514 cities and regencies into four tiers: metropolitan (tier 1), rising urbanites (tier 2), slow adopters (tier 3), and rigid watchers (tier 4).

Although the national economy is dominated by tier 1 cities, we expect tier 2 and tier 3 cities to become more important as they outpace the growth of tier 1 cities and expand their share of the national GDP by 3 to 5 percent (\$46 billion to \$77 billion) by 2030.

Despite their strengthening economic might, tier 2 and tier 3 cities are three to five years behind tier 1 cities when it comes to digital adoption. Our correlation is based on survey output: more than 80 percent of the population in tier 2 and 3 cities are digital laggards and the barriers that they reported from doing online activities. Much remains to be done before these cities catch up.

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However, we believe there will be a large prize as the tier 2 and tier 3 digital economy is expected to grow by about 5x by 2025. Investors and start-ups could also expect help from macro tailwinds.

Executive summary

#### Up and coming: insights on key digital sectors

Our analysis reveals several growth patterns in the **B2C sectors** going into 2025:

- Poised for mass adoption. Sectors such as e-commerce, payments, and lending will be close to mass adoption—growing 30 to 50 percent CAGR as higher proportion of population in tier 2 and tier 3 cities start participating in the activities.
- Nascent. Some sectors such as ed-tech and health-tech are expected to grow 4x of the 2020 baseline. Going into 2025, nascent sectors will have laid a strong foundation for continued growth beyond five years.
- Constrained. However, we see ride hailing and food delivery experiencing more modest growth of about 27 to 30 percent CAGR as people continue to prefer their own transportation methods.

We also note the exciting opportunities in SME services. With at least 50 to 90 percent of micro, small, and medium enterprises (MSMEs) not adopting digital solutions, there is a wealth of untapped potential in digitalizing MSMEs. Given the market's large potential, it is no surprise that competition is heating up with social media, SME services and B2C start-ups competing for dominance.

Based on these observation, we expect that about three unicorns will emerge from e-commerce lending and SME services on the back of the growth of the tier 2 and tier 3 cities.

#### Looking forward: much has been done, much remains to be done

The past five years saw great progress on the regulatory and ecosystem front. However, our interviews reveal that much remains to be done.

In the coming five years, key imperatives in infrastructure, talent, consumer education, and access to capital will have to be fulfilled to enable the Indonesian digital ecosystem to flourish and become one of the world's most vibrant ecosystems.

## I. Southeast Asia's crown jewel Indonesia's big digital opportunities



Solid foundation: the current state of the economy and digital in Indonesia Bright outlook: investors and start-ups on Indonesia beyond the pandemic Growing stronger: key growth themes for 2021 and beyond

### Indonesia is well-positioned to be the next digital hub in Southeast Asia

#### Indonesia's economic profile

GDP per capita	Annual GDP growth	Population under 30 years old	Internet users	Investment size
\$4,100	5.0%	51%	<b>197</b> million	<b>\$4.4</b> billion
Indonesia is the largest Southeast Asian economy and the 16th largest economy in the world.	Nominal GDP is rising and forecasted to continue on an upward trajectory at 5% CAGR.	The population is growing and is predominately young, with more than half of the population younger than 30 years old.	The number of Internet users is expected to grow about 5% year over year to reach 250 million users by 2025.	Indonesia has seen increasing investment values, reaching 2.1 billion in 2019 and growing by more than 2x to \$4.4 billion in 2020.

Accelerated digitalization has been driven by increased Internet penetration, rising purchasing power, and infrastructure development—making Indonesia an emerging digital hub.

Sources: Statistics Indonesia, Badan Koordinasi Penanaman Modal, Ministry of Communication and Information Technology, press research; Kearney analysis

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#### A. Solid foundation

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### Even as many sectors were adversely impacted by COVID, ICT has seen a boost

#### Indonesia's economic growth by sector

(Year-on-year, Q3, % change)



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### **Digital investments in Indonesia more than doubled in 2020**



Note: Value is only for investments in start-ups and the digital space. Sources: Crunchbase; Kearney analysis

#### B. Bright outlook

# Unfazed by the pandemic, about 80% of respondents are largely bullish about the Indonesian market



#### Key insights from interviews



Macroeconomic development, the level of innovation, and availability of quality founders are top priorities in determining investments.



The government has been putting a significant effort into boosting the tier 2 and tier 3 start-up ecosystem.



COVID has spurred innovations and accelerated digital adoptions.



Some investors are still cautious because of COVID-induced challenges, such as restricted travel, which is impacting due diligence activities.



Investor outlook indicates higher growth from regions outside of Java post-pandemic.



Dry powder has not been used to its full potential in 2020 and will likely be utilized once the market is reshaped.

#### Investors and start-ups on growth beyond metropolitan areas

Investors and startups can expect a new wave of growth beyond non-metropolitan areas

"There is high untapped potential in tier 2/3 cities. Even though the effort is large, the result can also be rewarding."

Chief executive officer, SME SaaS "The growth expectation in the next one to two years will be outside of Java: 50% of growth will be outside of Java."

Chief commercial officer, lending fintech

"We focus outside of Jakarta. Jakarta is a red ocean, and the **rest of Indonesia is still a blueocean market.**"

Chief executive officer, social commerce

"We are looking to serve the underserved, looking more at tier 2 and 3 cities as they have higher potential and a larger market."

VP investments, corporate venture capital

"Consumers in tier 2/3 cities are rapidly digitalizing. The digital infra has facilitated in people becoming digital very fast."

VP investments, corporate venture capital "There is a clear trend that **demand is going to increase in tier 2/3 cities**, especially as digital penetration increases."

Chief executive officer, lending fintech

Our assertions on digital beyond metropolitan Indonesia



Digital economies in tier 2 and tier 3 cities will grow by 5x in next five years on back of efforts by start-ups and several macro tailwinds.



E-commerce, lending, and payments will be the **biggest categories**, while nascent sectors such as ed-tech and healthtech will **see significant growth from low baseline** 



Two to three **potential unicorns from of e-commerce**, **lending and SME services** will emerge in the next five years on back of the growth of tier 2 and tier 3 cities.



**Six imperatives** in infrastructure, talent development, access to capital, and consumer education will be crucial to winning the global digital race.

