

# **Southeast Asia: Opportunities for Startups in the Crossroads of the Indo-Pacific**

A Snapshot Guide to Navigating Southeast Asia  
for German Startups

Snapshot Report by German Accelerator  
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# Southeast Asia in a Nutshell

Located at the strategic crossroads between India and China, Southeast Asia represents a multitude of ethnicities, languages, and cultures tied together by common business networks, trade relationships, and shared resources.

Home to over 680 million people, Southeast Asia is composed of 11 countries: Brunei, Myanmar, Cambodia, Timor-Leste, Laos, Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam. If taken as a regional bloc, Southeast Asia would be the world's third most populous country and the world's fifth-largest economy.

Due to an expanding labor force and increased urbanization, Southeast Asia has become a high-growth market across a diverse range of industries. It also has one of the world's fastest-growing internet markets with 75% internet penetration among consumers. The region is home to 14 unicorns, including Lazada and Zalora, which have German roots.

German Accelerator – with a regional headquarters in Singapore – is committed to empowering high-potential German startups to expand to Southeast Asia. This report provides you with a snapshot of essential knowledge for establishing your startup in the region and focuses on its six strongest economies:

- ) Singapore
- ) Malaysia
- ) Thailand
- ) Philippines
- ) Vietnam
- ) Indonesia

We hope these tips and insights help you avoid common pitfalls and find success as you expand into this unique and high-growth region.

# Why Do Business in Southeast Asia?

We live in the Asian Century: everything from technology and supply chains to population and politics are [looking east](#) toward this continent of innovation and growth. And at the heart of this region is Southeast Asia.

In 2020, Southeast Asia's GDP totaled US\$3.11 trillion. In 2022, middle-class consumers in Southeast Asia grew by 50 million with over US\$300 billion in disposable income to spend on ecommerce, healthcare, hospitality, and financial services.

Here are just a few reasons why your German startup should consider expanding to Southeast Asia:

## **Strong Market Fundamentals**

As a rapidly developing region, Southeast Asia offers a growing talent pool, an open business culture, and progressive regulatory systems that make it attractive for international expansion.

The majority of Southeast Asia's population is young and tech savvy – with a median age of 30 and a 75% internet penetration rate. Given these conditions, it's easy for startups to gain a first-mover advantage around digital adoption and tech-driven innovation (more below).

Urbanization is another growth driver. Southeast Asia's 10 largest cities are home to over 75 million people, and this network of megacities is set to grow further. By 2030, over 100 million people are projected to migrate from the region's rural areas and into cities.

Finally, many countries in Southeast Asia are emerging markets, giving startups a chance to tackle existing economic challenges with new and innovative solutions.

## **An Increase in Investors**

Over the last few years, there's been a sharp rise in investment capital into Southeast Asia from both venture capital (VC) and private equity (PE) firms around the world. Strong market fundamentals, matched with a number of successful exits and favorable regulations have instigated this global flow of capital into the region.

In the first half of 2021 alone, fundraising deals topped US\$11.5 billion – the same amount raised in the entirety of the year prior. The strongest-funded startups in the region are even attracting some of the most experienced later-stage venture funds from the U.S., Japan, and China – including Sequoia, Softbank, Tencent, Alibaba, and others.

In terms of funding and growth over the past decade, FinTech has dominated all other industries in Southeast Asia. Ecommerce and entertainment were also among the most well-funded sectors, while food and logistics were the verticals with the fastest growth, according to e-Conomy SEA 2021.

## **A Shift toward the Digital Economy**

With internet penetration in Southeast Asia at 75% and growing, the region is ripe for digital transformation – and disruption.



During the pandemic, more than 60 million consumers in Southeast Asia joined the digital economy for the very first time. [Experts predict](#) many more users in the region will join the online marketplace in the years to come, and that existing customers will increase their overall spending as well.

