How Southeast Asia Buys and Pays

Driving New Business Value for Merchants
eCommerce and Digital Payments: A Story of Big Numbers in SEA

The fundamentals of a spectacular growth in digital payments are set for Southeast Asia (SEA – the six markets of Indonesia, Malaysia, Philippines, Singapore, Thailand, and Vietnam). Economic transformation, favorable demographics, and rapidly changing customer lifestyles all make for a story of big numbers.

While ecommerce is already booming with 222 million users in 2020, it is estimated to grow further to an estimated 411 million users in 2025, fueled by the emergence of new payment methods. Digital payment methods such as mobile wallets and buy now pay later (BNPL) are shifting transactional behavior away from incumbent payments such as cash on delivery. These new payment methods offer customers who do not own cards the option to purchase more seamlessly and with greater convenience.

From 2020 to 2025, it is estimated that **188.6 million new users** will begin using ecommerce.

Imagine a **quarter of a billion people** using mobile wallets for the first time by 2025.

Almost **100% growth** in mobile banking users, most of it seen in the first two quarters of the global pandemic.

What this means for merchants

There is a **golden opportunity for merchants in and outside SEA selling online to leverage these payment shifts by supporting increasingly popular, newer online payment methods.** In the following pages, we analyze these payment trends in SEA and examine how in these markets, consumers, national payments initiatives, fintechs, and digital ecosystems are fueling the growth of digital payments. Merchants need a truly agile payment platform to open new markets and capture a whole new world of possibilities in digital payments.

**TREND**

**SEA ecommerce users**

<table>
<thead>
<tr>
<th>2020</th>
<th>2025E*</th>
</tr>
</thead>
<tbody>
<tr>
<td>222.4</td>
<td>411.0</td>
</tr>
</tbody>
</table>

**TREND**

**SEA mobile wallet users**

<table>
<thead>
<tr>
<th>2020</th>
<th>2025E</th>
</tr>
</thead>
<tbody>
<tr>
<td>154.1</td>
<td>404.0</td>
</tr>
</tbody>
</table>

**TREND**

**SEA mobile banking users**

<table>
<thead>
<tr>
<th>2020</th>
<th>2025E</th>
</tr>
</thead>
<tbody>
<tr>
<td>175.1</td>
<td>345.0</td>
</tr>
</tbody>
</table>

Sources: IDC Digital Economy Model – Asia/Pacific 2021, Central bank data
SEA: An Emerging Digital Powerhouse

A digital economy of almost US$280\(^1\) billion is predicted to emerge in SEA by 2025. The digital economy is being fueled by a fast-growing ecommerce market, sharing economy services, online travel, and other digital services which have become much more accessible to the region’s almost 700 million residents. The sheer size of growth will be spectacular.

### Total digital economy\(^2\) gross merchandise value (GMV) ($ Billion)

<table>
<thead>
<tr>
<th>Year</th>
<th>SEA</th>
<th>Japan</th>
<th>South Korea</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>120.8</td>
<td>165.9</td>
<td>95.3</td>
</tr>
<tr>
<td>2025E</td>
<td>276.4</td>
<td>279.5</td>
<td>181.9</td>
</tr>
</tbody>
</table>

The SEA digital economy is projected to grow to US$276.4 billion by 2025, higher than major internet markets such as South Korea and comparable to Japan. Share of total consumer spend on digital services in SEA will also double from 5.3% in 2020 to 11.2% by 2025.

### SEA total digital economy GMV (% of total consumer payments)

- 2020: 5%
- 2025E: 13%

Digital economy GMV is predicted to make up 13% of SEA consumer payments by 2025, a 160% jump from 2020.

### SEA total digital economy spend per capita

- 2020: $185
- 2025E: $400

Spending on digital services per capita (total population) will rise to over $400 by 2025, a rise of 116%.

### SEA ecommerce GMV by payment method ($ Billion)

<table>
<thead>
<tr>
<th>Year</th>
<th>Cards</th>
<th>Domestic payments</th>
<th>Mobile wallets</th>
<th>BNPL</th>
<th>Other Alternative Payment Methods (eg. Cash)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2025E</td>
<td>55.5</td>
<td>50.5</td>
<td>48.1</td>
<td>8.8</td>
<td>16.9</td>
</tr>
<tr>
<td>2020</td>
<td>21.8</td>
<td>19.4</td>
<td>12.8</td>
<td>13.8</td>
<td>68.7</td>
</tr>
</tbody>
</table>

Digital Payments: 91%

Digital Payments: 80%

Ecommerce spending will rise by 162% by 2025 and digital payments will grow in usage to 91% of total ecommerce payments by 2025 from 80% in 2020.