## **II. Next wave of growth** digital beyond metropolitan Indonesia

A No second fiddle: growth prospect beyond Metropolitan Indonesia
 B Know your customers: habits and way of life in Non-Metropolitan Indonesia
 C Untapped markets: opportunities and challenges in Non-Metropolitan Indonesia
 D Forces at work: macro tailwinds for start-ups and investors

### We classified Indonesia's cities and regencies into four tiers based on socioeconomic criteria



# The metropolitan area of Greater Jakarta plays an outsized role in Indonesia's economy, accounting for about 24% of national GDP

Economic contribution, selected cities (% to GDP)



Indonesia only has one economic center for the country in Greater Jakarta. No other area comes close in economic prominence.

Given the level of economic prominence, start-up activities and funding often start and remain centered in the Greater Jakarta area up until today.

Sources: BPS, Survei Sosial Ekonomi Nasional 2017; Kearney analysis

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## However, non-metropolitan areas are growing faster and increasing in economic importance

<b>GDP contribution, b</b> (% of total GDP)	y city tiers	
Tiers 2 and 3	~46%	~49–51%
	2020	2030
Jakarta	17%	11–12%
Tier 1	13%	13–14%
Tier 4	24%	24–25%

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Notes: GDP is expected to reach about IDR 21.670 trillion by 2030 (constant 2010 method). Conversion exchange rate: \$1 = IDR 14,000 Sources: Oxford Economics; Kearney analysis

As the country grows and the government intensifies the economic diversification efforts, expect the following:

- The distribution of economic activities will be more equitable between Jakarta and other areas.
- As a result, Jakarta's portion of GDP will decrease by 5–6% by 2030.
- Tier 2 and 3 cities will be more prominent economically, increasing the share of GDP by 3–5%.

We observe three types of consumers across Indonesia based on their online habits

#### **Types of Indonesian consumers**







- Active in keeping up with the latest trends
- More open-minded toward technology and engaging in online activities
- Tend to become the advocate for digital usage among their peers and society

- Up to date with trends in their circle
- Open for activities that are popular or recommended by friends and family
- Average majority considered as the "real consumer" of the digital world

- More cautious in following the latest trends
- More cautious in adopting current technology, often skeptical, and tend to distrust technology
- Late adopter and slow learner of the digital world, need significant education prior to adoption

Low

High

Level of technology adoption

Each type of customer also has different preferences that influence their digital habits

Habits of variou	is types of customers	Usage intensity level: Highest Lowest			
-	Early adopter	Average majority	Laggard		
Shopping	Has high confidence in e- commerce for shopping	Has more confidence in using online shopping	Prefers to purchase items in physical shops		
Work	Uses digital to optimize work activities	Frequently uses digital to chat with and call colleagues	Rarely uses digital to chat with colleagues		
i Information	Relies heavily on the Internet as a main source of information	Uses TV as the main source of information	Uses TV as the main source of information		
Communication	Regularly uses digital for chat and video call	Regularly uses digital for chat and video calls	Uses digital for chats but rarely uses video calls		
Transport	Regularly uses online options for transportation	Uses online transportation only when urgent	Prefers to use their own transportation		
Finance	Regularly uses fintech for transactions	Has yet to fully adopt fintech; frequently uses banks	Prefers to use cash for all transactions		
Health	Uses online consultation for minor symptoms	Prefers physical consultation for credibility	Prefers physical medical consultations		
Meal	Gets food delivered to replace eating out	Prefers to cook meals at home to reduce expenses	Prefers to cook meals at home to reduce expenses		
Education	Uses ed-tech to complement schools	Not yet using online for non- formal education	Not yet using online for non- formal education		

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Sources: Nielsen; Kearney analysis

## A day in the life of early adopters: digital habits ingrained in all daily activities



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<sup>2</sup> Indicative profile due to low sample number for early adopters Sources: Nielsen: Kearney analysis

## A day in the life of the average majority: adopting digital habits, but only for select activities



#### What the average majority think of digital

"Old habits die hard. I can use online, but I still prefer the traditional methods."

#### Profile of the average majority

- Average age: 29 years
- Average monthly expenditure: about IDR 3 million
- Location: Spread across tier 2 cities in Java and outside Java

Shopping	Work	<b>()</b> Information	Communication	Transport	<b>Finance</b>
Confident in online shopping Prefer shopping online only for items that are not available in physical stores	Do not work remotely as much as early adopters Frequently use digital tools to chat and call with colleagues and client	Use TV as the main source of information and entertainment Limit digital use to hobby-related information	<b>Regularly use video calls</b> with friends and family	Rarely use online transportation except when there is no alternative Still prefer to use their own transportation rather than ride- bailing	Yet to adopt m- banking and e- money Still prefer to conduct financial transactions via banks or ATMs

Apps used<sup>1</sup>:















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<sup>1</sup> Apps used from most frequent to less frequent Sources: Nielsen; Kearney analysis

## A day in the life of laggards: still not adopting digital, except for communication



#### What laggards think of digital

"Digital life is expensive and full of uncertainty and requires a steep learning curve."

#### **Profile of laggards**

- Average age: 35 years
- Average monthly expenditure: IDR 2.8 million
- Location: Spread across tier 3 cities



<sup>1</sup> Apps used from most frequent to less frequent Sources: Nielsen; Kearney analysis

### Life is different for Indonesian customers based on where they live

Different income, infrastructure, transportation, and financial habits **lead to different digital behaviors.** 

Life in metropolitan cities (tier 1) is much **more conducive to digital activities:** better connections and higher income to support digital spending.

#### Life in metropolitan cities (tier 1)

- Greater variety of job profiles (blue collar, white collar, creative, and administrative)
- Higher income and expenditure

- Better Internet connections
- More accurate geolocations
- Live in satellite cities
- Bad traffic and longer travel time
- Inadequate public transportation
- High use of bank account as a "wallet"
- More familiar with financial services
- Common use of lending and credit from a bank



#### Income

#### Life in other cities (tier 2 and tier 3)

- Limited variety of job profiles (such as farmers and owners of small shops)
- Lower income and expenditure



- Some "blank spots" without good connections
- Less accurate geolocations

#### Infrastructure



**Transport** 

- Live where they work
- Less traffic and shorter travel time
- Adequate public transportation



Financial habits

- Use of bank account as "savings"
- Less familiar with financial services
- Generally avoid lending and credit

More than 80% of the population in	Consumer proportion, by city category, (% to total)			
non-metropolitan areas are laggards when it comes to adopting	Early adopters	23%	17%	11%
technology Several factors are affecting digital	Average majority	60%	83%	89%
behaviors, including occupation, income, and education—all of which are more conducive to digital adoption in bigger and higher-tier cities.	Laggards	18% Metropolitans (Tier 1)	Rapid urbanites (Tier 2)	Slow adoptors (Tier 3)

Sources: Nielsen; Kearney analysis

## The dominance of laggards in tier 2 and tier 3 cities explains why less than 50% of respondents are aware of most digital activities

Awareness incidence of online activities by sectors

(% of consumers in tier 2 and tier 3 cities)



Sources: Nielsen; Kearney analysis

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#### II C. Untapped markets

## ... as well as a low level of digital activities in all sectors



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Note: Tier 1 is based off Jakarta; definition for e-commerce and payment slightly differ between Jakarta and tier 2 and tier 3. Sources: Nielsen; Kearney analysis

Digital in tier 2 and tier 3 cities is just starting out and is four to five years behind the adoption in tier 1 cities

Current state

Most consumers in tier 2 and tier 3 cities are **still unfamiliar with digital behaviors**, which results in low adoption of digital behaviors.

