

How Asia Buys and Pays 2023: Tapping into Asia's Regional Commerce Opportunities



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EXECUTIVE SUMMARY

Tapping into Asia's Regional Commerce Opportunities

Since 2021, 2C2P has commissioned IDC to develop an InfoBrief¹ that seeks to provide the latest state-of-play of the digital payment landscape in six Southeast Asia markets. Last year, as emerging payment technologies and the new vector of associated risks redefined the payment landscape, the InfoBrief² expanded to discuss these trends and their implications.

In 2023, amidst global economic headwinds, Asia's digital economies continue to post impressive gains. Intensifying intra-regional trade and tourism, as well as cross-border initiatives ranging from digital payments to logistics, are creating new prospects for expansion within the regional economy.

In this InfoBrief, we explore these trends in depth and show how businesses can successfully tap on the opportunities they present. We are also expanding our coverage to study two additional markets: South Korea and Japan. These countries bear similar economic resemblance to SEA and are long-time strategic trading partners. Viewing them as a bloc (i.e., SEAKJ) paints a more complete picture of emerging intra-regional opportunities, the region's digital payments landscape, and the potential that these entail.

This report will dive into:

- ▶ **The diverse payments landscape in SEAKJ**
- ▶ **Intra-regional opportunities and challenges for businesses**
- ▶ **Strategies to help businesses successfully engage in cross-border commerce**
- ▶ **Case studies on successfully managing diverse payment needs across various markets**



¹ IDC InfoBrief, How Southeast Asia Buys and Pays: Driving New Business Value for Merchants, November 2021, IDC

² IDC InfoBrief, How Southeast Asia Buys and Pays 2022: New Opportunities, Connectivity and Risks, October 2022, IDC

OVERVIEW

Unlocking Asia's next wave of growth



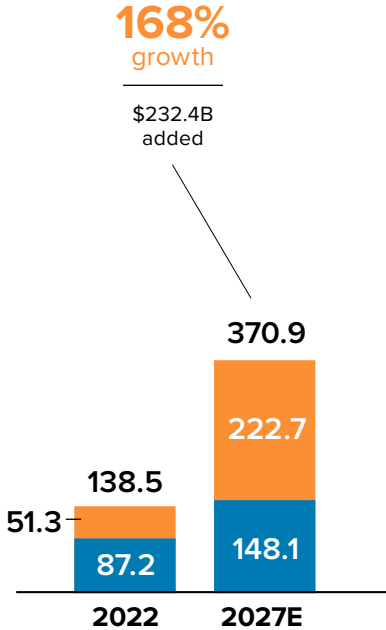
The year 2023 marks the start of recovery for economies across Asia. Digital economies have skyrocketed in recent years and continue to grow in 2023, while offline economies have seen a true

recovery the same year. Throughout Southeast Asia (SEA), South Korea, and Japan (shortened as 'SEAKJ' in this report), digital commerce and digital payments continue to grow at rapid rates. Based on IDC estimates, the total digital economy of SEAKJ is set to grow from \$501.7 billion in 2022 to \$914.9 billion in 2027E, a jump of 82% in 5 years. With growth comes more intense competition in domestic markets, making cross-border commerce opportunities more attractive.

Integration between SEAKJ markets, however, remains complex, with many key ecommerce platforms and payment methods remaining siloed in their respective markets. IDC now sees change: efforts from both the private and government sectors are predicted to add a total of \$232.4 billion new cross-border revenue to the combined economies of SEAKJ in the 5 years from 2022 to 2027E. This is driven by impressive growth in both cross-border ecommerce revenue and offline tourism. In this report, we explore the value and opportunities that businesses can unlock through cross-border solutions in the markets of SEAKJ.

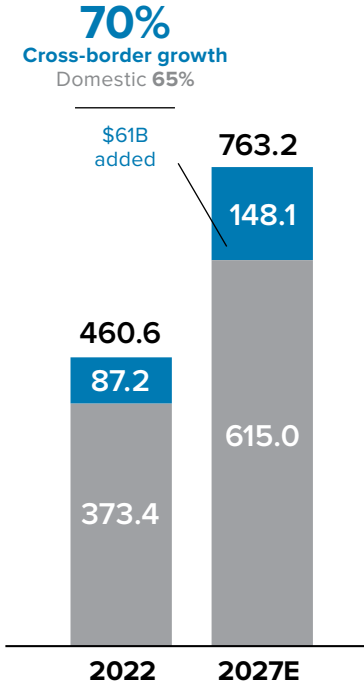
SEAKJ total cross-border revenue 2022–2027E

US\$B
 ■ Cross-border ecommerce
 ■ Tourism



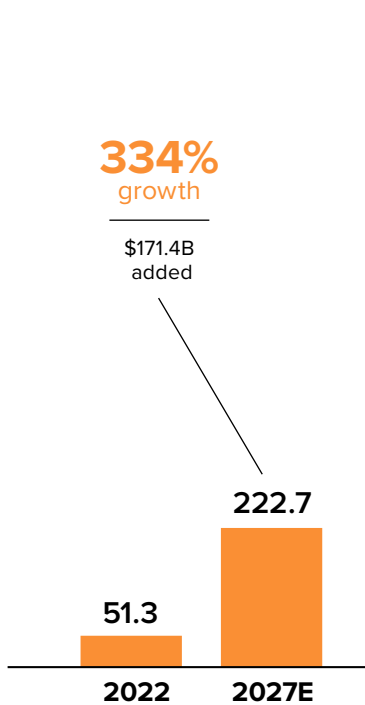
SEAKJ cross-border ecommerce value 2022–2027E

US\$B
 ■ Cross-border
 ■ Domestic



SEAKJ tourism spend 2022–2027E

US\$B



WHAT THIS MEANS FOR BUSINESSES

In some markets such as South Korea, domestic ecommerce is at near-saturation levels. To continue growing, businesses will need to think beyond their shores and learn how best to market and sell their products in environments very different from their home markets. Working with technology partners to assist with payments, together with logistics and security considerations, are important aspects that businesses with such expansion plans should prioritize.

Sources: IDC 2023

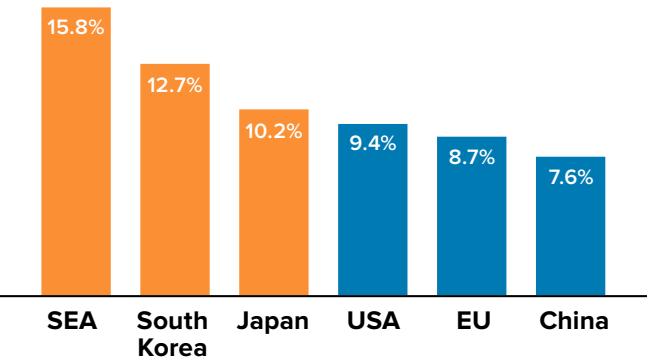
OVERVIEW

SEA, South Korea and Japan: rapidly growing digital economy hotspots

The digital economies of Asia, including SEAKJ, continue to post impressive gains following their rapid growth during the pandemic. SEAKJ combined will have a digital economy of US\$914.9 billion by 2027E. Based on IDC's analysis, each of these markets is predicted to grow faster than the digital powerhouse of China from 2022-2027E. Spending per capita on digital economy services will also increase by 79% from 2022 to 2027E. As an economic bloc, SEAKJ will be key to driving Asia's overall digital economy growth in the future.

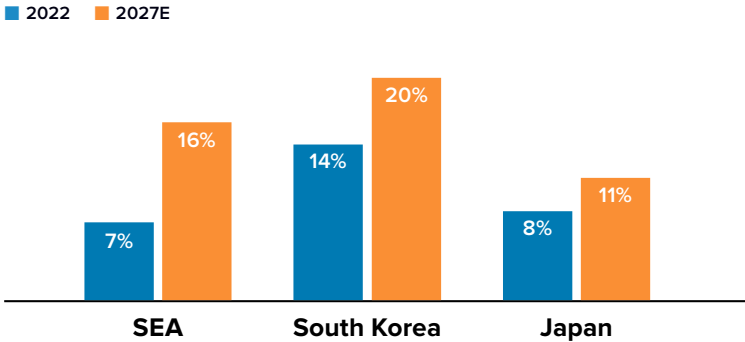
Digital economy* growth rate 2022–2027E

SEAKJ's digital economies will grow at rates faster than China, the US, and the EU.



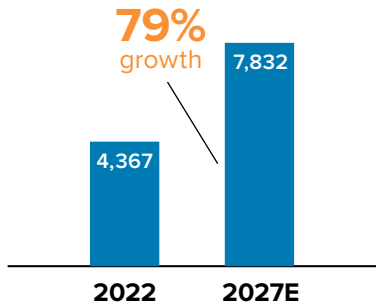
SEAKJ total digital economy GMV (%of total consumer payments)

As a percentage of total consumer payments in SEAKJ, SEA will see a significant 9% rise in digital economy spending; in South Korea, this will comprise 20% of the consumer economy.



SEAKJ total digital economy spend per capita

As an economic bloc, SEAKJ's digital economy spend per capita will increase by 79% from 2022 to 2027E.

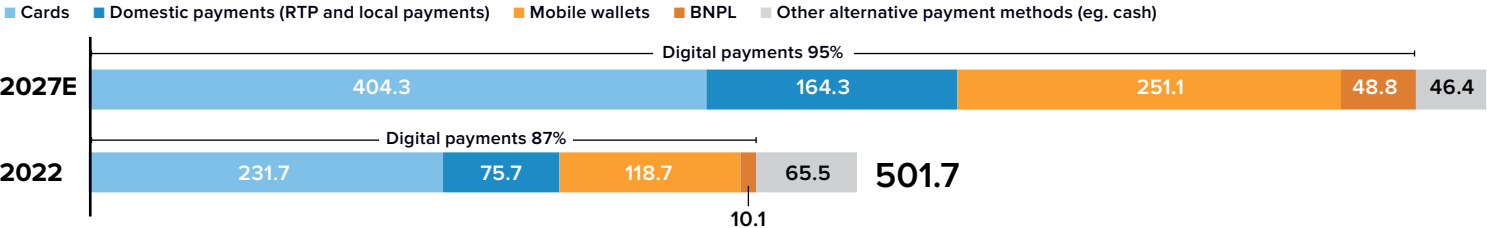


WHAT THIS MEANS FOR BUSINESSES

Asia's growth in digital economy commerce, with SEA, South Korea, and Japan all experiencing rapid expansion, has created opportunities for businesses active in the region. These businesses should look beyond their domestic markets and seek ways to capitalize on the growth in neighboring markets to enhance their bottom line.

SEAKJ digital economy size by payment method (GMV)

US\$B



914.9
82%
digital
economy
growth

Digital economy spending will rise 82% by 2027, with an additional \$413.2B added by 2027E. Digital payments will comprise 95% of total digital economy payments.

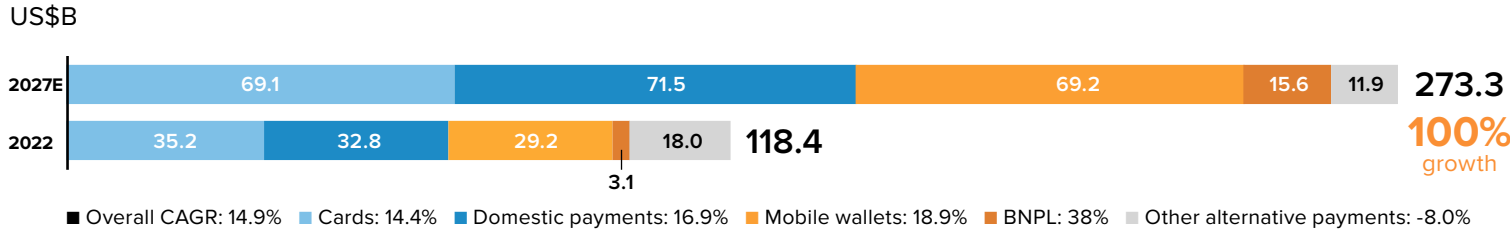
*Digital economy defined as total GMV of ride hailing, sharing economy services, ecommerce, online travel, and online video, media and gaming. Sources: IDC 2023

PAYMENTS LANDSCAPE

Across Asia, digital payments growth is a consistent theme

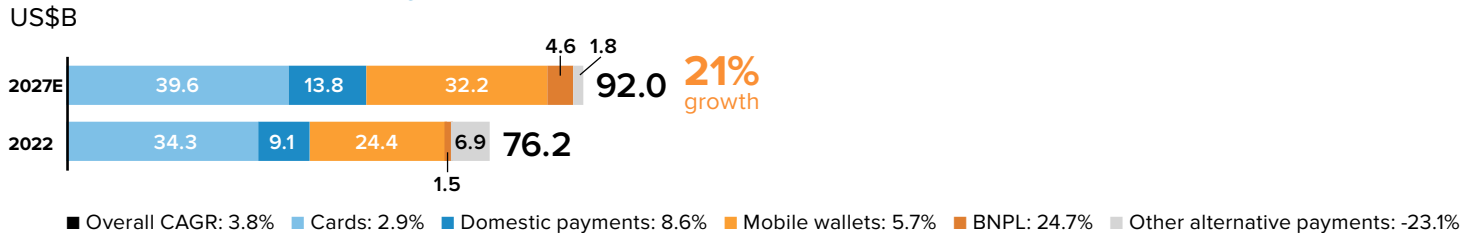
The SEAKJ markets each have unique characteristics which have shaped the growth and development of their ecommerce markets. Nonetheless, digital payments in their different forms, such as cards, domestic payments, mobile wallets, and buy now pay later (BNPL), are all rising in importance for online transactions. Furthermore, digital payment methods such as mobile wallets in markets like Japan, have been able to overcome legacy issues such as security fears, removing barriers for further growth.

Southeast Asia ecommerce payments breakdown 2022–2027E



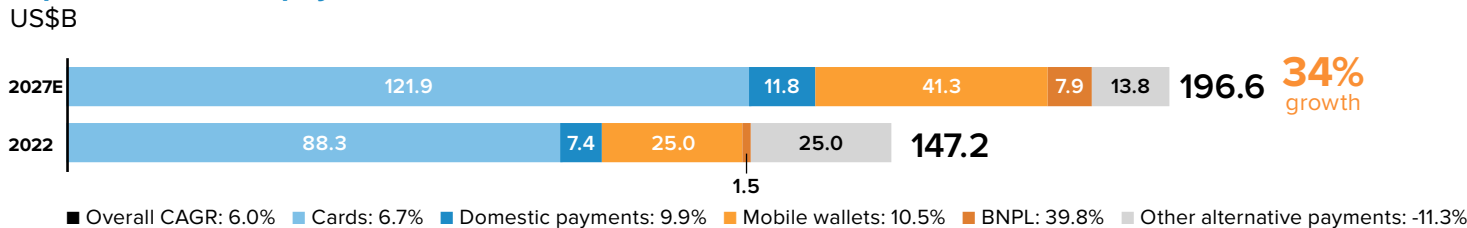
- Rapid growth in digital payments continues with ecommerce market predicted to surge by 100% from 2022 to 2027E.
- Mobile wallet transaction values are expected to outpace credit cards by 2027, with only domestic payments ranking higher.
- For SEA, domestic payments are synonymous with real-time payments (RTP). With the introduction of RTP to Indonesia in 2021, the region's major economies now have efficient domestic RTP systems which have gained favor with consumers.
- RTP's next growth area will be in cross-border commerce within SEA, as well as across the greater Asia region and the rest of the world.

South Korea ecommerce payments breakdown 2022–2027E



- With one of the world's highest rates of credit card penetration, ecommerce payments are mainly through cards.
- South Korea's ecommerce market was considered mature in 2022 with under 5% annual growth. The ecommerce market benefitted from rapid and widespread adoption of broadband through the 2000s which has driven usage and investments into online purchasing.
- Mobile payments operators KakaoPay and NaverPay, through tight integration with other digital commerce elements, have seen rapid growth in both online and offline use.
- RTP, through South Korea's new open banking system, and BNPL payments, are fast-growing payment methods.

Japan ecommerce payments breakdown 2022–2027E



- Japan's highly mature economy, traditionally, has been slow in adapting to ecommerce due to concerns over online payment security and cultural preference for cash.
- The pandemic has led to a surge in both ecommerce and digital payments, with mobile wallets and BNPL growing rapidly. These two payment tools can address security concerns through their cardless interfaces and user-set limits on transaction value.
- There is a unique mix of payment methods such as Suica (transport) and Konbini (convenience store payments) which are still widely used in 2022, but are predicted to lose ground to more flexible payment methods such as mobile wallets.

Note: There may be minor variances in the total figure due to rounding.
Sources: IDC 2023, central bank data

PAYMENTS LANDSCAPE

Payments across SEAKJ are incredibly diverse and largely domestic-based

- For the individual SEAKJ economies, the different periods of initial entry for various payment methods have had a huge impact on their current payment environments, as have variances in consumer purchasing behavior and payment preferences.
- In SEA, domestic payments have consistently seen high growth, backed by government initiatives to reduce inefficiencies in the system caused by cash use, and to strengthen financial systems and oversight. Mobile wallets and BNPL have also seen quick expansion in user numbers due to limited access to cards, which are widely used in more mature economies.
- In South Korea, card penetration is high and mobile wallets, along with open banking RTPs, are seeing fast expansion. Growth of new digital payments has been driven by a unique open banking framework which has freed up the playing field for non-banks to compete effectively in the payments industry.
- In Japan, a myriad of Japan-exclusive payments using closed-loop technologies have existed for decades, but are now starting to yield to internet-based digital payments, such as mobile wallets, which offer more convenience and flexibility.

	Cards ¹				Domestic payments ²			Mobile wallet brands			BNPL			Others		
	Years in market	Users in 2022 (M)	Months to add 1M users ³	Domestic low fee processing available? ⁴	Years in market	Users in 2022 (M)	Months to add 1M users ³	Years in market	Users in 2022 (M)	Months to add 1M users ³	Years in market	Users in 2022 (M)	Months to add 1M users ³	Years in market	Users in 2022 (M)	Months to add 1M users ³
Indonesia	Visa, Mastercard				BI-FAST, GPN, ATM Bersama, Prima			GoPay, OVO, Dana, ShopeePay			Akulaku, Kredivo, Indodana PayLater			Cash on delivery, Counter payments		
	20+	13.1	18.4	Yes	6.0	56.7	1.3	6.0	106.9	0.7	4.0	18.7	2.6	12.0	56.5	2.5
Malaysia	Visa, Mastercard				FPX			TouchnGo, GrabPay, Boost			Atome, PayLater, Shopback PayLater			Cash on delivery, Counter payments		
	40+	11.5	41.8	Yes	4.0	10.6	4.5	4.0	17.8	2.7	4.0	5.1	9.4	12.0	4.5	32.3
Philippines	Visa, Mastercard				Pesonet, Instapay			Gcash, PayMaya			Billease, TendoPay			Cash on delivery, Counter payments		
	30+	11.1	32.4	No	6.0	13.3	5.4	4.0	39.2	1.2	4.0	7.8	6.1	12.0	32.7	4.4
Singapore	Visa, Mastercard				NETS, FAST, PayNow			GrabPay, DBS PayLah, Singtel Dash			Atome, GrabPayLater			Cash on delivery		
	40+	4.4	108.6	No	9.0	5.1	21.4	5.0	1.8	34.0	5.0	1.9	31.0	12.0	0.9	154.9
Thailand	Visa, Mastercard				PromptPay			TrueMoney, LinePay, ShopeePay			Atome, Traveloka			Cash on delivery, Counter payments		
	30+	8.2	44.1	Yes	6.0	67.8	1.1	8.0	24.6	3.9	4.0	3.3	14.4	12.0	1.1	127.8
Vietnam	Visa, Mastercard				NAPAS			MoMo, Zalopay, ViettelPay			WowMelo, PayLater by Lotte			Cash on delivery, Counter payments		
	20+	5.9	41.0	Coming soon	6.0	17.4	4.1	5.0	28.1	2.1	4.0	8.7	5.5	12.0	21.9	6.6
South Korea	Visa, Mastercard				Zero Pay			KakaoPay, Naver Pay, PayCo			NaverFinancial, Coupang			Cash on delivery, Counter payments		
	40+	35.2	13.6	No	5.0	18.2	3.3	9.0	30.5	3.5	4.0	4.7	10.2	14.0	2.2	76.4
Japan	Visa, Mastercard				Zengin			PayPay, Line Pay, Rakuten Pay			Paidy, Splitit, Sakuro Kanko			Cash on delivery, Counter payments		
	50+	87.9	6.8	No	50.0	94.3	6.4	20.0	66.3	3.6	4.0	7.2	6.7	16.0	47.6	4.0

Players highlighted in **bold** indicate new payment methods in the market or fast risers

Note that brands featured are representative only and are not meant to be a comprehensive landscape for all markets and categories

¹ Credit cards used as data point

² For domestic payments statistics, figures used are for RTP retail interfaces such as BI-FAST/Duitnow/PayNow/Promptpay type implementations

³ Average time it has taken to add 1 million (1M) new users

⁴ Indonesia, Malaysia, and Thailand have processing arrangements which handle domestic card payments locally at lower fees thus bypassing international card networks

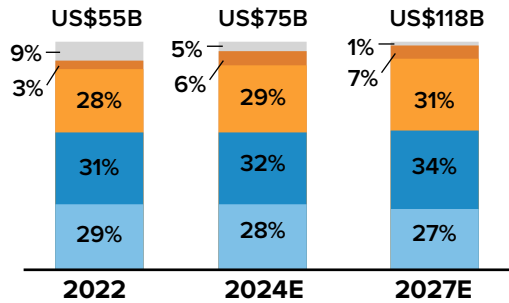
Source: SEA central banks, regulators, payment network data, IDC data 2023

PAYMENTS LANDSCAPE

SEAKJ payment methods show shifts to digital unique to each market

Indonesia

eCommerce payments breakdown 2022-2027E

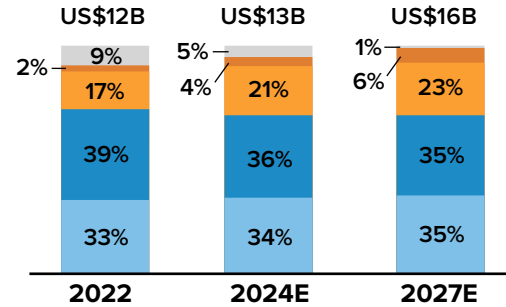


% change in market share 2022 to 2027E	
Others	-8%
BNPL	+4%
Mobile wallets	+3%
Domestic payments	+3%
Cards	-2%

- The largest economy in SEA and the driver of growth for the region
- Continues its evolution towards newer digital payments such as domestic payments and mobile wallets
- Major gainers: BNPL, mobile wallets, domestic payments

Malaysia

eCommerce payments breakdown 2022-2027E

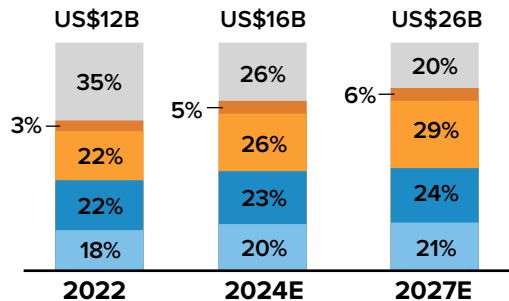


% change in market share 2022 to 2027E	
Others	-8%
BNPL	+4%
Mobile wallets	+7%
Domestic payments	-4%
Cards	+2%

- A market with characteristics of both mature and emerging economies
- eCommerce shows growth in digital payments such as mobile wallets and BNPL
- Major gainers: mobile wallets, BNPL, cards

Philippines

eCommerce payments breakdown 2022-2027E

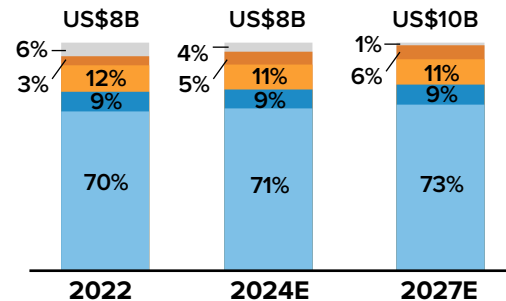


% change in market share 2022 to 2027E	
Others	-15%
BNPL	+3%
Mobile wallets	+7%
Domestic payments	+2%
Cards	+3%

- 2022 still sees wide usage of non-digital payments such as COD
- Digital payments and especially wallets will gain ground, but the Philippines payments scene remains diverse
- Major gainers: mobile wallets, BNPL, cards, domestic payments

Singapore

eCommerce payments breakdown 2022-2027E



% change in market share 2022 to 2027E	
Others	-5%
BNPL	+3%
Mobile wallets	-1%
Domestic payments	0%
Cards	+3%

- SEA's most developed economy remains largely card dominant
- BNPL is predicted to be the only new digital payment which will make inroads in terms of ecommerce share while others will remain stable
- Major gainers: BNPL, cards

A guide to payment methods: Cards: Credit and debit cards; Domestic payments: Includes real-time payment (RTP) schemes, local payments, and online banking transfers through a variety of platforms; Mobile wallets: Stored value payment wallet mobile applications; BNPL: Buy now pay later short-term consumer loans; Other payment methods: cash on delivery, counter payments, ATM payments etc.

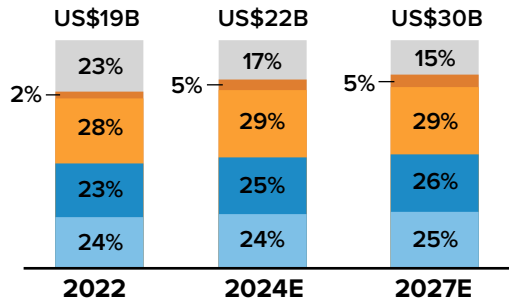
Sources: IDC 2023, central bank data

PAYMENTS LANDSCAPE

SEAKJ payment methods show shifts to digital unique to each market

Thailand

eCommerce payments breakdown 2022-2027E

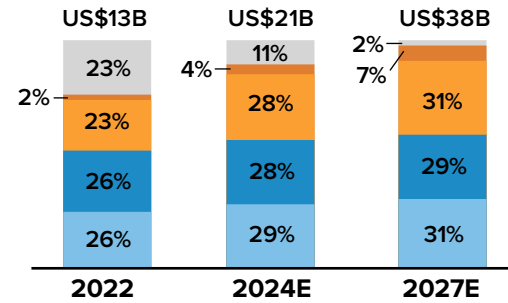


% change in market share 2022 to 2027E	
Others	-8%
BNPL	+3%
Mobile wallets	+1%
Domestic payments	+3%
Cards	+1%

- There is a mix of different payment types and card usage is relatively low.
- Domestic payments and mobile wallets have gained ground against methods such as COD.
- Major gainers: Domestic payments, mobile wallets, BNPL

Vietnam

eCommerce payments breakdown 2022-2027E

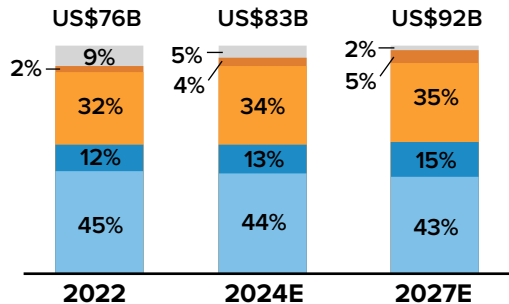


% change in market share 2022 to 2027E	
Others	-21%
BNPL	+5%
Mobile wallets	+8%
Domestic payments	+3%
Cards	+5%

- An exciting and young market which is predicted to be the second largest e-commerce market in SEA by 2027E
- Low card usage has allowed digital payments such as mobile wallets and domestic payments to fill the payments gap
- Major gainers: mobile wallets, BNPL, cards, domestic payments

South Korea

eCommerce payments breakdown 2022-2027E

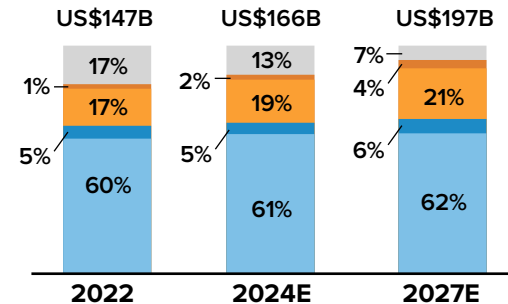


% change in market share 2022 to 2027E	
Others	-7%
BNPL	+3%
Mobile wallets	+3%
Domestic payments	+3%
Cards	-2%

- A mature and dynamic economy with high card penetration compared to the global average.
- Mobile wallets and open banking RTPs have recently emerged as contenders for cards
- Major gainers: BNPL, mobile wallets, domestic payments

Japan

eCommerce payments breakdown 2022-2027E



% change in market share 2022 to 2027E	
Others	-10%
BNPL	+3%
Mobile wallets	+4%
Domestic payments	+1%
Cards	+2%

- A highly mature economy which was the first to introduce mobile payments
- Entrenched closed-loop payments are giving way to new internet payments like mobile wallets
- Major gainers: mobile wallets, BNPL, cards, domestic payments

A guide to payment methods: ■ Cards: Credit and debit cards ■ Domestic payments: Includes real-time payment (RTP) schemes, local payments, and online banking transfers through a variety of platforms ■ Mobile wallets: Stored value payment wallet mobile applications ■ BNPL: Buy now pay later short-term consumer loans ■ Other payment methods: cash on delivery, counter payments, ATM payments etc.

Sources: IDC 2023, central bank data

PAYMENTS LANDSCAPE

SEAKJ's payment methods, while diverse, are far from universal

The boom in digital payments across Asia has created unique and fast-growing brands which are becoming major players in their home market. However, usage of these tools is largely siloed into domestic markets. The industry is now working on enabling greater connectivity across markets, which can drive new growth.

Southeast Asia

- **Cards:** Cards widely in use in SEA are generally issued by card schemes and can be used worldwide. Indonesia, however, is pushing ahead with its own domestic credit card brand which is not connected to international networks.
- **Domestic payments:** Cross-border connections are available via QR code between Indonesia, Malaysia, Singapore, Thailand, and Vietnam through linked RTP schemes. This will further expand in the future to encompass all countries in SEA.
- **Mobile wallets:** Several major wallets in SEA are connected to Alipay+ which allows for seamless cross-border payments using wallets. Other wallet networks are generally domestic-only.
- **BNPL:** No cross-border connectivity as of 2023.
- **Other alternative payment methods:** No cross-border connectivity as of 2023



South Korea

- **Cards:** Cards widely used in South Korea are generally issued by card schemes and can be used worldwide.
- **Domestic payments:** RTPs using the open banking platform currently do not have cross-border connectivity outside of South Korea
- **Mobile wallets:** KakaoPay is connected to Alipay+ which allows for seamless cross-border payments using wallets.
- **BNPL:** No cross-border connectivity as of 2023.
- **Other alternative payment methods:** No cross-border connectivity as of 2023

Japan

- **Cards:** Cards widely used in Japan are generally issued by card schemes and can be used worldwide. There are also cards issued by JCB which have cross-border connectivity in selected online and offline retail outlets.
- **Domestic payments:** RTPs in Japan using the Zengin platform currently do not have cross-border connectivity outside of Japan.
- **Mobile wallets:** Japan merchants connected to Alipay+ allow for seamless cross-border payments using wallets from other countries.
- **BNPL:** No cross-border connectivity as of 2023.
- **Other alternative payment methods:** No cross-border connectivity as of 2023.

Sources: IDC 2023, central bank data

PAYMENTS LANDSCAPE

Creating new growth: major efforts to integrate payments across Asia

With limited interoperability between the unique payments systems across Asia, governments as well as the private sector are making efforts to address this and create a more unified payments environment that can spur increased online and offline commerce.

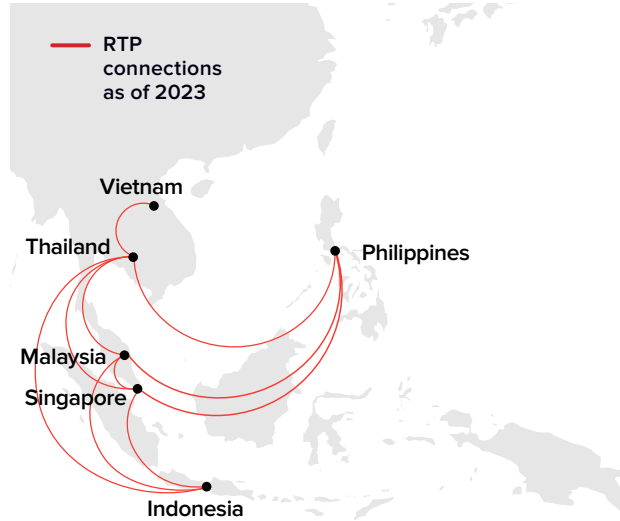
PUBLIC SECTOR

Real-time network-driven integration underway



Intra-SEA RTP to enable seamless cross-border transactions

- Domestic payments in the form of RTP are a major payment type in Asia. Connecting the domestic systems to form a regional network is the next stage of growth. This is already a reality between several major markets, and in 2022, a deal was inked to create a cohesive network between SEA's largest economies. The Project Nexus initiative is also exploring wider connectivity across SEA and other regions such as Europe, with the aim of creating a model that could eventually be implemented globally.
- This future network will allow smaller businesses to quickly and easily accept payments from other SEA countries' local RTP systems at lower costs. This represents a significant potential revenue generator.



Intra-SEA RTPs give rise to the possibility of further expanding intra-SEA trade and breaking traditional trade barriers created by the lack of payment tools.

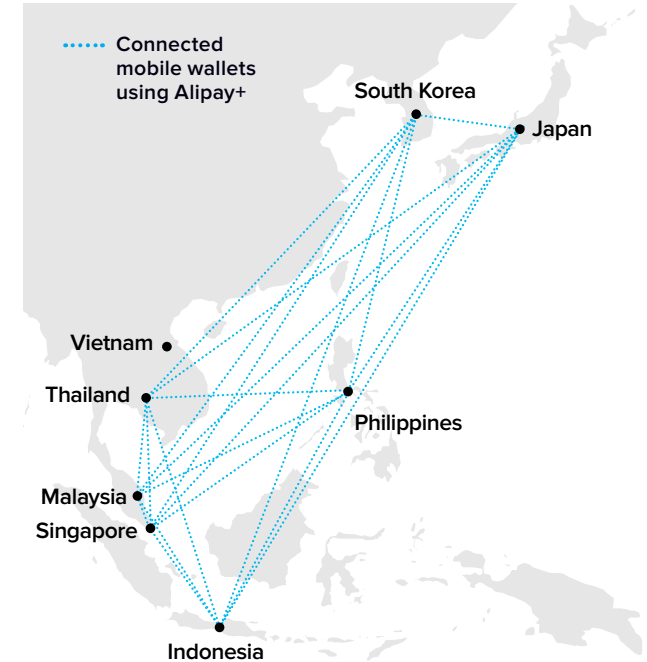
PRIVATE SECTOR

Leveraging mobile wallet networks for enhanced connectivity



Alipay+ pioneering intra-Asian connectivity

- While mobile wallets are increasingly used by Asian consumers, most wallet brands are used exclusively in their home markets.
- Alipay+ is the first in Asia to leverage Alibaba's existing network of assets and partnerships in Asia to link up major mobile wallets. These include DANA in Indonesia, Touch 'n Go in Malaysia, GCash in the Philippines, EZ-Link in Singapore, TrueMoney in Thailand, and KakaoPay in South Korea.
- This connectivity will allow users to pay with their existing mobile wallets when travelling abroad, making it easier to transact for both leisure and business.



Sources: IDC 2023

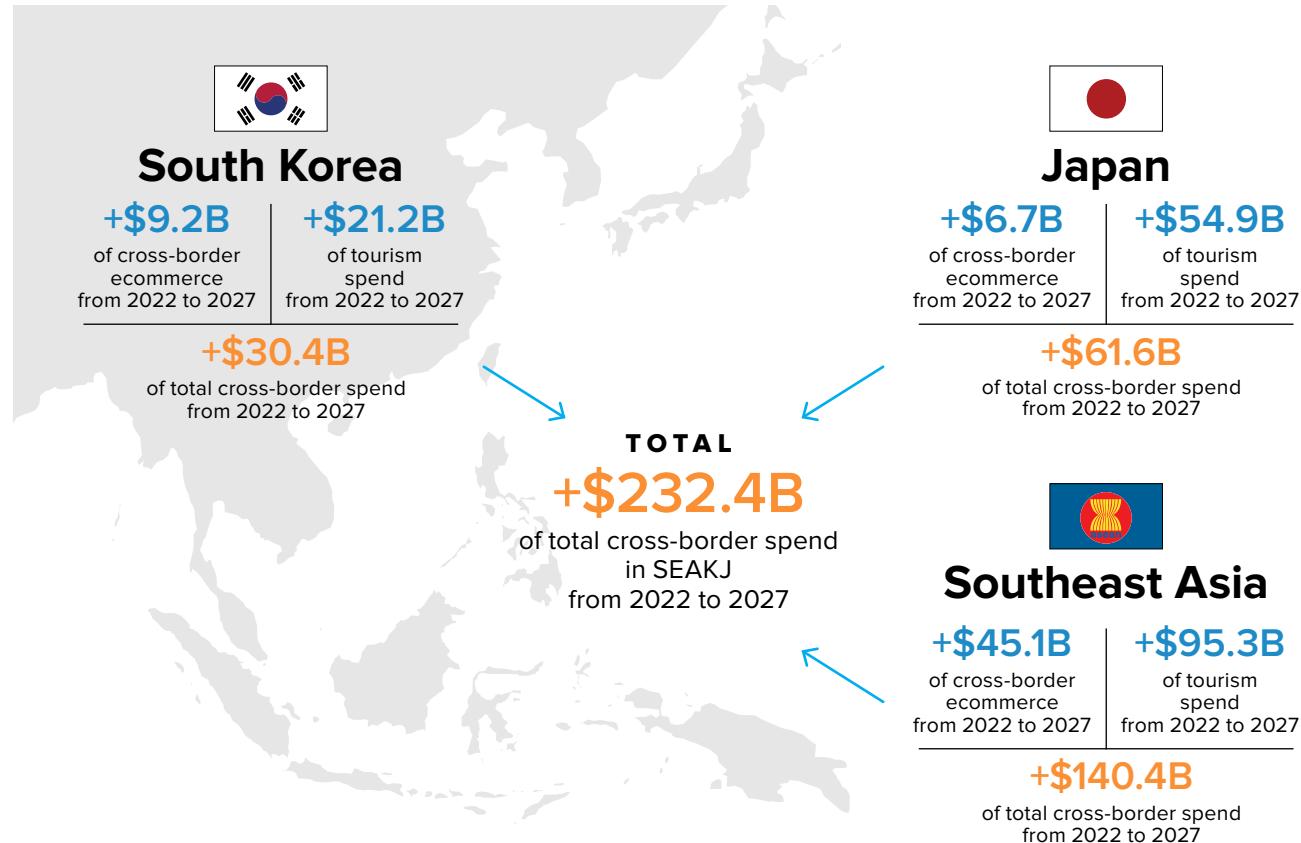
REGIONAL OPPORTUNITIES

The prospect of an extra \$232 billion of cross-border revenue by 2027

IDC has identified obstacles to commerce in Asia which can be overcome by enhancing and streamlining connectivity among the region's digital payment systems. Tearing down such barriers could generate new revenue from cross-border commerce in SEAKJ to the tune of \$232.4 billion through both online and offline transactions.

New technology propels cross-border ecommerce

- Taking into account current government and private sector initiatives in the SEAKJ markets, including new regulations and new payment methods, IDC predicts the following increases in cross-border ecommerce:
 - SEA: **\$36.7 billion in 2022 to \$81.8 billion in 2027**
 - South Korea: **\$35.7 billion in 2022 to \$44.9 billion in 2027**
 - Japan: **\$14.7 billion in 2022 to \$21.4 billion in 2027**
 - Total increase of **ecommerce trade for SEAKJ is +\$61 billion** from 2022 to 2027
- Positive developments, including new wallet and RTP networks, will set off a new wave of growth in cross-border ecommerce activities. Online businesses will need to master cross-border ecommerce to avoid missing out on this evolution of trade.



Tourism spending will be revolutionized

- Tourism spend also looks set for a major change in SEAKJ. IDC predicts the following increases in tourism spending:
 - SEA: **\$39.8 billion in 2022 to \$135.1 billion in 2027**
 - Korea: **\$6.2 billion in 2022 to \$27.4 billion in 2027**
 - Japan: **\$5.3 billion in 2022 to \$60.2 billion in 2027**
 - Total **increase of tourism spend for SEAKJ is \$171.5 billion** from 2022 to 2027
- Travelers now have access to new offline payment methods which link new domestic payment networks and eliminate many of the issues related to traditional payment methods such as cash and cards. IDC predicts this will be a key component of increased tourist spend, and businesses should take advantage of this by adopting a solution that enables cross-border payments.

Source: IDC 2023

REGIONAL OPPORTUNITIES

Untapped potential: intra-SEA and greater Asia tourism

One of SEAKJ's key strategic pillars, the recovery of tourism post-pandemic, will be aided by more seamless payments across the region. This can be a conduit to increased spending and unlocking further value from tourism opportunities, especially for small businesses.

Intra-SEA tourism as an opportunity

- International tourism contributed 4.3% to the total gross domestic product (GDP) of SEA in 2021, down from the 2020 figure of 7.5%. In 2022, international tourist visits recovered by as much as 1,706% year-on-year (YoY).
- Governments aim to promote the region as a single tourism destination by 2025. This entails (1) digitizing and harmonizing tourism data, particularly for health and safety; (2) streamlining multi-country entry procedures; (3) enhancing flight connectivity. With these measures in place, governments hope that visitors from outside SEA – from South Korea and Japan, for example – will visit multiple destinations in one trip, and have greater flexibility and access to travel within SEA.
- Overall growth in public infrastructure, investments in entertainment and attractions, and strategic development in hospitality services are predicted to drive higher tourist spending, projected to reach US\$1,500 by 2025 – up from US\$877 in 2016.

The payments opportunity



Beyond large-ticket transport and accommodation spending, retail payments and point-of-sale (POS) spending will benefit the region as the tourism market grows. SME merchants will need to equip themselves with the capability to cater for the range of diverse payments methods which customers will be using.

Sources: IDC, WTC, ASEAN, ISEAS, Tourism ministries, UNWTO

Tourist arrivals, 2022–2027E

('000)

Destination: Southeast Asia

Arrivals from Southeast Asia



Arrivals from South Korea

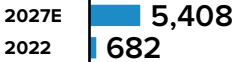


Arrivals from Japan



Destination: South Korea

Arrivals from Southeast Asia

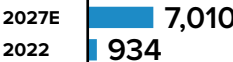


Arrivals from Japan

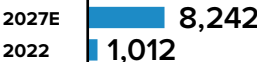


Destination: Japan

Arrivals from Southeast Asia



Arrivals from South Korea



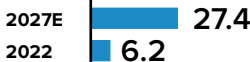
Tourism revenue, 2022–2027E

(US\$B)

Destination: Southeast Asia



Destination: South Korea



Destination: Japan



WHAT THIS MEANS FOR BUSINESSES

Offline store merchants will find value in working with providers that can support them with a simpler payment acceptance platform that is cost-effective, easy to set up and integrate, and works well across the SEAKJ ecosystem. They should leverage new technologies, as well as cross-border infrastructure connectivity, to increase their appeal to tourists.

REGIONAL OPPORTUNITIES

Untapped potential: cross-border ecommerce across SEAKJ

With domestic ecommerce in markets such as South Korea approaching maturity, cross-border commerce in Asia represents a new frontier which remains largely untapped. Continuous improvements to regional trade infrastructure will intensify the flow of cross-border goods in the region. There are significant opportunities for SEA businesses looking to extend their customer base to South Korea and Japan, and vice versa. To be successful requires understanding key buying drivers, purchasing preferences, and product competitiveness, as well as seeking partners who can simplify the entire cross-border process, from payments to fulfillment.

Intra-SEA: more connected ecommerce

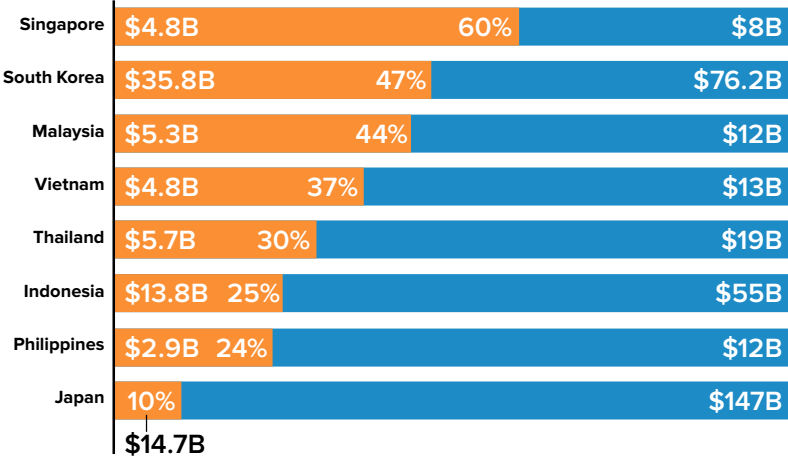
- SEA has the highest trade intensity in the world at 90% trade-to-GDP. A developed trade infrastructure and the regional expansion of ecommerce platforms have increased consumer propensity to purchase from SEA neighbors.
- Favorable tariffs and country-specific capacity building make SEA a relatively cost-attractive base to manufacture and export products. While a large proportion of ecommerce sales is still sourced from China, shifting dynamics in international trade have led many manufacturers and suppliers to set up base in SEA.

SEAKJ: strategic ecommerce partners

- There are opportunities for cross-border ecommerce between SEA, South Korea, and Japan, owing to their sizable markets, relative proximity, and growing ecommerce spend. There is already an active flow of goods in both directions among these markets.
- South Korea's cross-border ecommerce market is significant – 47% of goods came from overseas in 2022. Lower prices, aided by the government's lenient policy on import duties, are the main motivation to shop from foreign sellers.
- Though a large ecommerce market, Japan has a low cross-border penetration rate (10%). But its luxury goods market is sizable, contributing around 27% of global revenue for leading luxury brands. The falling yen exchange rate has also made luxury items, in particular second-hand goods, very attractive to cross-border shoppers.
- Japan is an attractive market for overseas shoppers due to its uniqueness: 77% bought goods from Japan unavailable in their home countries. Similarly, South Korea's cultural, and home and living products, as well as food and beverages, have seen strong buying patterns among SEA consumers.

Sources: IDC, KOISRA, KDI, JAPAN MITE, US Dept of Commerce

Cross-border (inbound) sales and % of all ecommerce sales, 2022

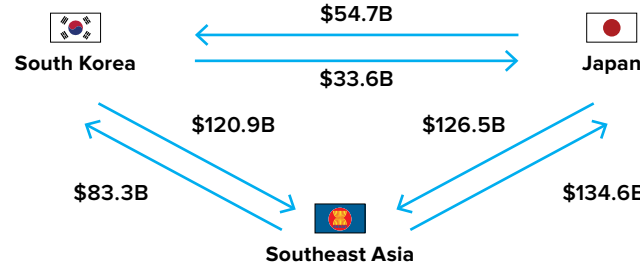
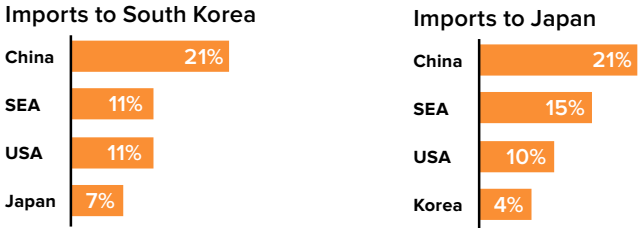


Top ecommerce import and export destinations, 2022

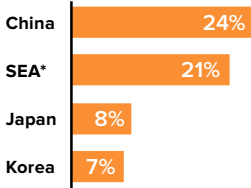
	Southeast Asia	South Korea	Japan
Import origin:	China	USA	China
Export destination:	Southeast Asia	China	China

China's success in cross-border ecommerce stems from its huge manufacturing base and sophisticated logistics systems which expedite and simplify cross-border transactions. Taobao offers multiple options for seamless, one-stop order fulfillment - from payment acceptance to logistics. Many of these tools are now available and can be leveraged by businesses to enhance their overseas presence.

Imports by value and rank, 2022



Imports to SEA






*Among SEA countries

REGIONAL OPPORTUNITIES

Each SEAKJ market has unique pathways for transacting online

SEA, South Korea, and Japan started developing their digital economies at different times and are hence at different stages of maturity. Merchants looking to sell cross-border to these markets need to understand these nuances as well as the unique operating environments in each geography to successfully reach and engage with their target audiences.

	 Southeast Asia	 South Korea	 Japan
Channels used for purchasing	75% Mobile, 25% Desktop	70% Mobile, 30% Desktop	40% Mobile, 60% Desktop
Most used ecommerce platforms	Shopee, Tokopedia, Lazada	Coupang, e-Himart, SSG	Amazon, Rakuten, Yahoo.jp
Most popular discovery platforms	Google, Facebook, TikTok, Instagram	Naver, Kakao, Instagram	Google, Yahoo.jp, Kakaku
Landscape	Major local platforms dominate ecommerce activity, with search and discovery largely through international platforms such as Google and Facebook.	Exclusively local platforms take the lion's share of the local ecommerce market. Discovery is largely through South Korea-specific platforms such as Naver and Kakao which are highly customized for local users.	Unique ecommerce landscape with most purchases still made through desktop instead of mobile. Discovery and research occur mainly through search engines and brand websites, with less social media usage compared to other markets.
Cross-border coverage of ecommerce platforms	Lazada and Shopee allow sellers in SEA to ship to other SEA markets. They also allow countries such as China, South Korea, and Japan to sell to SEA. eCommerce from SEA to other regions, however, is not possible. Other ecommerce platforms are mostly single-market specific.	Coupang, e-Himart, and SSG are South Korea-only platforms that do not cater for sellers to ship to SEA and other regions. Overseas sellers, however, can place their goods online for shipping to South Korea.	Amazon allows product placement for sellers across the world. Rakuten has several overseas versions of its platform for outbound sales from Japan, but these localized sites are limited in the products offered. Yahoo Japan only caters to the domestic market.
IMPLICATION	Mobile-driven market with cross-border ecommerce platform coverage within SEA; has high potential for exporting to other markets.	Mobile-driven market with huge potential for exports due to current trends and demand from regions such as SEA.	Unique online market somewhat siloed from the wider global online market. However, there is significant demand for local, high-quality goods.

Source: IDC 2023

CHALLENGES AND STRATEGIES

Cross-border commerce challenges and strategies

FRAUD AND PAYMENT PREFERENCES

1 Fraud



2 Preference and access



Understanding challenges

- Incidents continue to rise in 2023 with perpetrators using more sophisticated techniques. This hurts sales, and makes refund and compensation difficult (See Case Study 1: Tall Ship).
- Several payment gateways/providers have been involved in large-scale data breaches, giving rise to growing concerns over platform security. Users hesitate to enter card details and personal information on ecommerce sites, particularly those which are foreign-based.
- Different levels of anti-fraud enforcement among jurisdictions complicate matters. Customers may be exposed to non-delivery risk, and merchants may be hesitant to accept foreign payments due to excessive anti-fraud measures.

- Card penetration is still relatively low in emerging SEA markets, and many cards, by default, may not support overseas transactions due to banking security measures.
- Markets have different preferred payment methods. (See Case Study 2: Kansai Airports Japan.) For example, Japan's "Konbini" payments may be hard to support without the right technology.
- Japanese and South Korean consumers strongly prefer channels that display their languages across user interfaces and customer support.

Strategies to navigate challenges

- Banks are introducing self-service **virtual accounts or cards** that create single-purpose numbers without revealing sensitive data.
- Integrating checkout interfaces with **facilitated trust** – like BNPL or mobile wallet linkage – can help tackle cart abandonment issues.
- Mobile wallets can also rival banks with **enhanced security features** like biometric verification, in-app approval, and full-scale protection.

- **Integrating with local infrastructure** will encourage lower-banked population segments to shop beyond domestic markets. Mobile wallets in countries such as Indonesia and Philippines generally support over-the-counter cash payment for topping up or completing transactions.
- Proper platform translation, localization, and providing **local support** all help brands to create an enduring foreign presence.
- Merchants should **partner with payment providers** familiar with a country's diverse payment preferences and evolving consumer landscape, and can swiftly adapt without disrupting operations and spiking fees. Partners that go beyond payments to facilitate the entire ecommerce process will be a boon to businesses looking to expand across borders.

Sources: IDC, Reuters, KPMG, The World Bank, Parcelmonitor

CHALLENGES AND STRATEGIES

Cross-border commerce challenges and strategies (Cont.)

COSTS AND GEOPOLITICS

3 Transaction costs



- Moving money internationally typically incurs costs such as foreign exchange (FX), transaction fees, and interchange fees, seeming to add costs to buyers at the end of their purchasing journey. (See *Case Study 3: JA Assure*.)
- These fees may also fluctuate on a per-transaction basis, and are subject to overall macro-FX trends, making revenue/cost forecasting difficult for merchants.

4 Protectionism



- Some countries attempt to reduce reliance on global networks in favor of locally-developed infrastructure. Indonesia is a good example, launching an Indonesia-only card network. The aim is to enhance their geopolitical position and to mitigate the risk of foreign sanctions and interference. Such moves restrict access to global markets, but also force the local infrastructure to be resilient, especially for large-scale transactions.
- Governments play a balancing act between providing consumers with choices (via open platforms) and protecting local industries. They often pursue the latter by imposing tariffs and taxation on foreign merchants, and restricting products overseas sellers can offer through specific measures that protect the country's strategic product sector.
- Countries may also impede the presence of foreign merchants or affect their overall strategy, typically by imposing limits on the growth of foreign platforms while incentivizing local ones.

5 Tariffs



- A country's receptiveness to imported goods is often determined by its strategic priorities and policies for local markets. A direct impact of this are tariffs, which influence the final product price for end users. Certain markets do not impose tariffs on goods such as electronics while others do, and the tax is borne by the customer. Lack of knowledge about how these rules are applied often dissuade customers from cross-border purchases.

Strategies to navigate challenges

- **Cross-border RTPs** can accelerate adoption of cross-border ecommerce that leverages digital payments. This is driven both by government initiatives (i.e., intra-bank networks) and private undertakings (i.e., mobile wallets). Cross-border RTPs will help bring transaction costs down, offer consumers convenience, and bolster their confidence to transact.

- Although countries may implement ever-changing policies, the SEA bloc aims to **harmonize** them, especially for intra-SEA ecommerce trades.
- Merchants may pursue **different strategies** to tap into a "restricted" market, e.g., establishing a significant local presence, partnering with local establishments, or pivoting their business models.

- **Low value shipment program:** Under this ongoing initiative, intra-SEA shipments under a certain threshold undergo simple documentation procedures and faster clearance, almost akin to domestic parcels.
- **Strategic trade partnerships:** ASEAN-Korea Free Trade Agreement (AKFTA) and ASEAN-Japan Comprehensive Economic Partnership (AJCEP) will likely further address issues that may restrict ecommerce.

Sources: IDC, Reuters, KPMG, The World Bank, Parcelmonitor

CHALLENGES AND STRATEGIES

Cross-border commerce challenges and strategies (Cont.)

LOGISTICS

Understanding challenges

5 Nature of goods/market access



- As ecommerce evolves to include more smaller-sized merchants, logistics providers need to accommodate goods that are niche and harder to find.
- Buyers may need to engage third-party forwarders to purchase goods in a restricted or limited access market. This incurs high commission costs for specialized shipping services and additional duties/customs procedures. This is often a deterrent to cross-border sales.

6 Capacity and infrastructure



- Fleet availability and capacity affects last-mile delivery at the export destination – factors out of the seller's control.
- Road infrastructure impacts last-mile delivery pricing and reliability. In Indonesia, end-to-end shipping may involve multiple logistics partners and two to three modes of transport.
- In Japan, high redelivery rates for parcels (12%) stretches its national last-mile capacity, against a backdrop of an aging workforce and mandated limits on courier man-hours.

Strategies to navigate challenges

- **Expansion into last-mile logistics:** In Malaysia, the expansion of ecommerce platforms into logistics (e.g., Lazada Logistics) now accounts for 50% of their ecommerce parcel market. This strategy gives merchants a seamless pick-up experience, expedited shipping, integrated tracking and documentation, and returns facilitation without dealing with third-party logistics which may not be fully integrated into their seller platform.
- **Economies of scale:** Larger-scale platforms can offer reasonably-priced forwarding services to buyers by handling on-demand storage, documentation, and specialized and bulk shipping due to economies of scale.
- **Partnership with air carriers:** For cross-border sales, some ecommerce platforms have established exclusive partnership with air carriers. Lazada's partnership with an air freight network has cut the logistics cost for bulky items by half, and reduced delivery time by 41%.

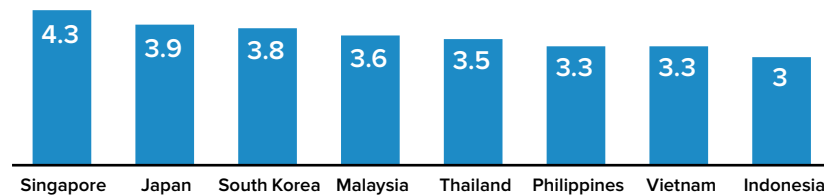
Delivery time and expectations

- SEA customers have high expectations of delivery time: 80% want same-day delivery, and are willing to pay 5% more of their order value for faster deliveries.
- On average, deliveries can take 1-3 days for domestic land transport, 2-7 days for domestic sea transport, and 5-21 days for intra-SEA shipping.

SEAKJ logistics performance index (LPI), 2023

(Score: 0.0-5.0)

*LPI tracks logistics performance for global comparison. Developed by the World Bank, this score considers the country's customs, infrastructure, operator competence & quality, and timeliness.



LPI: Average lead time for shipment, 2022

(Days)

	turnaround time at port (container shipping)	Aviation import dwell time (air freight)
Singapore	1.2	0.3
Malaysia	1.2	0.8
Thailand	1.0	2.1
Indonesia	1.8	2.4

WHAT THIS MEANS FOR BUSINESSES

Understand the criticality of logistics infrastructure when planning to sell cross-border to SEAKJ (or from Japan and South Korea). Partnership strategies – with payment providers, ecommerce platforms, and logistics services – can significantly impact a merchant's operational excellence and bottom line.

Sources: IDC, Reuters, KPMG, The World Bank

CASE STUDY Tall Ship Adventures Pte Ltd

Sailing to cross-border success

Tall Ship is a Singapore-based, tourism-focused enterprise that offers unique experiences to its customers aboard The Royal Albatross – a customized, modern, tall ship yacht which resembles a traditional naval galleon. It is the only company in Asia that offers luxury tall ship dining cruises to the public. Customers use the yacht to hold and host a wide variety of events, from private celebrations and weddings to corporate events and cruises around the waters of Singapore.

With a business heavily attuned to the needs of inbound tourists to Singapore, and with the reopening of the tourism markets globally since 2022, Tall Ship has taken major steps to regrow its business across the globe. Handling and processing cross-border payments, however, came with challenges which the company had to address to ensure it continues to grow in a competitive and challenging environment.



Background

As a tourism-reliant business with 80% of customers from overseas prior to the pandemic, Tall Ship is adjusting to the realities of a post-pandemic industry landscape.

The drop in tourist numbers started to reverse in 2023, and today, visitors from China, India, Australia, and the US make up the bulk of their customer base.

To take advantage of this recovery, Tall Ship looked for ways to further enhance the customer experience and protect their revenues.

Their challenge

Dealing with many markets meant that Tall Ship must be able to accept preferred payments methods of their key target markets (i.e., China and India) as well as BNPL payments, which have been increasing in usage.

In the process, they also had to deal with revenue losses and time spent on handling fraud cases – particularly chargebacks.

Cross-border transactions are higher-risk, and tourism transactions are generally of higher value. Tall Ship previously spent significant effort on rectifying these issues, tying down resources which could have been used for more productive activities.

The solution

Acknowledging that a new streamlined solution was needed to alleviate their cross-border payments issues, Tall Ship switched to a new payments partner for the bulk of their payment processing, with the assurance of enhanced security, as they could now detect and reject fraudulent transactions more accurately.

Their new partner also supports them in accepting and processing almost any and every payment that is widely used by their target markets. This allowed them to decommission multiple providers they were engaging and optimize their payments network under one platform.

The results

With their new payments partner in place, Tall Ship has reduced lost revenue from fraudulent chargebacks and other security issues, and has further cut the time and manpower spent on resolving such issues.

Having a set of payment options for cross-border commerce means that Tall Ship can continue to work on expanding into new markets and increasing business from existing ones without the need for additional investments into payment technology. Tall Ship has gained a future-proof payments partner that can help it grow its business.

CASE STUDY Kansai Airports Co., Ltd

Connecting internationally through payments

Kansai Airports Co., Ltd. operates major airports in the Kansai region of Japan. It has an arm that deals with aviation operations, and another with non-aviation operations across airports, including Kansai International Airport, Itami Airport, and Kobe Airport. The non-aviation business includes retail which accounts for almost 70% of non-aviation operations, generating US\$369 million of revenue in 2022. Emerging from the pandemic, these airports have seen an uptick in activities. Kansai Airports saw the recovery as an opportunity to formulate strategies which could restore revenues and further enhance the customer experience.



Background

Kansai International Airport is the third busiest international airport in Japan, after the two major airports in Tokyo. It serves as the gateway to the western region in Japan. In 2022, the airport handled 11.5 million passengers. As of August 2023, it has recovered to approximately 80% of the number in 2019, before the COVID-19 pandemic.

From 2020-2022, Kansai Airports suffered a drastic drop in the number of domestic and international passengers. Emerging from COVID-19, the company has focused on restoring operations to normalcy, including its airport retail business. However, returning Kansai International Airport's operational capacity to the level of 2019 is insufficient. This is due to the Osaka Expo to be held in 2025, which is expected to bring in approximately 28.2 millions of visitors and requires expansion work to the airport to cater to the anticipated surge in inbound passengers.

Their challenge

As the third largest airport in Japan, handling flights from 26 cities and 17 countries* worldwide, Kansai International Airport deals with a large volume of customers who prefer to pay with their own currencies and payment methods. To accommodate the diversity of payment methods requires a flexible and global payments solution.

The airport's own research also highlights the value of cashless payments and its rising use among both Japanese and International tourists. This, coupled with the weaker yen, provided opportunities to further develop the airport's retail business.

*Based on 2023 summer schedule (passenger flights)

The solution

Recognizing the crucial role payments can play in customer experience and generating revenue from its diverse international client base, Kansai Airports worked with partners to offer a range of overseas payment options to cater to the preferences of mainly Chinese, Hong Kong, and Korean customers.

In selecting partners, Kansai Airports looked at the ability of the payments provider to contribute to revenue expansion, the potential for leveraging customer data, and the overall effect of enhancing the value of the airport.

The results

With new payments partners in place, the airport has seen significant improvements. These include the ability to access information from international markets and customers, allowing them to develop streamlined, targeted marketing campaigns.

The new payment infrastructure has also improved customer experience by reducing friction in transactions. Kansai Airport's collaboration with payments partners has enabled them to create new sales promotions which have had a positive effect on revenue.

CASE STUDY JA Assure

Using payments to cement assurance

JA Assure is a fast-growing insurtech company based in Singapore, and their operations cover Singapore, Malaysia, Hong Kong, and SEA. They offer a range of insurance products to businesses and individuals, catering primarily to niche segments which are under-covered or uncovered by mainstream insurers.

When they first started out 20 years ago, they supported businesses that found it difficult to obtain insurance coverage, such as jewelers, timepiece and diamond dealers, money changers, and pawnshops. Their customer base has since expanded to include medical malpractice insurance for healthcare professionals, and services to protect high net-worth individuals' luxury items. The insurtech also covers logistics operators that serve such businesses. Dealing with higher-value transactions across multiple jurisdictions came with challenges for the ambitious insurtech.



Background

In 2023, the insurance segments that JA Assure covers continue to evolve, with increasing demand for specialized coverage such as medical indemnity.

The insurance industry in Asia is itself undergoing transformation, shifting from a primarily agent-based model to an increasingly online one, with direct sales coming from sites and apps. To increase revenue, those in the industry are seeking ways to optimize the online customer experience and improve the quality of touchpoints they have with their customers.

Their challenge

Managing multiple clients from various backgrounds and diverse markets, as well as their focus on online sales, meant that JA Assure has had to deal with a range of complex issues such as currency conversions, different regulations, and a host of payment preferences.

These resulted in delays and additional costs to businesses, which JA Assure sought to minimize, so that they could provide a consistent and seamless payment experience to their customers, and ensure their growth was not hampered by payment limitations.

The solution

Understanding the role that payments play in driving their business, JA Assure embeds payments into the design of every new product they launch.

To ensure consistent experiences, they worked with a new payments partner to optimize currency conversions, ensure compliance with local regulations across multiple jurisdictions, and offer diverse payment options which would be relevant to their customers.

A key consideration is finding a payments partner that offers the flexibility to charge fees based on transaction volumes.

The results

The new payments partner now handles all of JA Assure's payment transactions. As a result, they have improved their transaction success rates, reduced processing time, and enhanced customer satisfaction, making it easier for their customers in different regions to purchase their products.

The work is still ongoing, and JA Assure conducts regular half-yearly reviews with the partner to identify areas for improvement and to find ways to further optimize payments.

ESSENTIAL GUIDANCE

Navigating cross-border complexity can be simplified

For businesses operating in Asia, whether online or offline, the recovery and near-normalcy that 2023 brings will be a huge sigh of relief after the disruption of the past few years. Businesses should now look beyond simple recovery to see what new developments in the industry would allow them to propel their business to new heights.

Cross-border commerce presents itself as the catalyst that could help businesses to grow their customer base - and revenue. For businesses eager to accept the challenge, IDC offers the following recommendations:



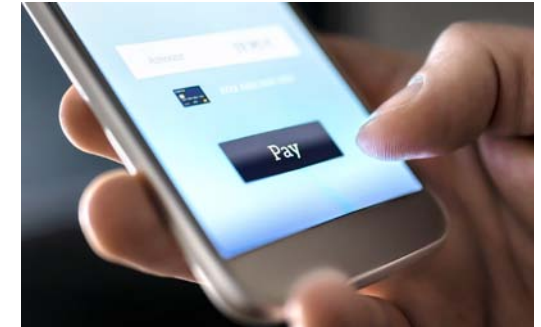
Pick your products and target markets, and understand market needs

- Understand why there may be demand from certain markets for your products and why they are attractive (availability, pricing, quality); incorporate these considerations into your marketing.
- Understand target markets' discovery and purchasing habits: where customers are most likely to find products, be influenced to buy, and, ultimately, purchase the products.
- Understand how your target customers transact in their home markets and what you can do to enable and facilitate smooth overseas transactions. Are there payment methods unique to their home markets that can be supported? Realize the boost to sales these can provide if available.



Plot your strategy, including choosing your partners

- With products in place, find out who you will need to partner with to fully facilitate sales. For online sales, this includes payment partners, ecommerce platforms and logistics partners.
- Understand the risks involved in cross-border commerce: how they differ from domestic commerce and what you can do to protect yourself. Keep up to date with the latest technologies and methodologies which can reduce risk, and seek to partner with those who can provide an additional level of security.
- Look for partners who are familiar with both your home market as well as your target customer markets.



Look for integration and simplicity in the commerce chain

- Instead of dealing with separate partners throughout the commerce logistics chain, seek solutions which may be able to offer the whole purchasing process in one integrated solution, combining listing, payment processing, reconciliation, and logistics in one stop.
- Collaborate with those who have the largest network of services across the region you wish to serve, as well as your own home market, allowing you to expand to new markets quickly and easily.
- Through your new partners, explore how your payments and commerce processes can be further simplified through consolidation under single platforms.

About the IDC analyst



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IDC Financial Insights and Retail Insights, IDC Asia/Pacific

Mr Yeo's core research coverage focuses on payments, including the uptake of mobile payments in the Asia/Pacific region, digital banking, and the evolution of joint digital ecosystems involving ecommerce, mcommerce, and payments. He also has significant experience in advising financial institutions on their fintech management strategies, placing particular emphasis on organizational and technology restructuring within banks to better cope with the demands of current-generation digital customers.

[More about Michael Yeo](#)

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