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\(^1\) All currency units in this document are US dollars unless otherwise specified.

\(^2\) Digital economy defined as total GMV of ride hailing, sharing economy services, ecommerce, online travel, online video and media and gaming.

Sources: IDC Digital Economy Model – Asia/Pacific 2021; IMF

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Retail and Consumer Trends Are Driving Change

**eCommerce is now a core consideration**
- Prior to 2020, ecommerce had been growing steadily but prolonged lockdowns across most of SEA during COVID-19 drove consumers to ecommerce platforms for many of their daily needs. IDC tracked a **62% increase in ecommerce transactions** in SEA in 2020 over 2019, from $39 billion to $63 billion, and predicted transactions to hit $172 billion by 2025.
- The shift to ecommerce for many consumers will be permanent. eCommerce is no longer an afterthought but core to business operations. With a broader demographic now using ecommerce out of necessity, a wider choice of payment options should be offered to cater for the **unbanked or underbanked population**. A greater range of payment methods should also be made accessible and affordable to various income groups.

**Social selling: combining ecommerce and entertainment**
- An ecommerce marketing method unique to Asia, ‘social selling’ involves live webcasts and other campaigns designed to **introduce products and conduct sales ‘live’ to consumers**. Such events became highly popular during 2020, with leading SEA ecommerce platform Lazada seeing month-on-month increases in views of 45% in that year.
- Though selling mostly locally, the webcasts sometimes reach out to an international audience, allowing sellers to quickly capture a larger market and, potentially, new customers worldwide. GMV generated in an hour of social selling can be 40 times that of a standard hour, according to Lazada.
- Social selling is used by both large companies and smaller ones and has caught the attention of ecommerce, social media, and payment platforms which are now providing the tools and infrastructure to support secure online transactions.

**Local payment methods: a demand for more options**
- The payment landscape in SEA is becoming increasingly diverse. From 2020 to 2025, **mobile wallets and BNPL for ecommerce are growing at an average rate of 30% and 58% respectively**, and continue to co-exist alongside longstanding payment methods such as cards and cash on delivery in most markets.
- Adding to the complexity is the hyper-localization of payments in each market. Whereas cards from the major international brands are generally accepted across all markets, local payment methods are mostly exclusively used in their home countries. In addition, the payment scene is immensely dynamic; as new players enter the market, current leaders may be quickly displaced.

**Key implications for merchants**
- A merchant needs to consider a myriad of payment options to optimize opportunities in the region.
- Options across the range of payment types should also be explored, from cards to wallets for the unbanked, to BNPL for helping customers spread costs. A clear payment strategy and the knowledge to implement those plans will be essential to provide optimum coverage for potential customer choices in payments.
- Payment options that enable international access will be crucial for those engaged in cross-border business.

Sources: IDC Digital Economy Model – Asia/Pacific, 2021; Lazada 2020
Payment Methods Are Rapidly Evolving in SEA
The growth of digital payments is accelerated by COVID-19

As digital commerce expands in the region, a variety of alternative payment methods have sprung up to enable customers to pay without using cards and cash as some markets have low card penetration. This growth in payment methods has been further accelerated by pandemic conditions.

Major gainers across the region include domestic payments, mobile wallets, and BNPL, all of which offer cardless options for online payments, providing convenience and security, and are increasingly accepted by merchants. IDC data and insights here show the growth of various payment methods, comparing 2022 (expected post-pandemic era) to 2019 (pre-pandemic era), as well as estimations on how this digital acceleration in payments will pan out by 2025.