#### Next five years

The coming five years will be a **familiarization period** where significant education and marketing activities need to happen to develop digital behaviors.



**Digital adoption curve** 

### Lowering the barriers to adoption will be key to unlocking Indonesia's large potential

#### **Overall barriers to adoption**

(% of respondents who did not do online activities in tier 2 and tier 3 cities)



#### Level of ease of use

Most of those not participating in online transactions lack familiarity and understanding about using apps or using the Internet in general.

#### **Price and promotion**

There is a perception of online activities being more expensive than offline because of administrative and shipping fees and availability of cheaper offline substitutes.

#### **Product availability**

There are concerns about product quality because of the inability to touch and feel as well as difficulty in the availability of items.

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Sources: Nielsen; Kearney analysis

## Start-up and investors also need to consider region-specific barriers

#### Ranking barriers of adoptions by geography

		Java		Non
	1	Ease of use	1	Security
A	2	Price and promotion	2	Ease of
	3	Item availability	3	Shipme
	4	Payments	4	Payme
	5	Shipment	5	Price a
	6	Security	6	Item av
	7	Others	7	Others

Sources: Nielsen

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	Non-Java	
1	Security	
2	Ease of Use	B
3	Shipment	
4	Payments	
5	Price and promotion	
6	Item availability	
7	Others	

### Regional nuances on barriers

## A Convenience is key in Java

- Consumers in Java are more concerned with ease of use, price and promotion, and item availability.
- The above barriers suggest that convenience is more important in Java, where digital habits are more widespread.

## **B** Getting basic right is crucial outside of Java

- Non-Java consumers have very different concerns, especially security, ease of use, and shipment.
- As digital habits are still being formed, addressing the fundamentals of digital is important outside of Java.

Investors and startups need a customized approach to nurture their tier 2 and tier 3 markets

### Key implications for investors and start-ups



### Focus on getting the basics right

Basic business building blocks such as having user-friendly apps and websites, reliable delivery and logistics networks, and active marketing operations go a long way in establishing credibility.

**Tier 2 and tier 3 markets behave differently,** with behaviors that are three to five years behind those of tier 1 markets.

Within tier 2 and tier 3 markets, Java and non-Java markets behave differently. Convenience is more important in Java, while getting the basics right is more important outside of Java.



### A nuanced and localized approach is key to awareness

Different regions have different barriers to adoption. Non-Java regions are more concerned about infra-based issues, while Java is more price-sensitive. A different but focused approach is essential for tier 2 and tier 3 cities.

## Invest for the long term



Rolling out new infrastructure and raising awareness in tier 2 and tier 3 cities requires a long-term view of the market. Investors and start-ups need to play the long game in order to succeed.

## By 2025, tier 2 and tier 3 cities will exert their economic power and be key contributors with a larger share of Indonesia's digital economy

**Tier 2 and tier 3 cities proportion to the digital economy** (% of total)



Note: Market size for health-tech and ed-tech are only for the B2C (direct-to-consumer) segment. Sources: Alpha JWC; Kearney analysis

2020

2025f

## Investors and start-ups that keep eyes on the prize stand to dominate an Internet economy that will grow 3-5x by 2025

Indonesia tier 2 and tier 3 Internet economy (\$ billion)



Note: Market size for health-tech and ed-tech are only for the B2C (direct-to-consumer) segment. Sources: Alpha JWC; Kearney analysis

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Several macro factors will act as tailwinds for investors and start-ups

#### Tailwinds for start-ups and investors







- The pandemic greatly accelerated digital adoption.
- Digital habits formed during the pandemic are here to stay: 16% of respondents say they are more likely to use tech because of the pandemic.
- COVID turbocharged awareness: about 20% of respondents became aware of digital activities in several sectors during the lockdown.

- Tier 1 cities such as Jakarta are fast becoming a red ocean as competition intensifies and consumers reach maturity.
- Incumbent and new start-ups are expanding to tier 2 and tier 3 cities.
- Although their expansion might act as competition, it also validates the digital potential of tier 2 and tier 3 cities.

- After the first wave of growth in tier 1 cities, the Indonesian government is no longer a stranger to start-up potential.
- There has been a major government push to encourage digitalization of tier 2 and tier 3 cities, including expanding Internet infrastructure and investing in physical infrastructure.

# **COVID** has accelerated the adoption and awareness of online activities

Likely to engage in online activities (% of respondents)



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## Awareness of online activities

(% of respondents who are aware of activities)

After COVID

**Before COVID** 



 After COVID, 2x more people are more likely to engage in online activities, and the new-found digital habits are likely to stay even after the pandemic.

 About 20% of respondents who are aware of online activities became aware after COVID. The pandemic turbocharged awareness of online activities. Start-ups are expanding to tier 2 and tier 3 cities as tier 1 cities reach maturity in certain segments

Not exhaustive



Tier 1 start-ups are expanding aggressively to tier 2 and tier 3 cities Tier 2 focus mush the p

Tier 2 and tier 3 focused start-ups mushroomed over the past few years Funding for tier 2 and tier 3 focused startups increased over the past two years

- As of July, Mitra
  Bukalapak claimed to
  have 5 million warungs
  in its ecosystem, focused
  on tier 2 and tier 3 cities.
- Tokopedia is expanding to rural villages and signed a memorandum of understanding with the West Java government.
- GrabKios started to establish a presence in about 500 cities and regencies to digitalize warungs.