The pandemic catalyzed sweeping changes in ecommerce, food delivery, and digital financial services across Southeast Asia. Companies were forced to innovate and pivot to online platforms, with digital consumption soaring from US\$120 billion in 2020 to US\$170 billion just one year later. By 2025, the digital economy in the region is expected to hit US\$360 billion, making Southeast Asia a fertile ground for IoT, ecommerce, ICT, and FinTech startups. It's clear that the future of the Southeast Asian market will be driven primarily by growth in the digital sector.



# Startup Hubs in Southeast Asia

As the world's third-most populous region, Southeast Asia is brimming with innovation hotspots across its diverse collection of markets. Most German startups know that Singapore is a tech incubator, though a few countries in the region are fast catching up and becoming tech hubs in their own right. It's important to not overlook other important players in this region. Here are some of the most promising startup hubs in Southeast Asia to keep tabs on:

## Singapore



Known as the Silicon Valley of Asia, Singapore ranks as the second-most innovative country globally, according to the Bloomberg Innovation Index. Singapore is a leader in finance and high tech, housing 80 of the world's top 100 tech companies, including titans such as Google, Amazon, Salesforce, Facebook, and Grab who have all set up research centers in the Lion City. Fluent English communication and the highest GDP in Southeast Asia sweeten the deal, along with a business climate that's full of tax incentives and government support. Entrepreneurs also have the chance to tap into massive nearby markets while using Singapore as a regional springboard. Taken altogether, it's no surprise that Singapore continues to attract entrepreneurial opportunities and talent.

## Thailand



Thailand has not only the second largest economy in Southeast Asia, it's also a leader in tourism, automotive, and electronics. Bangkok, home to Thailand's largest financial institutions and key seaports, is a center for FinTech, FoodTech, and manufacturing innovation. It's also home to a talent pool of tech nomads and other heavy internet users. Likewise, Thailand's high internet penetration rate further boosts its thriving ecommerce sector.

## Malaysia



Ranked as the 11th emerging startup ecosystem in the world, Malaysia is another major market to consider for a successful international expansion. Malaysia's economy is spurred on by a thriving manufacturing sector, a booming tourism industry, and an emerging tech sector with a strong buyer's market and few government regulations. It's easy to get around in English, and the country has a growing influence across industries such as agriculture, heavy machinery, ICT, medical devices, and green tech. Its geography connects Southeast Asia, China, and the Asia Pacific markets – all of the world's strongest buying powers, making it perfect tech startup hub for onward expansion. Kuala Lumpur – the country's cosmopolitan capital – is the birthplace of several big-name startups such as Carsome.

## Indonesia



Indonesia is Southeast Asia's biggest economy and most populous country – yet many innovators overlook this economic powerhouse. 75% of startup unicorns in Southeast Asia were founded in Indonesia (for a total of seven), including Gojek, Traveloka, Tokopedia, and others. These homegrown superstars continue to innovate and disrupt local, regional, and global economies across a variety of sectors. Also, given Indonesia's market size, businesses looking to expand to Southeast Asia often use it as a testing ground for introducing new products.

## Philippines



The Philippines, with Southeast Asia's second largest consumer population, is one of the most digitally engaged countries in the world. FinTech, enterprise tech, and InfoTech startups are on the rise, especially in Manila, the capital city.



English is widely used, and the Philippines is well-established in the outsourcing industry, giving startup founders an experienced talent pool to draw from.

## Vietnam



Vietnam is poised to become an innovation powerhouse. With competitive advantages in manufacturing and proximity to China, Vietnam is already snatching tech spending away from its northern neighbor. The country's shift to an open economy has created 6-7% annual growth – on par with China – through significant infrastructure investments and by allowing foreign entrepreneurs to do business in the country. Vietnam recently received an influx of US\$815 million in international and domestic investment and aims to be a potential rival for Indonesia's projected tech market growth. Ho Chi Minh City (formerly known as Saigon) is keen to form its own innovation ecosystem with the government planning to fund 1,000 new startup projects by 2025. Startups looking to innovate in an emerging market shouldn't overlook Vietnam.



# Key Sectors & Opportunities for German Startups

The breadth and diversity of Southeast Asia's many markets means German startups can take advantage of growth opportunities across a wide range of sectors and industries, including ecommerce, enterprise software, Industry 4.0, and many more. Below, we highlight the top five high-growth sectors in the region.

## MedTech & HealthTech

The Asia-Pacific medical technology market is expected to hit US\$137 billion by 2023 to become the second-largest MedTech market in the world, [according to McKinsey](#). Over [60 multinational MedTech companies](#) and 8 of the top 10 pharmaceutical firms already have offices in Southeast Asia. In addition, Singapore offers exponential [opportunities for healthcare & MedTech startups from Germany](#).

## FinTech

As more financial institutions exit Hong Kong, Southeast Asia is becoming one of the region's principal financial hubs. In fact, [FinTech dominated VC funding in Southeast Asia during 2020](#) in terms of deal counts. The region's growing diversity of fintech business models and solutions – from payment apps to cryptocurrency – offer German startups a number of great opportunities.

## FoodTech & AgriTech

Another industry brimming with potential in Southeast Asia is agricultural and food technology. Given its generally maritime geography, Southeast Asia is at the [forefront of innovation in aquaculture](#). And [in other areas of FoodTech](#), support from the Singaporean government is attracting startups from as far afield as the U.S. and Germany.

## Smart City

By 2030, [around 100 million people in Southeast Asia will migrate to cities](#) from rural areas. Already over 75 million people live in the region's 10 largest cities – including Jakarta, Manila, Bangkok, Ho Chi Minh City, Kuala Lumpur, Hanoi and Singapore – and this growing network of megacities will need smart city innovations to improve urban living.

## Logistics & Supply Chain

Southeast Asia is one of the most well-connected regions in the world given its strategic location and interconnected economies, making it a leader in logistics and supply chain solutions. For example, Singapore is the [world's busiest container transshipment port](#) and has been ranked as [Asia's top logistics hub for 10 years in a row](#). In 2020, [logistics and LogTech dominated investment deals in the region](#).



# Navigating the Business Landscape & Cultures in Southeast Asia

The cultural landscape of Southeast Asia isn't a monolith. Each country and ethnicity will have different norms, expectations, and behaviors for business culture and communication, so it's important to do your research into the precise geographic market(s) you're hoping to enter.

For example, Singapore has four main ethnic groups (among others) and countries like Malaysia, Vietnam, and Indonesia have tens to hundreds of ethnicities. Religions and languages also vary widely across the region. Singapore, Malaysia, and the Philippines each have English-speaking majorities (whether as a first or second language), but other countries have multiple local languages and regional dialects. All of these differences will translate into distinct layers of the local business culture.

This varied business landscape is also why having a local partner is all that much more important in Southeast Asia. Your local partner in one market will have unique – and valuable – insights into their local culture that a partner in another geography simply can't provide.

But no matter what market(s) you enter, it's important to remember that most Southeast Asian cultures are more reserved, more communal, more hierarchical, and communicate with higher context than in Europe. Your partners and contacts in the region will value a strong business relationship and may communicate in ways that are less direct than many Germans are used to.



Many startups believe that their success formula that worked in Germany will automatically work all over the world. Expanding into new markets such as Southeast Asia has to be done in a custom way. Although some existing processes in your home market can be replicated, startups must 'smart paste' and be willing to adopt to the local nuances and challenges in order to succeed.

**Dr. Sian Wee Tan | Executive Director of Finaxar & German Accelerator Mentor**



# Considering a Southeast Asian Market?

## Top 5 Things to Keep in Mind

### 1. Build Relationships First

Southeast Asia is home to many relationship-based cultures, and trust-based connections form the foundation of business partnerships in the region.

Socialization and mutual warmth are preconditions to building long-term familiarity and trust. Building a relationship comes before business talks can begin. Expect a diverse range of topics and questions in these first conversations, and don't be surprised if some early questions are personal.

Nurturing such relationship will take time. However, building these strong affective connections is essential if your startup is to succeed in the long run.

### 2. Work with a Local Partner

Given that business in Southeast Asia is conducted around relationships, it's essential that your startup work with in-country partners.

A local partner helps you adapt your startup's product or service to the appropriate cultural context, and often is key to hiring your first local employees. This is especially relevant if you're entering a country where you don't speak the native language.

A local partner also provides you with warm introductions to your prospects. In Asia, the business landscape is much more complex and multi-layered, so working with a partner who understands the nuances of a given network is crucial. An introduction through a partner's network is more likely to get you a response than a cold outreach from someone they don't know.

### 3. Address the Right Person First

In Germany, leadership is often more egalitarian and works within flatter organizational structures. Southeast Asian cultures are often hierarchical: status and titles are important, and decisions are made from the top down. Likewise, communication follows hierarchical lines up and down the organizational chart.

It's important to recognize these cultural differences so that you communicate with the right person at the right time. Reaching out directly to the top leader of a business might be considered inappropriate or outright rude. Instead, ask your local partner for an introduction to the most suitable contact.

Once you do have the chance to speak to a leader or executive, be sure to show them a high degree of respect – the same as they might expect from local business contacts.

### 4. Read between the Lines

Communication in Southeast Asia is often less direct than many Germans are used to.

Whereas communication in Europe is usually precise, explicit, and understood at face value, the opposite is true for high-context cultures. In Southeast Asia, communication is typically sophisticated, nuanced, and layered. Messages are usually implied but not plainly stated.

As a startup founder entering the region, you'll need to learn to read between the lines in how local partners, prospects, and employees communicate with you. For example, if you send multiple follow-ups but nothing transpires, they might

be sending you a subtle rejection. This is why it's critical to work with a local partner who can help you interpret these high-context signals which you might otherwise misinterpret.

### 5. Always Save Face – Both Yours and Others

To "save face" is to preserve your dignity and respect within a particular group. You should be just as careful to not make others – particularly business partners or prospects – lose face either. This concept is often one of the hardest cultural facets for Westerners to master.

In Germany, it can be appropriate to provide honest and frank negative feedback to a colleague. In Southeast Asia, negative feedback needs to be provided softly, subtly, diplomatically, and often wrapped within positive comments. Criticism should only be delivered in private, one-on-one meetings.

Saving face in front of others will earn you more respect, and preventing others from losing face – by tempering and channeling your feedback to private channels – will ensure smooth working relationships.



As a region, Southeast Asia is so diverse, and it is essential to adapt your strategy accordingly. No one size fits all. Be patient and be ready. You never know when that golden opportunity may come your way.

**Tim Miller**  
Co-Founder & Managing Director at Certif-D



# Kick-off Your Southeast Asia Journey with German Accelerator

German Accelerator empowers German startups to scale globally. We take high-potential companies on a fast-paced learning journey into the world's leading innovation hubs in the U.S. and Asia.

Tailored to German startups, the Asia Market Access program enables you to learn how to access and maneuver within this complex network of markets. The program prepares your startup to successfully enter Southeast Asia and accelerates your startup's growth. You'll learn how to validate your product-market fit and develop a solid go-to-market strategy.

This highly-customized and curated – yet comprehensive – program gives you access to a wealth of insight, knowledge, support, and partnerships through interactive workshops, one-to-one mentoring from dedicated experts, and ecosystem networking, allowing you to fully assess and overcome challenges and navigate a successful market entry to Southeast Asia.

[Learn More About the Program Here](#)

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German Accelerator and the participating mentors have turbo-charged our effort to break into Asia and Singapore. The progress and momentum we've been able to build over only the past three months would have been next to impossible in that timeframe without their acceleration: workshops, candid feedback, hands-on support, and introductions to an incredible network.

**Christoph Bonik, Chief Operating Officer, Artisense  
Southeast Asia Class 2021-22**