**INDONESIA**

<table>
<thead>
<tr>
<th>Payment Method</th>
<th>2019</th>
<th>2022E</th>
<th>2025E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cards</td>
<td>16%</td>
<td>11%</td>
<td>6%</td>
</tr>
<tr>
<td>Domestic payments</td>
<td>23%</td>
<td>28%</td>
<td>32%</td>
</tr>
<tr>
<td>Mobile wallets</td>
<td>30%</td>
<td>30%</td>
<td>28%</td>
</tr>
<tr>
<td>BNPL</td>
<td>1%</td>
<td>2%</td>
<td>6%</td>
</tr>
<tr>
<td>Others</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
</tr>
</tbody>
</table>

**MALAYSIA**

<table>
<thead>
<tr>
<th>Payment Method</th>
<th>2019</th>
<th>2022E</th>
<th>2025E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cards</td>
<td>13%</td>
<td>11%</td>
<td>8%</td>
</tr>
<tr>
<td>Domestic payments</td>
<td>22%</td>
<td>22%</td>
<td>22%</td>
</tr>
<tr>
<td>Mobile wallets</td>
<td>37%</td>
<td>39%</td>
<td>39%</td>
</tr>
<tr>
<td>BNPL</td>
<td>1%</td>
<td>2%</td>
<td>5%</td>
</tr>
<tr>
<td>Others</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
</tr>
</tbody>
</table>

Source: IDC consumer payments survey Asia/Pacific 2020

IDC InfoBrief: How Southeast Asia Buys and Pays: Driving New Business Value for Merchants  
IDC Doc. #AP241267IB  
Sponsored by 2C2P
Payment Methods Are Rapidly Evolving in SEA (Cont.)

**eCommerce payments breakdown by markets, 2020-2025E**

<table>
<thead>
<tr>
<th>PHILIPPINES</th>
<th>SINGAPORE</th>
<th>THAILAND</th>
<th>VIETNAM</th>
</tr>
</thead>
<tbody>
<tr>
<td>$3B</td>
<td>$2B</td>
<td>$5B</td>
<td>$5B</td>
</tr>
<tr>
<td>$4B</td>
<td>$4B</td>
<td>$9B</td>
<td>$7B</td>
</tr>
<tr>
<td>$15B</td>
<td>$8B</td>
<td>$24B</td>
<td>$29B</td>
</tr>
</tbody>
</table>

**% change in market share 2019 to 2025**

- Cards: +3%
- Domestic payments: +2%
- Mobile wallets: +11%
- BNPL: +4%
- Others: -20%

**Major gainers:** mobile wallets, BNPL, cards, domestic payments.

**Source:** IDC consumer payments survey Asia/Pacific 2020

**Singapore**
- Singapore has the most mature online payment landscape and has high usage of cards.
- The online payment landscape remains the most unaltered during the pandemic as it was already leading the region in the use of digital payments.
- Cards are likely to remain a staple even in 2025.
- Cash on delivery was still popular in 2019, and is predicted to decline by 2025.

**Thailand**
- Thailand has seen fast digital payments growth fueled by new payment tools from banks and fintech players.
- Cash on delivery was still popular in 2019, and is predicted to decline by 2025.

**Vietnam**
- An emerging growth spot and one which shares similar trends with other emerging SEA markets in its lack of digital payments.
- Cash on delivery was popular in 2019 but is predicted to dramatically decrease by 2025.
- Major moves by local and international wallet brands to convert Vietnamese to digital payments have begun, backed by both private and public sectors.

**Major gainers:** mobile wallets, BNPL, cards, domestic payments.

**Note:** GTV = Gross Transaction Volume
Payment Methods That Will Shape the SEA Payment Landscape

Mobile Wallets

Main tool in enabling payments for the cardless and unbanked

By 2025, of the 250 million new mobile wallet users in SEA, 100 million will come from Indonesia and 30 million each from Philippines and Vietnam.

- Mobile wallet payments for ecommerce transactions will rise from 19% in 2020 to 27% by 2025, making this payment method a major force shaping the future payment landscape in the region.

- Mobile wallets fill a key role in facilitating online and offline purchases for SEA consumers in the absence of cards and point-of-sale devices at brick-and-mortar outlets. Mobile wallets are still largely bound by smaller transaction limits unlike online banking payments, making them unsuitable for large ticket purchases.

- A host of local and international players offer mobile wallet platforms, many of which are tied to larger digital ecosystems such as ecommerce or ride hailing platforms.