- Credibook: Credibook is a digital debt management start-up for SMEs on tier 2/3 cities.
- Super: Super is a social commerce platform that enables community leaders in tier 2 and tier 3 cities to be retailers.
- Evermos: Evermos is a social commerce platform that addresses the everyday needs for Indonesian Muslims largely in tier 2 & 3 cities.

 Payfazz received \$53 million in Series B round.

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- GudangAda received
  \$36 million for Seed &
  Series A round.
- Warung Pintar received \$27.5 million in Series B round.
- Amartha received \$18 million in Series B round.
- Tanihub received \$17 million in Series A round.

The government has also been proactive in pushing digital in tier 2 and tier 3 cities

The government has been much more proactive in pushing digital development, and support is more readily available than it was five years ago.

#### Government support for digital development

Digital infrastructure

Expansion of digital infrastructure—such as fiber optic expansion, 4G expansion, and increased R&D support—help to accelerate adoption.

## **Regulatory** infrastructure

A proactive regulatory framework—such as the deliberation of personal data protection bill and OJK fintech regulations—improve consumer confidence in online activities.



Construction of physical infrastructure—such as the Trans-Sumatra Highway, industrial parks, and ports—will help in increasing operational efficiency.

## Talent and capability

There is a renewed push on human capital development pinpointed by the current government administration, such as teacher competency development and applying ed-tech in a formal setting.



Ministry of Finance Regulation No. 53/2020 provided clarity on the start-ups grant from the government, and discussion on tax incentives for local venture capitalists will increase access to capital.

#### **Consumer education**

A government program for user education such as the OJK–BI financial inclusion program, the MICT UMKM Go Digital, and the MOT Bangga Buatan Indonesia—push for greater awareness about digital.

Notes: MICT is the Ministry of Information and Communication Technology; MOT is the Ministry of Trade. Sources: press research; Kearney analysis
# **III. Up and coming** insights on key digital sectors

A B2C growing fast and big: state of B2C digital markets
 B SME services heating up: state of SME services market in tier 2 and tier 3 cities
 C Up and coming: our view on the up-and-coming unicorns

#### III A. B2C growing fast and big

#### Fast forward to 2025: all six B2C sectors will grow under different characteristics



Overall, B2C markets and all sectors will **continue to grow until 2025.** However, the sectors will grow differently:

Mass adoption Moderate growth but large market size

#### Nascent

Rapid growth up to 2025 from an existing low baseline

#### Constrained

Limited growth from the existing baseline up to 2025

Sources: Alpha JWC; Kearney analysis

E-commerce will remain the biggest digital sector in tier 2 and tier 3 cities as adoption becomes mainstream

#### E-commerce tier 2 and tier 3 cities market size (GMV in \$ billion)



Sources: Alpha JWC, Kearney analysis



### Growth on the back of mainstream adoption

- From 2020 to 2025, the population in tier 2 and tier 3 cities will be more familiar with online purchases.
- As a result, e-commerce penetration will increase in tier 2 and tier 3, and by the end of 2025, the GMV proportion will reflect the population proportion.
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E-commerce Len

Lending P

As e-commerce grows, more subsectors will also grow, and related sectors are also poised to benefit

#### Implication of e-commerce growth

Emergence of e-commerce sub-sectors

Growth in traditional e-commerce will make online purchasing behaviors mainstream.

As more people in tier 2 and tier 3 cities adopt e-commerce, **the demand for specialized ecommerce**" will grow.

This will accelerate the emergence of sub-sectors, such as the following:

- Social commerce (Evermos)
- B2B commerce (GudangAda)
- Specific commerce (Carro and TaniHub)



Health-tech

### Growth in other sectors supporting e-commerce

E-commerce is enabled by many other supporting sectors.

As e-commerce grows, other enabling sectors will also see benefits, such as the following:

- Lending will benefit as "pay now, buy later" becomes mainstream.
- Logistics will benefit as the volume of e-commerce purchases grows.
- Payments will increase as result of higher transactions.

Sources: Alpha JWC; Kearney analysis

Consumer lending will grow, riding the wave of increasing online purchase habits **E-commerce** 

Lendina

Familiarization period within tier 2 and tier 3

- Increased acceptance through regulation and cybersecurity measures (OJK stamp) will drive adoption.
- Lending platforms can also expect an increase in adoption through synergies with other digital platforms (e-commerce).

Fintech lending tier 2 and tier 3 market size (total loan in \$ billion)

Health-tech

**Ed-tech** 

Ride and food

Payment



Note: OJK is Otoritas Jasa Keuangan (Financial Services Authority of Indonesia). Sources: Alpha JWC; Kearney analysis

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E-commerce

Lending Payment

#### However, fintech lending still faces constraints that need to be solved to accelerate growth



 Tier 2 and 3 borrowers reported a difficult and cumbersome process while applying for credit, resulting in instances of loan rejections.

- Tier 2 and 3 borrowers reported having difficulties in identifying loans that are appropriate for their purposes.
- <sup>44</sup> The mobile applications are hard to use, and my loan requests keep getting rejected.



- Customers perceive fintech lending to be more expensive in interest and less favorable in repayment tenor than conventional loans.
- Customers also perceive lending to be bad because of their religious and cultural beliefs.
- I am worried because I have heard some bad news, such as scams and high rates that are related to digital lending.



- Suboptimal digital infrastructure in Indonesia results in cited transaction errors and a small participant base.
- The limited lender population has only 0.02 lender accounts for every borrower account.

I am worried that there will be a transaction failure because we don't have good-quality Internet in this region. Lending Payment

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ent Ride and food

Ed-tech

#### Digital payments are expected to grow as the ecosystem and use cases for cashless payments expand



- Beyond e-commerce, digital payments' rise to mainstream is fueled by rapid expansion in acceptance points.
- Regulations had also been favorable, with BI standardizing QRIS, which led to more than 4x growth in points of acceptance since January 2020.
- I just have to access the app on my phone, so I don't have to go to ATM. The app is also easy to use.



Health-tech



Payment

Ride and food Health-tech

**Ed-tech** 

#### The digital payment market is dominated by large players with strong connections to the wider ecosystem—leaving little room for newer players

**Digital payment market share** (% of GTV, 2019) **Penetration strategy** Link with ride-hailing (Grab) and e-commerce ~18-20% OVO (Tokopedia) companies Link with Gojek ecosystem and partnering with 🕞 gopay ~17-19% other start-ups (such as Halodoc) Partnership with other e-commerce players DANA ~8–10% (Bukalapak and Lazada) and transport (Blue Bird) Leverages state-owned enterprises connection for LinkAja ~4–6% points of acceptance S Shopee Pay New entrant but links with Shopee creating ~2-4% meaningful traction Partnership with conventional financial institutions ~1-2% WeChat Pay BRIZZI Fazz SBNI Backed and managed by conventional financial Rekering Pensel ~40-50% institutions and 38 more ~40–50% ~50-60% Total ALPHAJWCVENTURES KEARNEY 44

Six players in the market account for 50-60% of the country's digital payment gross transaction value.

The largest payment players are linked with other players in the ecosystem (such as ecommerce, ridehailing, and transport companies).

Sources: press research; Kearney analysis

Source: BI from press search, Kearney

Lending Payment

nt Ride and food

Ed-tech

The growth of ridehailing and food delivery will be limited in tier 2 and tier 3 cities as the importance of convenience is lower



#### Less penetration in tier 2 and tier 3 cities

Penetration in tier 2 and tier 3 cities will be lower than in tier 1 cities as the **level of importance for convenience from the services will be lower.** (For example, traffic is not a big issue in tiers 2 and 3, so convenience is not a priority.)

- I don't use ride-hailing because most places are quite close to where I am.
  I prefer to use my own transportation.
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#### Ride hailing and food delivery tier 2 and tier 3 market size (GMV in \$ billion)

Health-tech



Note: Penetration is defined by the average monthly active users per capita across food delivery, motorcycle ride-hailing, and car ride-hailing. Sources: Nielsen, Alpha JWC; Kearney analysis E-commerce

Lending Payment

ent Ride and food

Ed-tech

#### Health-tech tier 2 and tier 3 market size (GMV in \$ billion)

Health-tech



### Growing fast but still nascent even in 2025

As of 2020, 97% of health-tech users in tier 2 and tier 3 cities are early adopters.

In 2025, health-tech penetration will increase from about 3% of the population to 16%.

However, the industry will still be nascent and not as widely adopted in comparison to e-commerce, lending, and payment because of the large number of barriers, including quality doctors and clear regulations.



Note: The market size for health-tech is only for the B2C (direct-to-consumer) segment. Sources: Alpha JWC; Kearney analysis

E-commerce L

Lending Payment

Ride and food

Ed-tech

Health-tech

Key to unlocking HealthTech growth is to expand presence and build credibility among tier 2/3 population

### Issues and comments from the ground

#### Fear of misdiagnosis by a doctor

"We don't meet the doctor in person. I'm afraid it's a fraud or hoax. The doctor also can't check our body directly, so how does the doctor know what sickness I am suffering from ?"

#### Not trusting doctors in an app

"I already have a doctor I usually go to. Why would I use the app if I can go to my own doctor, whom I trust more than those doctors in the app?"

#### Still preferring physical consultations

"There is a nearby clinic that I can go to. It is much easier for me to go to the clinic directly than to use app for a consultation."

Sources: Nielsen, Alpha JWC; Kearney analysis

### Implications for start-ups and investors

Crucial to build credibility to penetrate tier 2 and tier 3 cities' population, which could be done via the methods:

- Onboarding local medical personnel or health facilities with significant ties to the community
- Getting local influencers and leaders to endorse the use of health applications for non-urgent medical conditions
- Working with the Ministry of Health and the regulatory bodies to expedite clear regulation and potential escalation in case symptoms do not ease after the virtual consultations

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Ed-tech will see a significant increase in the market size, driven by higher penetration in tier 2 and tier 3 cities

### COVID accelerated the adoption of ed-tech

School closures have had a major impact on the adoption of ed-tech, especially for online content and virtual learning tools.

### Unlock ed-tech's potential requires a systematic push in the system

Ed-tech goes beyond online content and virtual learning tools. However, unlocking the potential requires systematic change in education systems and digital infrastructure.





Note: The market size for ed-tech is only for the B2C (direct-to-consumer) segment. Sources: Alpha JWC; Kearney analysis

E-commerce Lending

However, unlocking full potential will require more systematic push in the education system

#### Why people use the app:

It helps my kids to learn. I am using it because the school asked us to.

#### Why people don't use the app:

The signal depends on the weather here. So, if rain comes when my kids are studying, we have a poor Internet connection, and the signal drops.

#### Factors constraining the growth of ed-tech growth

#### Lack of dedicated devices to support virtual learning

To be effective, online learning and ed-tech in general require decent Internet connections and a dedicated device for every student. Solving connectivity and affordability challenges will be key to unlocking ed-tech's potential.

## Lack of integration with formal education: ed-tech is "good to have" but not a "must have"

Parents are not yet committing to ed-tech as they view it as a "good-to-have" rather than a "must-have" for formal education. Systematic integration with formal education will go a long way to unlocking the full potential.

#### **Digital challenges for Indonesian educators**

Indonesian educators find it challenging to conduct lessons virtually because of a lack of training and low digital literacy. Onboarding younger educators and upskilling current educators will be vital to bridging gap in digital learning.

MSMEs are major contributors to Indonesia's economy

#### **Aspirations for 2025**

Realizing the significance of MSMEs to the national economy, the government has set a target of MSMEs contributing 65% to GDP and 22% of total exports.

Going forward, MSMEs will play a larger role in the national economy.

#### **Contribution of MSMEs to the national economy (2019)**

61% of GDP contributed by MSMEs

#### **97%** of national workforce employed

#### **99%** of all registered businesses are MSMEs

**58%** of investments in country are by MSMEs 14% of total exports are made by MSMEs

## However, Indonesian MSMEs are not their realizing their full potential since most take a passive approach—not actively performing business activities at all

#### Prevalence of business activities among MSMEs

(% of total MSMEs respondents in tier 2 and tier 3 cities)



Note: MSMEs are micro, small, and medium enterprises. Supplier sourcing refers to actively searching for new suppliers and new products, comparing prices. Not actively performing this means doing business as usual.

Sources: Nielsen; Kearney analysis

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## Adoption of online methods is still minimal, even among MSMEs that are actively managing businesses

#### Incidence of online activities

(% of MSMEs that performed activities)



MSMEs that are active are still more comfortable performing activities offline.

The low prevalence of online activities despite some categories marketing, sales, and logistics—have less than 30% awareness among MSMEs.