### SEA mobile wallet users (Million)

<table>
<thead>
<tr>
<th>Country</th>
<th>2020</th>
<th>2025E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>154.1</td>
<td>404.1</td>
</tr>
<tr>
<td>Malaysia</td>
<td>13.6</td>
<td>18.6</td>
</tr>
<tr>
<td>Philippines</td>
<td>27.2</td>
<td>65.2</td>
</tr>
<tr>
<td>Singapore</td>
<td>1.5</td>
<td>41.9</td>
</tr>
<tr>
<td>Thailand</td>
<td>61.6</td>
<td>61.6</td>
</tr>
<tr>
<td>Vietnam</td>
<td>18.3</td>
<td>43.3</td>
</tr>
</tbody>
</table>

By 2025, SEA will see 250+ million new users representing a 1.6x increase from 2020.

Figures may not add up to total due to rounding.

### SEA mobile wallet spend on ecommerce ($ Billion)

<table>
<thead>
<tr>
<th>Year</th>
<th>2020</th>
<th>2025E</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>12.8</td>
<td>48.1</td>
</tr>
</tbody>
</table>

By 2025, mobile wallet spend will grow by $35.3 billion representing a 2.8x increase from 2020.

Source: IDC Digital Economy Model – Asia/Pacific 2021
Payment Methods That Will Shape the SEA Payment Landscape
Buy Now Pay Later

Growing in popularity in SEA

- BNPL is increasingly popular in SEA with fintechs, ecommerce, ride hailing, and travel businesses aggressively offering it. Many payment providers including non-banks, banks, card companies, and card networks offer this service, but the key issuance principles remain the same.

- BNPL is a purchase instalment plan for those who either do not have cards or wish to take advantage of the interest-free option to pay for purchases in instalments. The key to its success is the ease of transaction and the spreading of payments, removing the need for credit checks or documentation required for consumer loans.

BNPL can be an effective tool in increasing conversion

BNPL made up 1% of the total ecommerce payments in 2020 and is estimated to rise to 5% in 2025, growing by 9.7 times spend value. BNPL can be considered a true digital era payment method which integrates seamlessly with the checkout flows of ecommerce and sharing economy sites. For merchants, BNPL helps increase conversion rates by lessening checkout friction and reducing initial costs of purchase.

BNPL spend on ecommerce

($ Billion)

<table>
<thead>
<tr>
<th>Country</th>
<th>2020</th>
<th>2025E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>0.9</td>
<td>8.7x</td>
</tr>
<tr>
<td>Malaysia</td>
<td>0.61</td>
<td>9.2x</td>
</tr>
<tr>
<td>Philippines</td>
<td>0.57</td>
<td>10.4x</td>
</tr>
<tr>
<td>Singapore</td>
<td>0.06</td>
<td>3.9x</td>
</tr>
<tr>
<td>Thailand</td>
<td>0.49</td>
<td>7.1x</td>
</tr>
<tr>
<td>Vietnam</td>
<td>0.04</td>
<td>23x</td>
</tr>
</tbody>
</table>

2020: 0.9
2025E: 8.83

By 2025, BNPL spend will expand by +$7.9 billion representing an 8.8x growth from 2020.

The largest SEA market for BNPL in 2025 will be INDONESIA with competition visibly heating up as more players offer this payment option. Thailand and Vietnam are also predicted to be major markets for BNPL.

Source: IDC Digital Economy Model – Asia/Pacific 2021
Unique domestic payments in each market

- Each market in SEA has its unique set of domestic payments generally formed around governmental initiatives to provide easy and quick transfers between banks. Their popularity is directly attributed to government and regulators requesting banks, acquirers, and issuers to keep transfer costs at a minimum, sometimes free of charge, and often through subsidies.

- In all SEA markets except Singapore, online banking payments make up at least 20% of market share in 2020. In certain markets such as Malaysia, these account-to-account transfers have been simplified through a payment gateway which speeds up the process.

- In markets such as Singapore, Malaysia, and Indonesia, existing alongside online banking payments are local debit card brands, which process payments through local switching networks. These brands offer merchants an alternative to the international card brands and usually charge much lower fees.

### Payment Methods That Will Shape the SEA Payment Landscape

#### Domestic Payments (Real-time and Local Payments)

**SEA RTP transaction values**

<table>
<thead>
<tr>
<th>Region</th>
<th>2020</th>
<th>2025E</th>
</tr>
</thead>
<tbody>
<tr>
<td>THAILAND</td>
<td>625.0</td>
<td>1,832.8</td>
</tr>
<tr>
<td>SINGAPORE</td>
<td>42.8</td>
<td>262.7</td>
</tr>
<tr>
<td>MALAYSIA</td>
<td>44.4</td>
<td>250.3</td>
</tr>
<tr>
<td>PHILIPPINES</td>
<td>23.2</td>
<td>112.4</td>
</tr>
</tbody>
</table>

By 2025, RTP transaction values will expand by +$1,722.8 billion, growing 2.3x from 2020.