Relatively high awareness, but low incidence suggests the need for more intense onboarding efforts to familiarize and encourage digital adoption in MSMEs. Overall, more than 80% of MSMEs in tier 2 and tier 3 cities adopt a waitand-see mentality when it comes to digital practices





Given the strong potential for MSMEs, digital solutions for end-to-end SME services are springing up



## Social media giants are ramping up their shop offerings and positioning themselves as total SME solutions

Social media as a total SME solution



Social media (Facebook, WhatsApp, Instagram) are by far the most used apps for marketing, sales, and sourcing platforms among active SMEs.

### Social media as an MSME super app

- Social media companies have been ramping up their store functions.
- They are widely adopted as MSMEs are already familiar from using them in personal life.
- Social media giants might aim to follow WeChat's evolution in China to be an MSME super-app.

WeChat as MSMEs super-app in China

- WeChat offers a marketing platform to users beyond retail reach.
- WeChat plays the role of storefront and sales platform.
- WeChat offers other services (such as geo-location and customer services) as part of its SME solutions.

## At the same time, dedicated SME services start-ups are also pursuing the market

Start-ups in SME services market



### 

Not Exhaustive

Indonesia-based, **Southeast Asia leading last-mile delivery services** with more than 2 million daily delivery in 2020



Largest B2B e-commerce player in Indonesia with a presence in more than 500 cities and \$700 million of monthly GMV processed



**Pioneer in MSME funding in Southeast Asia** with more than IDR 20 trillion (\$2 billion) processed from about 3.6 million in total loans as of January 2021



**Indonesia's leading bill payment platform** processing millions of payments daily and is official partner of more than 200 online partners

## While traditional B2C start-ups are also expanding to adjacent SME services

#### Traditionally, B2C **Observed B2C to B2B Expansion** Not exhaustive start-ups are expanding to adjacent SME **B2C** core **B2B** expansion **Example case** services: - Started in ride-hailing SME services - Expanded to delivery and payment (B2B) unit - Acquired Moka (inventory management and economics are gojek bookkeeping) Shipping and logistics Bookkeeping Inventory more favorable management and payment - Launched GoBiz: consolidated MSME solution than B2C. **Ride hailing** – B2C start-ups - Started in e-commerce could leverage ... - Launched Shopee Xpress logistic provider core B2C Launched ShopeePay e-money 6 offerings to Shopee Shipping and Bookkeeping Lending - Launched lending services (SPinjam) for seller capture value by logistics and payment offering SME E-commerce services.

Digital could be a game-changer for Indonesian MSMEs, but significant efforts from start-ups and investors will be requiried

### Current state of Indonesian SME services market

Most MSMEs do not actively manage their businesses.

Most MSMEs are not actively managing businesses even offline.

Most are comfortable with the status quo, more concerned about maintaining income than about having a thriving business.

### Competition is intensifying from social media and B2C start-ups.

Large social media apps (such as Facebook, WhatsApp, and Instagram) are ramping up MSME offerings.

At the same time, traditional B2C players (such as ride-hailing and e-commerce) are also making a big push to SME services and leveraging core B2C offering to capture value of SME services. Implications for start-ups and investors

Start from the basics and build a clear value proposition from MSMEs.

Educating MSMEs with "handholding" to adopt digital for more active management is key.

Many MSMEs have no idea about the upside they are missing. The value proposition needs to be clearly laid out to encourage adoption.

#### Carving out a niche in an increasingly crowded market is crucial to success.

Investors and start-ups will have to adapt and think about how to compete against social media and B2C giants.

This could be achieved by carving out a niche in the enablers where they are not active in or by leveraging functionalities already offered by social media and B2C giants to enrich own offerings.

#### III C. Up and Coming

## Based on our observations, we expect three unicorns from three large categories in the next five years



### In e-commerce, Evermos becomes Indonesia's largest social commerce platform by adopting reseller-based model for Indonesia's tier 2 and tier 3 cities

#### Data provided by: $E V E R M \stackrel{*}{\approx} S$



#### Overcoming e-commerce trust barrier among tier 2 and tier3 consumers

Instead of being just another e-commerce player, Evermos brings a curated "threesided marketplace" connecting brand owners to resellers to end customers.

This model allows Evermos to grow beyond tier 1 cities as most consumers outside of tier 1 are still not comfortable with online purchases.

#### Creating an inclusive economy and improving SME competitiveness

By adopting a social commerce model, Evermos aspires to be the largest economic empowerment platform and ecosystem in the country by creating an inclusive economy and improving SME competitiveness.

Note: GMV is gross merchandise value; SME is small and medium-size enterprise. Sources: Evermos; Kearney analysis

#### III C. Up and coming

## In lending, Kredivo sees non-tier 1 cities as up and coming markets that are driving growth across key metrics

#### Significant growth of non-tier 1 cities across key metrics in 2020



Data provided by:



Founded in 2016, Kredivo is a major digital credit company in Indonesia and has served about **3 million users** and partnered with about **1,000 companies.** 

Since then, it has been **expanding coverage to T2 and T3 cities**. Now everyone with a smartphone and access to the Internet can apply for a basic account.

As Kredivo refines its credit assessment model, **more users** from T2 and T3 cities will qualify for loans while keeping risks comparable to mid-top tier banks in Indonesia.

Further, FinAccel (ParentCo) now eyes expansion to serve underbanked and underserved segments in Indonesia with its new KrediFazz, which provides P2P personal loans and productive lending.

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Note: GMV is gross merchandise value; P2P is peer-to-peer. Sources: FinAccel; Kearney analysis

In SME services, GudangAda establishes itself as leading B2B ecommerce player by serving more than 300,000 merchants beyond tier 1 cities in Indonesia Data provided by:

🙀 gudangada

GudangAda is Indonesia's **fastestgrowing, and currently largest**, FMCG B2B marketplace platform.

It aims to **empower the whole FMCG ecosystem by using technology** to provide one-stop solutions from marketplace, logistics, financing, data, and other services.

The company facilitates **bulk transactions between FMCG traders (buyers and sellers) and principals**, enabling faster inventory turnover, better buying price, and a larger pool of customers and product selection.

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Non-tier-1 cities are important growth drivers for GudangAda (2020)

More than 300,000 active users (merchants)

500 cities with GA network More than 600 million monthly GMV processed

**50%** of GMV from non-tier-1 cities

**60%** of users from non-tier-1 cities

Note: SME is small and medium-size enterprise; B2B is business-to-business; FMCG is fast-moving consumer goods. Sources: GudangAda; Kearney analysis

### **IV. Looking forward:** much has been done, much remains to be done



Much has been done: ecosystem wish list and progress Much remains to be done: key imperative to successes We interviewed prominent investors and start-ups on key considerations to boost digital adoptions Select quotes on keys to boost digital adoption

"When digital infra improves along with government's increased push for user education, there will be a lot more focus outside of Java."