**Figures may not add up to total due to rounding.**

#### Next generation RTPs: A significant rise in usage

- RTPs in SEA are predicted to top $2.4 trillion by 2025, a 2.3 times jump from 2020.

- Regulators in SEA are now attempting to link the various RTP schemes in the region, allowing for cross-border RTPs which will reduce fees significantly for merchants with highly competitive currency conversion costs. Successful implementation SEA-wide may also have a knock-on effect of putting pressure on card payment fees.

- Domestic payments will continue to be an important part of the SEA payment landscape due to their convenience, cost-free nature and easy availability, requiring only a mobile bank account app and no other tools.

**THAILAND’S RTP scheme, PromptPay, has seen enormous success with over US$600 billion processed in 2020. Singapore has also seen a significant increase in RTP transaction volumes since the launch of PayNow in 2017.**

Source: Central bank data 2021

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**Source:** Central bank data 2021
SEA Is Made Up of Separate and Diverse Online Payments Markets

- Singapore is the most developed payment market in SEA with high card usage for online payments. Indonesia, Vietnam, and Philippines, due to low card penetration, have witnessed a rapid growth of mobile wallets and domestic payments.

- Across SEA, the rise of domestic payments is a constant theme, with user growth far outstripping that for cards, partly due to governments encouraging domestic payments and RTPs to reduce cash use. Cards now even have a domestic processing element, with regulators in Indonesia, Malaysia, and Thailand mandating that domestic card transactions be processed on local networks with lower merchant fees. Hence, merchants in these markets can benefit significantly from cost improvements from domestic card payment systems which are fast becoming the norm globally.

- Mobile wallets and BNPL also see a rapid rise in user numbers. In all SEA markets save Singapore, mobile wallet users outnumbered card users by the end of 2020. While BNPL occupies a smaller segment, its growth has been remarkable in the two to three years since its availability.

<table>
<thead>
<tr>
<th>Country</th>
<th>Domestic payments</th>
<th>Mobile wallet brands</th>
<th>Buy-now-pay-later</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Indonesia</strong></td>
<td>Visa, Mastercard</td>
<td>GPN, ATM Bersama, Prima, Alto</td>
<td>Ovo, ShopeePay, Dana, GoPay</td>
<td>Akulaku, Kredivo, Indodana PayLater</td>
</tr>
<tr>
<td></td>
<td>Yes</td>
<td>43.9, 1.1</td>
<td>6, 74.9, 1.0</td>
<td>2, 7.8, 3.1</td>
</tr>
<tr>
<td></td>
<td>Domestic low processing fee?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Malaysia</strong></td>
<td>Visa, Mastercard</td>
<td>TouchnGo, GrabPay, Boost</td>
<td>Atome, PayLater</td>
<td>Cash on delivery, Counter payments</td>
</tr>
<tr>
<td></td>
<td>Yes</td>
<td>7.5, 3.2</td>
<td>4, 13.6, 3.5</td>
<td>2, 2.9, 8.3</td>
</tr>
<tr>
<td><strong>Philippines</strong></td>
<td>Visa, Mastercard</td>
<td>Pesonet, Instapay</td>
<td>Gcash, PayMaya</td>
<td>Billease, TendoPay</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>9.6, 5</td>
<td>5, 27.2, 1.8</td>
<td>2, 3.7, 6.5</td>
</tr>
<tr>
<td><strong>Singapore</strong></td>
<td>Visa, Mastercard</td>
<td>FPN, ATM Bersama, Prima, Alto</td>
<td>Ovo, ShopeePay, Dana, GoPay</td>
<td>Akulaku, Kredivo, Indodana PayLater</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>4.5, 18.7</td>
<td>5, 1.5, 40</td>
<td>3, 1.2, 30</td>
</tr>
<tr>
<td><strong>Thailand</strong></td>
<td>Visa, Mastercard</td>
<td>PromptPay</td>
<td>TrueMoney, LinePay, AirPay</td>
<td>Atome, Traveloka</td>
</tr>
<tr>
<td></td>
<td>Yes</td>
<td>55.2, 0.9</td>
<td>8, 18.6, 2</td>
<td>2, 1.9, 12.6</td>
</tr>
<tr>
<td><strong>Vietnam</strong></td>
<td>Visa, Mastercard</td>
<td>NAPAS</td>
<td>MoMo, Zalopay, ViettelPay</td>
<td>WowMelo, PayLater by Lotte</td>
</tr>
<tr>
<td></td>
<td>Coming soon</td>
<td>12.4, 3.9</td>
<td>5, 18.3, 3.2</td>
<td>2, 2.7, 8.9</td>
</tr>
</tbody>
</table>

Note: Brands featured are representative only and are not intended to present a comprehensive landscape for all markets and categories.

1 Average time (measured in months) it has taken to add 1 million new users
2 Domestic low processing fee?
3 Includes cash on delivery, counter payments, ATM payments etc.

Sources: SEA central bank, regulator, payment network data, IDC data 2020
Diversity Creates Challenges for Merchants

**CHALLENGE 1**

Supporting new payment methods

The rapid customer shift to new and emerging payment methods, and the speed at which new payment types are being introduced, are making it challenging for merchants to adapt. Confounding this is the need to offer a range of payment options to diverse market segments – from the unbanked to the highly banked – in order to expand potential market coverage and customer base. Adding to the complexity are differing interfaces for payments such as online merchant stores, marketplaces, and social commerce platforms.

Merchants will need to be flexible and agile with how they support payments in order to optimize their payment strategy to gain a competitive advantage, and seek a payment partner that can help shape their payment acceptance strategy.

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**Rapidly evolving payment landscape**

With novel payment types rapidly appearing in SEA and new champions quickly overtaking incumbents, merchants need to be on top of payment trends and consumer behaviors as they evolve.

**THE OPPORTUNITY**

Using payments strategically can help merchants cast a wider net to retain and attract new customers. However, simply adding a large number of payments options is not the solution; rather, merchants should prioritize those with the most relevance and acceptance in individual markets. A payment partner that can provide most of the relevant payment options, as well as quick support for new payment types which may emerge, will give merchants the flexibility and confidence to capture new opportunities.

**Different payment interfaces**

The expansion of ecommerce also increases the types of payment interfaces. Merchant stores and marketplaces can be both online and mobile, and require solutions and Android software development kits (SDKs) for payments. Social selling also needs secure payment links sent to buyers. The most appropriate solution is the one that takes these factors into consideration regardless of payment interface.

**THE OPPORTUNITY**

A single omni-channel payment partner that can support these different payment models will be critical in increasing potential revenue, not just for online, but offline payments as well. It gives merchants a unified master view and reference for all payments to enhance their own records, and serve as an aid in decision making.

**Potential 10% revenue gain**

An IDC 2021 Asia/Pacific survey found merchants could expect an average 10% increase in sales when adding a single new popular payment method. Hence, providing a range of payment types which are in tune with customer needs can help boost the bottom-line. Merchants should also explore offering complementary payment options which cater to different customer demographics and needs.

**THE OPPORTUNITY**

Working with a partner that can quickly support customers’ preferred payment methods as they evolve will enable merchants to reap this potential and revenue scaling benefits. The partner should be knowledgeable about the most relevant payment methods in SEA, and have instant connection with all of them.

Source: IDC Consumer Payments Survey Asia/Pacific 2020
**Challenege 2**

**Operational complexities increase as businesses expand**

Merchants must equip themselves with payments solutions which can cater to the increased variety, frequency, volume, and diverse locations in which transactions now take place, and particularly as their business ambitions, geographies, and locations expand. IDC’s 2020 consumer payments survey in Asia/Pacific revealed these seven key operational issues that merchants would like their current payments partners to resolve.

1. **Improve uptime/reliability**
   This is especially crucial during surge usage periods when customer numbers and transaction volumes rise. It gives merchants greater confidence that transaction rates are optimized and that key revenue does not fall through. The need to monitor external connections to partners also increases as business volumes go up to ensure that processing issues are spotted and rectified.

2. **Reduce false positives and increase authorization rates**
   The best payment providers in 2021 are leveraging AI-based and complex behavioral techniques to detect fraud activity rather than simpler rules-based frameworks. These new technologies and methodologies allow genuine authorized transactions to be fulfilled, increasing transaction revenue and minimizing potential claims.