"Social economics and physical infrastructure are the main driving factors of the difference in tier 1 versus tier 2 and tier 3 cities."

"Requirements for foreign investors should be lighter. It is still very complicated for foreign VCs to invest."

**"Talent development in tier 2 and 3 cities is key.** It's difficult to recruit outside talent as many are not willing to move out from big cities."

**"Local capital development** is important to fund entrepreneurs in tier 2 and tier 3 cities."

"The social behaviors in tier 2 and 3 needs to change; you have to educate the users—and social presence here is important."

#### From our interviews, we identified six enablers for digital adoption



#### A. Much has been done IV

The government has deployed initiatives to improve Indonesia's digital ecosystem

Key developments across six areas							
	Digital infrastructure	10101C 210101 10101C	Accelerated digital infrastructure development. Allocated \$30 billion, largely dedicated to improving digital connectivity in 2021				
	Physical infrastructure		Accelerated focus on physical infrastructure spending. Planned investment of \$430 billion from 2020–2024 (20% increase from 2015–2019)				
	Regulatory infrastructure	鼠	<b>Proactive regulatory framework.</b> For example, the passing of the Job Creation Law, OJK digital banking, and fintech lending licenses				
	Talent and	<u>000</u>	Renewed focus on digital talent development. For example, public-				

elopment. For example, publicprivate partnership between the MICT, Google, and LinkedIn and an educator competency push

Access to capital

capability

Laid out foundation for access to capital. For example, the passing of Ministry of Finance Regulation No. 53/2020 on government investment and the Job Creation Law that allows foreign investments in MSMEs

Consumer education

**Implemented digital inclusion programs.** For example, OJK–BI financial inclusion program, MICT UMKM Go Digital, and MOT Bangga Buatan Indonesia

Notes: MICT is the Ministry of Information and Communication Technology; MOT is the Ministry of Trade; MSMEs are micro, small, and medium ALPHAJWCVENTURES KEARNEY 66 enterprises.

However, several imperatives need to be accelerated

Going forward, the government should look to these imperatives as a quide in policy development and execution so that the

Indonesian Internet economy can flourish, especially in tier 2 and tier 3 cities.

Key imperatives to accelerate digital adoption

10101C Digital **1010IC** infrastructure **Physical** infrastructure

Widen **connectivity penetration**, and improve connectivity speed.



Enact timely, transparent regulations that facilitate ease of doing digital business.



Facilitate access to capital to start-

ups via fair investments regulations and transparent risk sharing and explore partnerships with private institutions.



Strengthen connectivity, and facilitate commerce across the nation.



Prioritize competency development in digital, such as vocational training in collaboration with industry.



Promote the use of digital solutions, and increase digital literacy across all segments of population.

#### Prominent countries with flourishing digital ecosystem are pushing to achieve key imperatives

#### Race to fulfill key imperatives



The 14th Five-Year-Plan pushed for progress across key imperatives to be a global digital powerhouse.



A series of initiatives (including **Digital India and Start-Up India**) was launched and accelerated key imperatives.



The **Digital New Deal** was launched for key imperatives (such as investing in 5G and R&D funding) for a digital future.



The **Society 5.0** policy transforms society by blurring cyberspace and physical and includes a commitment to develop key imperatives.



#### Top Asia Pacific countries with the most unicorns (2020, excluding Indonesia)

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China's 14th Five-Year **Plan signaled a** central government focus on key imperatives to be a global technology powerhouse in the next five years

China's 14th Five-Year Plan lays out a vision where China achieves quality economy growth via innovation and technology.

If successful, China is expected to make huge progress across all key imperatives required to accelerate digital economy.



China's Five-Year Plan to be a digital powerhouse

010101 101010 Digital infrastructure

101010

**\$1.4 trillion of investment** in new infrastructure (such as big data, 5G, artificial intelligence, and cloud computing) in the next five years



Regulatory infrastructure



**Talent and** capability Maintaining an "opening-up" policy (such as reducing the negative list and attracting an FDI inflow) and enhancing property rights protection

Shifting focus to education quality

- build world class colleges,



accelerate development of modern vocational education, industry-linked education system



**Encouraging international** collaboration in key technologies by commercializing research and revitalization of national R&D

Access to capital

China as

global

technology

powerhouse

## While India has launched a comprehensive approach for developing key imperatives to accelerate its digital economy



#### India government digital approach

Not Exhaustive

	Digital Digital Digital Digital Digital Digital	Physical infrastructure	Regulatory infrastructure	• <u>○</u> •••••••••••••••••••••••••••••••••••	Access to capital	Consumer education
	BharatNet Project	Bharatmala Pariyojana	Make in India	FutureSkills Prime	Startup India	Digital India
Digital programs	Special-purpose vehicle by India's government to create a National Optical Fiber Network	Government- sponsored 34,500- kilometer road and highways project that will connect 80% of all districts, including rural areas	Initiative in improving the ease of doing business with tax exemptions and protecting minority investors	Public–private collaboration with NASSCOM, offering lessons on digital skills, such as big data	Program to build a strong digital ecosystem via start-up funding, handholding, and incubation	National digital program that aims for digital empowerment for citizens among others
Progress and outcome	<b>100,000</b> more villages connected (December 2017)	2,900 km roads constructed (August 2020)	<b>142nd→63rd</b> World Bank EODB rank (2014–2019)	<b>200,000</b> professionals trained (December 2019)	About 193 start-ups funded (March 2019)	More than 20,000 government services digitized (January 2021)

Note: NASSCOM is the National Association of Software and Service Companies; EODB is ease of doing business. Sources: Digital India, Startup India, FutureSkills PRIME; Kearney analysis

#### Other countries around the world are also racing to achieve key imperatives

Digital infrastructure	Thailand	Robust national strategy for network penetration through the Thailand 4.0 initiative, achieving about 66% 4G penetration by 2018 (above Southeast Asia's average), despite a large rural population
Physical infrastructure	Australia	Significant initiatives in regional development, such as the Towards 2030 program, which outlines the national plan in <b>increased spending for rural infrastructure development</b>
Regulatory infrastructure	Estonia	Established e-governance to cover large scope of digital services by partnering with public companies to enable the service (such as banks for e-payment and health institutions for e-health)
Talent and capability	Malaysia	National upskilling through the Human Resource Development Fund, which provides vocational training in digital skills (software development and data analytics)
Access to capital	<b>G</b> Singapore	Various start-up grants by government agencies (such as Startup SG Founder and Startup SG Tech) and match funding from private investors
Consumer education	South Korea	ICT is integrated within all levels of national education, resulting in one of the world's most digitally literate populations