3. **Enhance security**
   As new security threats emerge, payment systems, and especially online commerce, continue to be major targets for fraudsters and hackers. The best payments partners implement regular updates to mitigate the latest threats, as well as provide new features such as card tokenization for additional security.

4. **Reduce maintenance complexity**
   Working with a partner that can support multiple and new payment types allows the merchant to keep the number of payment providers to a minimum. This reduces maintenance complexity and eases troubleshooting.

5. **Increase processing and transaction speed**
   The speed of the internet has increased, and the payment experience needs to keep up with it. The best providers today have an array of tools that allows for a frictionless payment flow and experience which hastens checkouts and increases customer confidence in merchants.

6. **Reconcile complexity**
   Adding more channels to cope with new payments increases reconciliation complexity, including how it ties back to finance and operations. Finding a partner that can enable a standard format and process for all reporting ensures a unified payment flow that keeps complexity to a minimum as payments coverage expands.

7. **Ease the handling of chargeback issues**
   Handling chargebacks and refunds is inevitable, and instances will increase as merchants expand their businesses. Finding a payment partner that can ease this process, while minimizing manual record checking and updates will enable merchants to focus their attention on key revenue generating activities rather than the paperwork.

IDC’s own data suggests that an extra 12% of transaction revenue online can be gained through optimization of these issues.
Diversity Creates Challenges for Merchants (Cont.)

**Payments cost optimization**

**Foreign transaction cost optimization (B2C)**
As business expands, merchants’ business costs will also increase. Payments cost optimization will become a key focus as transaction volumes increase, and new payment methods are added, or when merchants start accepting foreign payments.

**Cross-border operation cost optimization (B2B)**
Likewise, as businesses expand internationally and accept multiple foreign currencies from customers around the world, there is a need to manage foreign exchange (FX) costs incurred due to the different timing of the payment process at the authorization stage, capture stage, and refund stage, leading to potential lost revenue due to FX flux. IDC survey data reveals that up to 2% of total revenue from FX sales was often lost in bundled pricing structures and other such fees imposed by their payment provider. Hence, it is crucial that businesses opt for a payment gateway that can lock in the FX rate to remove potential revenue losses, and control and display the markup rate offered to the customer transparently.

**Improve conversion rate and optimize revenues**
In some SEA markets, local regulators have mandated that international card brands either route domestic card transactions through local processing networks or abide by domestic interchange rates that they introduced. Merchants operating in these markets in SEA can benefit from lower merchant fees and increased revenue by choosing a partner that can enable this local switching, and is one that is constantly keeping abreast of similar new developments.

**Reducing contract burden**
As consumer payment choice increases and the use of new payment types such as mobile wallets and real-time bank payments grow in SEA, many merchants will add new ad-hoc payments partners over time to support and cater for these new options locally and internationally. This results in a complex payment architecture which is tougher to reconcile payments against, and multiple service providers that need to be managed. Merchants should look for capable partners that can offer a wide range of payment modes and across multiple SEA markets in order to reduce contract complexity and costs.

**Navigating the complex regulatory regime**
SEA has a diverse set of governance and standards relating to financial services. Merchants must often learn for themselves what is allowed in terms of payment acceptance, as well as other requirements such as transaction limits, eKYC and anti-money-laundering measures. As regulation is constantly evolving to meet new requirements, companies also need to keep abreast of such changes or risk falling foul of the law and facing possible actions. A payment partner familiar with the intricacies of the SEA region can provide significant support to merchants by enabling them with plug-and-play compliant payment solutions and saving them time and costs.
Six Recommendations When Selecting a Payment Partner

1. **Adds new channels quickly and can adapt to new changes or players in the payments landscape**
   - The payment landscape in SEA is evolving rapidly. Agility is needed from the merchant as well the payment provider to recognize changes in payments and provide support for them.
   - Merchants also need to be aware of shifts in consumer behaviors so that they can leverage different payment types to expand their business coverage. They should work with an agile payments partner that can support these aspirations.

2. **Consolidates online and offline payments into a single platform and reporting structure**
   - With many merchants now operating both offline and online purchasing channels, having all payments unified in a single platform will produce significant benefits for operations, reconciliation, as well as data discovery.
   - The best payment partners will be able to provide such capability, as well as the tools which enable merchants to make the best of it and further optimize their omni-channel operations.

3. **Grows with the business, from a small local operation to a large regional organization without introducing complexity**
   - As businesses grow, so will complexity as payment gateways are added to support new payment methods. This causes issues with operations and finance that are in fact avoidable.
   - Selecting a payment partner that demonstrates the capability to scale meaningfully as your organization expands will ensure efficient and painless adoption of new payment methods, allowing businesses to grow with the assurance that their payment infrastructure is able to keep pace.

4. **Goes beyond just processing payments to help the business generate more revenue**
   - Payments can play a strategic role, such as for data mining or to increase access to new markets and should be regarded as a key component in business planning. Payment partners must be able to provide guidance on how it can be achieved.
   - Payments can be revenue generators and can play a vital role in reducing business costs; e.g., domestic processing options for cards can create significantly better margins on sales for merchants and should figure in payment partner selections.

5. **Covers the majority of target customer segments**
   - Providing payment coverage is critical as diverse payment methods are used by different customer segments and profiles.
   - To ensure your important customer segments are covered, the most used payment types must be supported by your payment partner.

6. **Demonstrates clear dedication to customer impact – for both their customers and yours**
   - Customers are becoming used to superlative and seamless payment experiences such as those offered by ride-hailing providers and leading ecommerce websites.
   - Ensure your payment partner has a proven record of creating measurable customer impact for their merchants’ customers, which in turn translates into a positive experience for your customers.
Essential Guidance
Beyond payments: what merchants need to do to create new value for their business

Merchants need to understand the transformation in the payment and commerce landscapes in SEA, and work at leveraging those changes to their advantage. This includes embracing newer, more cost-effective, and more seamless payment methods such as mobile wallets, and making this an integral part of their business strategy to further expand in existing and new markets.

Consumers hold much of the power in deciding how, where, and when they want to transact. For merchants, finding the right payment partners who understand the complexity and diversity of the payment landscape in SEA will be an important strategic step in driving success for the business.

Find a suitable payment partner
- One that goes beyond transactional services and can provide strategic offerings that simplify the payment process and create new value for the business.
- One that understands the key differences in services offered by payment partners, and provides ease of access to all SEA payment methods – even, possibly, multi-currency settlements.
- One that has a roadmap for future developments, and a platform that can future proof the business by quickly accommodating and incorporating changes without the need to work with multiple payment partners and systems.

Explore how payments can improve the business
- Dive deeper into how innovations in security and authentication, such as tokenization and biometrics, can further enhance business potential by offering customers new and more seamless ways to pay.
- Consider how new payment methods such as RTP and BNPL can increase business revenue, and how new product sales and strategy can be reworked around these new payment propositions.
- Seek a partner that understands the changes taking place in the payment landscape and has a clear plan to stay ahead of these developments.

Expand reach through ecosystems
- Sales of goods and services are no longer limited to fully-owned digital or physical marketplaces; they can now be conducted at a variety of end points and via a range of partnerships such as social media or sharing economy services.
- Merchants should be creative in finding ways to reach out to new audiences through the latest channels and explore payment features such as loyalty card capabilities that can help them fully leverage such green field opportunities.

Make data a key priority for better business insights
- Leverage data such as payments records from cards which is extremely useful in providing insights about customers.
- A payment partner that can furnish detailed data sets to support decision making based on holistic data records will enable merchants to derive true value from payment data.
- Seek payment partners who offer insights and analysis of the latest trends and their implications, and how these can be leveraged to further add value for your business.
2C2P Takes the Complexities out of Payments

A leading payments platform connecting Southeast Asia with the rest of the world, our solutions enable global enterprises operating in this region to pay and get paid in a secure, efficient, and seamless manner with one point of integration.

2C2P’s solutions meet the needs of all sectors and is trusted by IKEA, Lazada, Thai Airways, Changi Airport Group, Minor Hotels, and more.

**COMPREHENSIVE COVERAGE**
Our extensive network helps businesses scale quickly globally with over 250 payment options including cards, mobile wallets, domestic payments and BNPL.

**SECURE AND COMPLIANT**
We are certified by all card schemes and comply with the industry’s highest security standards including PCIDSS.

**YOUR PAYMENTS CONSULTANT**
We help you to keep up with the latest payment technologies and consumer trends and to navigate regulatory complexities for an optimal domestic and cross-border payment experience.

Find out more and contact 2C2P today.
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