### Unlocking the potential of the digital economy requires solving interlinked issues


#### Government and private-sector collaboration

Government

#### Not exhaustive



МІСТ	Widen <b>connectivity penetration</b> , improve <b>connectivity speed</b> , and ensure <b>cyber and data security</b> .	10101C 210101 10101C	Digital infrastructure	_
MPW MOT	<b>Strengthen connectivity</b> , and facilitate commerce across the nation.		Physical infrastructure	_
All ministries	Create <b>timely, transparent</b> <b>regulations</b> that facilitate the ease of business.	氲	Regulatory infrastructure	_
MOE MOM	"Future-proof" the workforce by prioritizing <b>digital skills and</b> <b>competency</b> across the workforce.		Talent and capability	
MOF BKPM	Facilitate access to capital via favorable regulations, and promote Indonesia's digital ecosystem.	<b>(3)</b>	Access to capital	
KEMENTERIAN REPRESENTATION MSME MTrade	<b>Promote use of digital solutions</b> for people and MSMEs (such as use e-commerce for domestic products.)	***	Consumer education	

#### **Private sector**

- Proactively engage and communicate key issues.
- Provide key inputs on government digital policies.
- Actively participate in national digitalization program:
  - Develop a digitally enabled workforce.
  - Invest in digital solutions.
  - Participate in a public–private partnership on digital.

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Notes: MICT is the Ministry of Information and Communication Technology; MPW is the Ministry of Public Works and Public Housing; MOT is the Ministry of Transport; MOE is the Ministry of Education; MOM is the Ministry of Manpower; MOF is the Ministry of Finance; BKPM is the Badan Koordinasi Penanaman Modal; MSME is the Ministry of Micro, Small and Medium Enterprises; MTrade is the Ministry of Trade.

### **Reiterating our assertions:**

digital potential beyond metropolitan Indonesia



For the next five years, the tier 2 and tier 3 digital economy will **clock 5x growth into 2025 as mass adoption begins** in several sectors on the back of efforts by start-ups and macro tailwinds.



E-commerce, lending, and payments will emerge as the biggest sectors as mass adoption starts, while nascent sectors such as health-tech and ed-tech will experience significant growth from low baseline



As a result of mass adoption, **two to three potential unicorns from e-commerce, lending and SME services** will emerge in the next five years.



**Six imperatives** in infrastructure, talent, consumer education, and access to capital will be crucial for the digital ecosystem to flourish as one of the world's best.

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#### **About Alpha JWC Ventures**

Alpha JWC Ventures is an early to growth-stage Southeast Asian venture capital firm with an Indonesia+ angle. Over the years, Alpha JWC has established a strong reputation and clear positioning in the market as the leading venture capital firm that has one of the largest on-the-ground teams in Indonesia with a global network. Its debut fund of US\$50 million was launched in 2016 as Indonesia's first independent and institutional early-stage venture capital fund. Since then, the first fund has been invested in 23 companies in Southeast Asia, mostly in Indonesia, which more than 90 percent of them have received follow-on funding and 3 have been acquired by global companies. The firm's second fund was closed in 2019 and has been invested in 20 fast-growing companies by Q4 2020. www.alphajwc.com

#### **About Kearney**

As a global consulting partnership in more than 40 countries, our people make us who we are. We're individuals who take as much joy from those we work with as the work itself. Driven to be the difference between a big idea and making it happen, we help our clients break through. <u>www.kearney.com</u>

#### **About Credit Suisse**

Credit Suisse is one of the world's leading financial services providers. Our strategy builds on Credit Suisse's core strengths: its position as a leading wealth manager, its specialist investment banking capabilities and its strong presence in our home market of Switzerland. We seek to follow a balanced approach to wealth management, aiming to capitalize on both the large pool of wealth within mature markets as well as the significant growth in wealth in Asia Pacific and other emerging markets, while also serving key developed markets with an emphasis on Switzerland. Credit Suisse employs approximately 48,770 people. The registered shares (CSGN) of Credit Suisse Group AG, are listed in Switzerland and, in the form of American Depositary Shares (CS), in New York. Further information about Credit Suisse can be found at <u>www.credit-suisse.com</u>.

#### About Amazon Web Services

For almost 15 years, Amazon Web Services has been the world's most comprehensive and broadly adopted cloud platform. AWS has been continually expanding its services to support virtually any cloud workload, and it now has more than 200 fully featured services for compute, storage, databases, networking, analytics, machine learning and artificial intelligence (AI), Internet of Things (IoT), mobile, security, hybrid, virtual and augmented reality (VR and AR), media, and application development, deployment, and management from 77 Availability Zones (AZs) within 24 geographic regions, with announced plans for 18 more Availability Zones and six more AWS Regions in Australia, India, Indonesia, Japan, Spain, and Switzerland. Millions of customers—including the fastest-growing startups, largest enterprises, and leading government agencies—trust AWS to power their infrastructure, become more agile, and lower costs. To learn more about AWS, visit <u>www.aws.amazon.com</u>.

#### **About Xiaomi Corporation**

Xiaomi Corporation was founded in April 2010 and listed on the Main Board of the Hong Kong Stock Exchange on July 9, 2018 (1810.HK). Xiaomi is an internet company with smartphones and smart hardware connected by an Internet of Things (IoT) platform at its core. With an equal emphasis on innovation and quality, Xiaomi continuously pursues high-quality user experience and operational efficiency. The company relentlessly builds amazing products with honest prices to let everyone in the world enjoy a better life through innovative technology. Xiaomi is currently the world's third-largest smartphone brand and has established the world's leading consumer AloT (AI+IoT) platform with 289.5 million smart devices connected to its platform, excluding smartphones and laptops. Xiaomi products are present in more than 90 markets around the world. In August 2020, the company made the Fortune Global 500 list for the second time, ranking 422nd, up 46 places compared to the previous year. Xiaomi also ranked 7th among internet companies on the list. Xiaomi is a constituent of the Hang Seng Index, Hang Seng China Enterprises Index and Hang Seng TECH Index. For more information about Xiaomi as a company, please visit https://blog.mi.com/en/

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# Unlocking the next wave of digital growth: beyond metropolitan Indonesia

In collaboration with:



