

SEA Industry Research Compilation

Social Commerce | FinTech | Entertainment

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SEA Social Commerce Industry Research

01 Why Social Commerce and Livestreaming?

As traditional e-commerce market has become overly saturated, intensified competition and rising consumer acquisition costs were eating up profit margins. Social commerce emerged as a solution to decentralize sales and marketing channels and has been growing in popularity and variety since then.

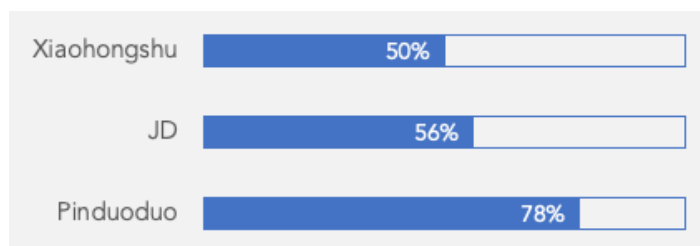
As the hottest sub-division of social commerce, livestreaming commerce has four main advantages:

- Informational Intensive
- Effective Interaction
- Vast Experience Scenarios
- Similarity to Reality

02 Social Commerce and Livestreaming in China

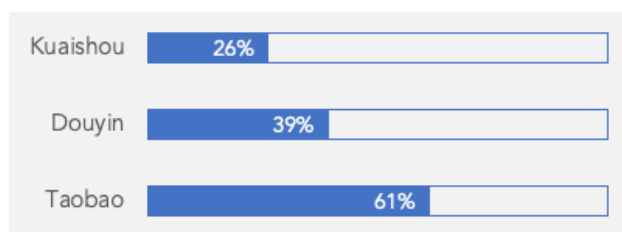
2.1 Market Overview

Social commerce in China started in 2010 and has been developing rapidly. In 2019, the transaction value reached USD\$242.41 billion with 713 million active users. In the first half of 2019, the size of financing for the industry is USD286.53 million. The top 3 social commerce platforms are Pinduoduo, JD, and Xiaohongshu.



Social Commerce Users as % of Internet Users

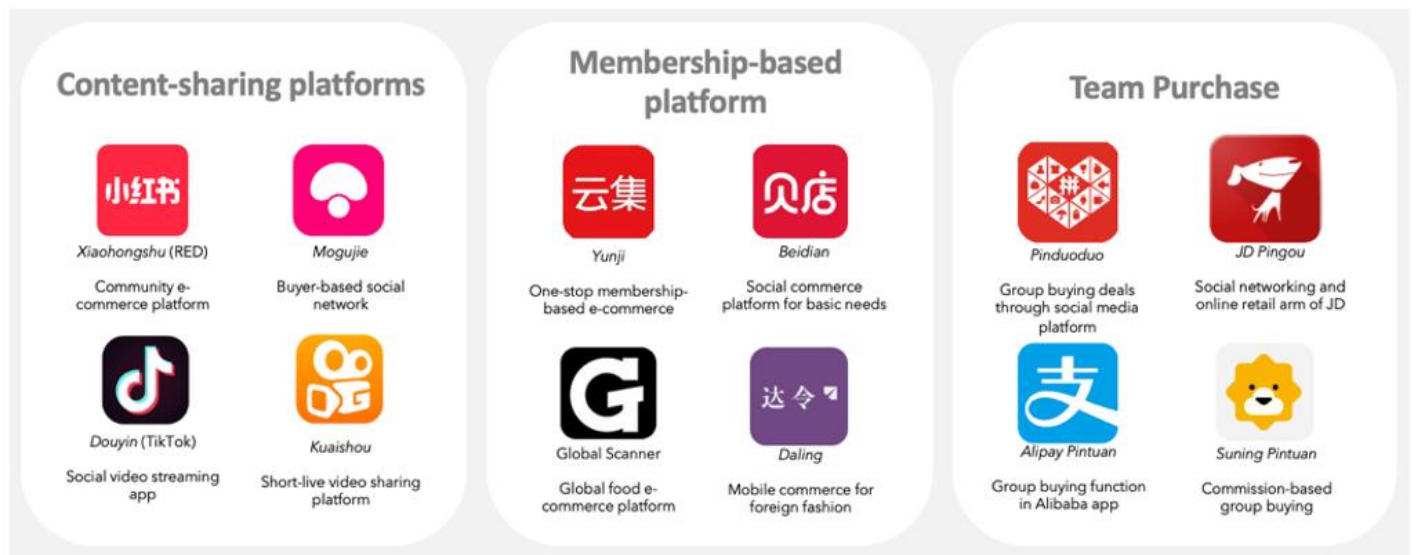
Livestreaming in China started in 2016. In 2019, the transaction value reached ¥451 billion yuan and growing at a 200.4% rate. Up till 2020, there are 524 million livestreaming users. The top 3 livestreaming commerce platforms are Taobao, Douyin, and Kuaishou.



Livestreaming Users as % of Internet Users

2.2 Major Social Commerce Players

There are up-to-date four business models observed in the Chinese market, namely content-sharing, membership-based, team purchase, and distribution agent model.



Major Social Commerce Players in China

Content-sharing model

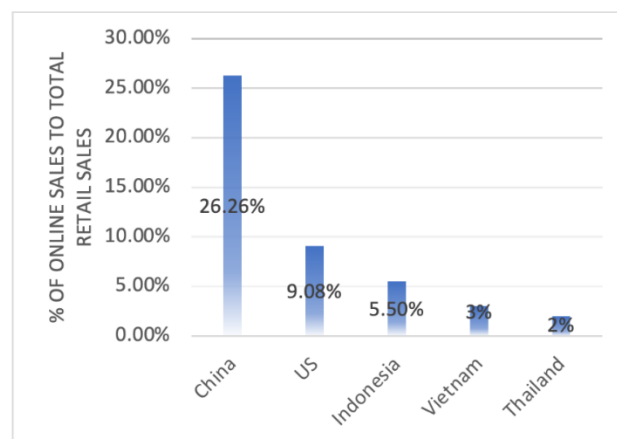
Users or Key Opinion Leaders (KOL) often publish posts with contents such as product usage experiences, together with detailed product features to arouse community members' interest and lure them to buy the products.

Membership-based platform

The platform sources products directly from suppliers or brands and sells to micro-store owners then distribute the product to the final consumers.

Team purchase platform

Allow consumers to purchase goods at a lower than unit price by forming themselves into teams with at least two persons.

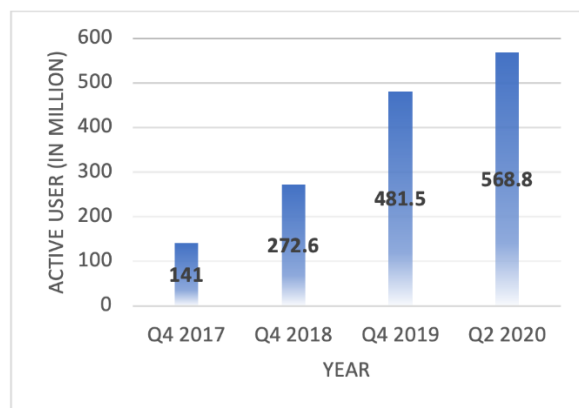


% of Online Sales to Total Retail Sales Across Markets

However, regardless of which business model, the underlying logic is clear, that they all leverage on user's demands for social interaction when making purchase decisions, especially when shopping options are simply too overwhelming. Besides, such models allow customers to purchase items at a discount, which is extremely popular among consumers in the lower-tiered cities in China.

This popularity is manifested in the number of active users registered on Pinduoduo over the years. By the end of 2020 Q2, there are 568.8 million active users on Pinduoduo, growing 16-fold in just three years. Over

half of Pinduoduo's customers live in tier-3 and tier-4 cities and more than half of Pinduoduo's customers are age 20-29 years old.



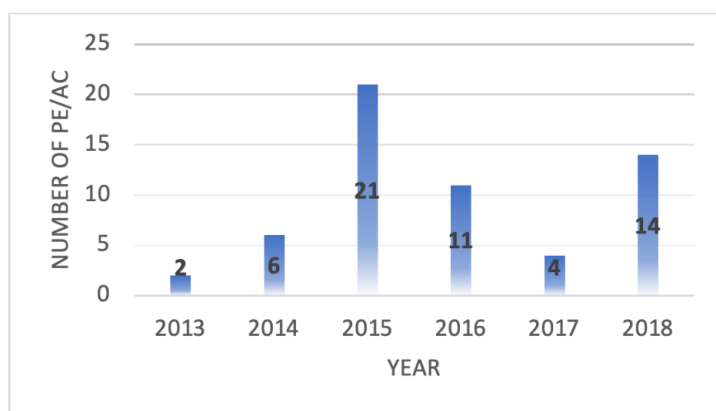
Number of monthly active users of Pinduoduo Inc. (in million)

03 Social Commerce and Livestreaming in India

3.1 Market Overview

Although India has been relatively late in tapping the social commerce market due to its sheer size of the internet population with rapidly growing social media users, India has managed to achieve extraordinary growth in recent years. With strong support from the government, India is expected to become the second-largest social commerce market by 2025.

Social commerce start-ups in India began only in 2018 and is now by far the fastest-growing segment of e-commerce. Top players such as Meesho, SimSim, and GlowRoad are targeting tier-2 and tier-3 city users from the start. People who fall under this category tend to be first-time internet users, and the number adds up to 400 million.



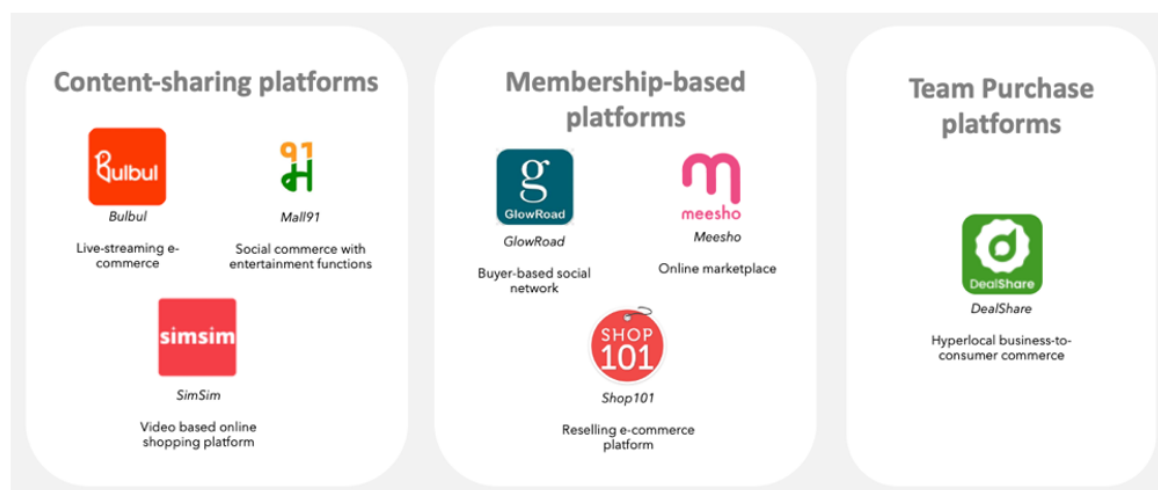
Number of PE/VC deals in social e-commerce India

The size of financing to Indian social e-commerce start-ups in 2019 reached USD\$100 million, and the total market size is expected to take 10% - 20% share of the pie of the total e-commerce in the next 10 years. The social commerce space in India recorded about 14 private equity and venture capital-backed deals in 2018. This was an increase compared to the previous year, however, 2015 saw the most number of PE/VC deals in the sector.

On the other hand, livestreaming in India started in 2018 with the launch of Bulbul. Currently, there are 140 million active social media users in India (2019).

3.2 Major Social Commerce Players

In this section, we introduce the business models of three representatives in the Indian social commerce playing field.



Major Social Commerce Players in India

BulBul allows sellers to display their products live and answer viewers' or buyers' questions in real-time. On the customer side, it offers group buying and social sharing features to users that encourage them to involve their peers in the purchase.

To sell merchandise, Meesho depends on its members as the resellers who reach customers through WhatsApp and Facebook, with access to millions of products along with shipping facilities and payments.

DealShare is focused on a 'WhatsApp-first India' model, consisting of lower- and middle-income groups in tier-2 and tier-3 towns. Through the platform, users get grocery items and all other household essentials at daily discounted prices.

04 Internet and Social Media Penetration Drive the Market Further

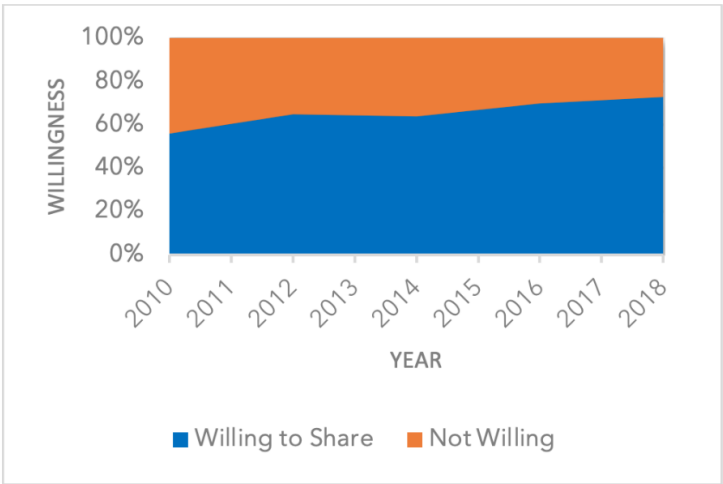
Internet penetration rate in China has reached 64.5% at the end of 2019 and is increasing rapidly. Besides, owning a smartphone and viewing content on social media has become a commonplace scene for people in even the lowest tiered cities. Similar trends can be easily identified in India, though the country is believed to lag behind the digital economy race by at least 10 years. Nonetheless, these trends indicate a bright future for the two biggest emerging countries to truly embrace social commerce.

Apart from good news on infrastructure, trends in other aspects also shed a positive light on social commerce's sustainable growth. In China, most social media users shop online more than three times in a given month. While in India, nearly 60% of the WhatsApp consumers surveyed said they click on links sent in the e-commerce category to read more about the subject.



High Overlap between Social Media Users and Online Shoppers

Besides, a survey of China’s middle-class consumers found that 63% of respondents agreed with the statement “I believe in products recommended by people I follow on Weibo and WeChat and am interested in giving them a try”, which indicates high trust for social media content.



Percentage of Internet Users in China Willing to Share Their Purchase Experience

Study has also shown that in China, around three-quarters of all internet users post purchase feedback at least once a month, compared to less than 20% of US internet users. While in India 44% of WhatsApp consumers forward interesting content to their friends. These figures show customers’ willingness to share their purchase experience online, which adds fuel to customers' traction rate.



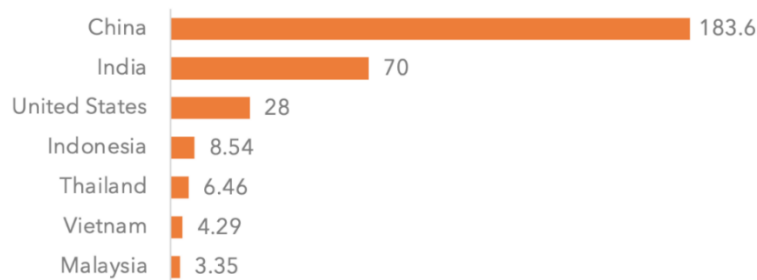
Tier 2 and Tier 3 Cities Adopt Faster in India

Lastly, since day one of social commerce, counterfeit product issue has shunned many consumers. However, lower-income consumers care less about the quality of products and are more subjected to the influence of KOLs. This trend has been extremely obvious in India, where tier-2 and tier-3 city users and first-time internet users are the most loyal customers on social commerce platforms.

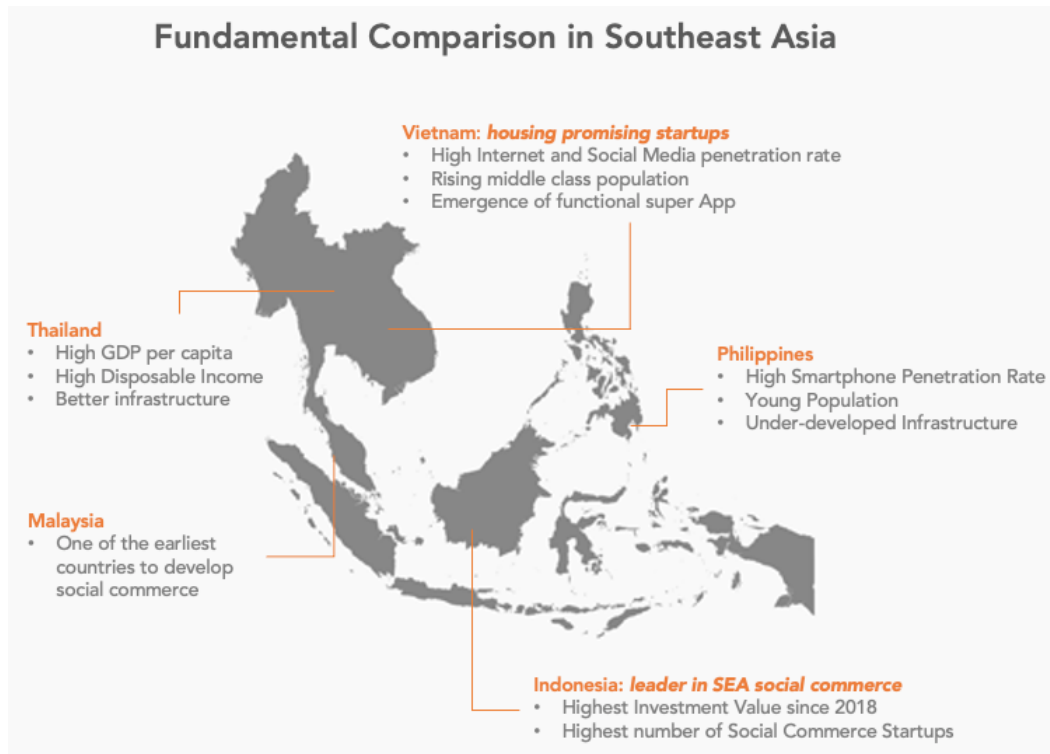
05 Opportunity for Social Commerce in Southeast Asia

5.1 Market Overview

China is currently the biggest social commerce market in the world, followed by India. Several successful business models in both countries are being adapted by SEA counterparts which create huge potential especially for investment hub countries such as Indonesia and Vietnam.










Comparison of Social Commerce Market Size (in million USD, 2019)



Fundamental Comparison in Southeast Asia

5.2 Promising Social Commerce Players in SEA

Compared to China where most citizens use the local messaging app WeChat, social media in Southeast Asia is mostly dominated by Facebook and WhatsApp and that's where most of the social commerce transaction happens. Distribution Agent business models such as Super and Chilibeli emerge to empower independent resellers to distribute goods through their social media accounts.

	 Indonesia	 Malaysia	 Vietnam	 Thailand			
Social Media Penetration*	140 million users 52% penetration	24 million users 75% penetration	59 million users 61% penetration	49 million users 68% penetration			
Most Used Social Media App*	#1 Facebook #2 YouTube #3 WhatsApp	#1 Facebook #2 Instagram #3 Facebook Messenger	#1 Facebook #2 Zalo #3 Instagram	#1 Facebook #2 LINE App #3 Instagram			
Social Commerce Startups	<div>Super</div>  <div>App for Groceries Distributor Agent</div>	<div>Chilibeli</div>  <div>Reseller App for Fresh Food</div>	<div>Bizapp</div>  <div>Platform to manage social commerce</div>	<div>Avana</div>  <div>Social Commerce Enabler Application</div>	<div>Ecomobi</div>  <div>Platform for KOL Marketing</div>	<div>Zalo</div>  <div>Shopping function inside</div>	<div>Ecomobi</div>  <div>Platform for KOL Marketing</div>

06 Key Takeaways from China and India's Social Commerce Development

- The e-commerce and logistic performance must be well developed first in order to facilitate quick, easy, and seamless transfer of information and goods.
- Leverage the power of user networking, an example of success is Pinduoduo's model that relies on the consumer's network as branding which also provides low acquisition cost.
- Increase quality content from Key Opinion Leaders (KOL) considering that contents produced by professional KOLs are more targeted to key audiences.
- Betterment on logistics infrastructure by partnering with third-party logistic providers.
- Proliferation and advancement in payment gateways and e-wallets led by UPI (Unified Payment Interface).
- Community-based transaction through social network has the advantage to bridge the trust deficit in online shopping.
- First-time internet users are a good target right from the start instead of the urban-metro population as they are less worn out by the system and are more inclined to trust the influencers.

In general, e-commerce as an emerging industry has not been around in SEA for long. Countries have to consistently improve infrastructure and social credit system to cultivate a more benign environment to catch up to China.

(End of Social Commerce Industry Report)

SEA FinTech Industry Research

01 Southeast Asia's Fintech Fundraising Scale in the Past 10 Years

Summary

Compared with 2019, the average fundraising scale of fintech start-ups has increased significantly this year (2020). In all stages of fundraising, Singapore and Indonesia both lead the charge.

In the past five years, Southeast Asian technology and financial companies have achieved an annual growth rate of 101% in terms of financing scale. In 2019, the scale of financing has reached 1.14 billion US dollars, and a total of 96 projects have been invested.

Looking at the world, during the epidemic since the beginning of this year (2020), the financing scale in the second quarter increased by 9.1% compared with the first quarter and reached 1.14 billion US dollars. Southeast Asia attracted a total of US\$455 million in investment, three times the size of the previous quarter.

However, further observation revealed that, as a regional financial center, Singapore has seen a decrease of fundraising amount in seed and the Pre-A round. In the past three years, the number of investment projects has decreased at an annual rate of -8%.

Among other countries in the region, the growth rate of seed and Pre-A round financing in Vietnam in 2019 was 12 times that of the previous year, Indonesia was twice that of the previous year, Thailand was twice, and Malaysia was three times.

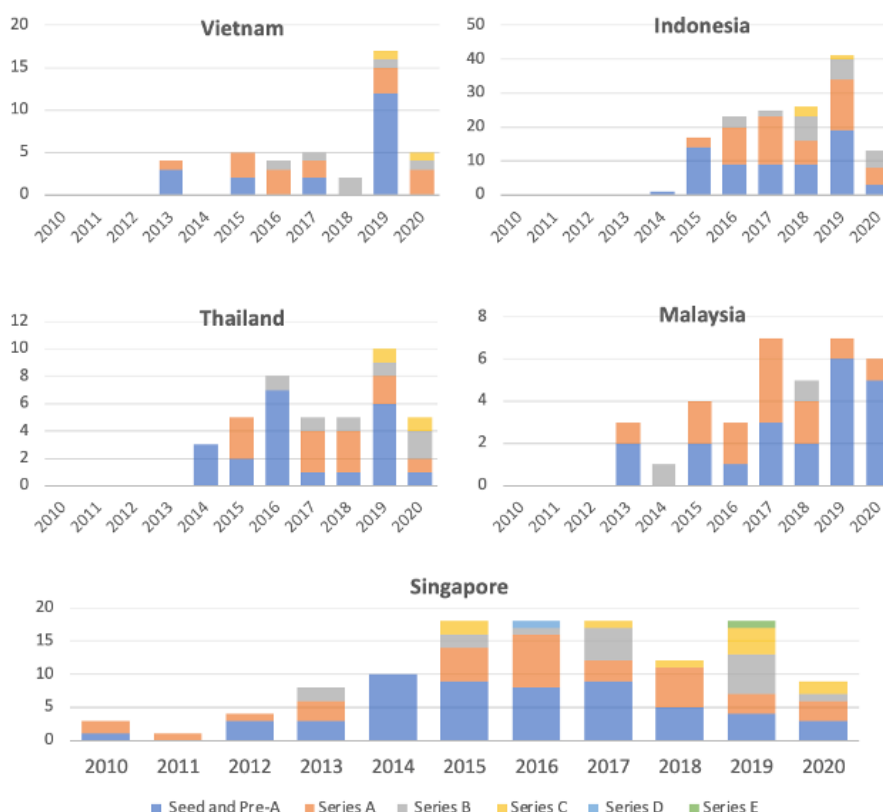


Fig 1. Southeast Asia historical funding frequency based on funding stage

02 Industry Analysis of Southeast Asia's FinTech Segments

Summary

It is estimated that by 2025, apart from remittance and lending in Southeast Asia, other sub-sectors are expected to usher in significant growth, especially in the areas of digital insurance and digital asset management, where the annual growth rate will reach about 30%.

The FinTech industry covers a wide variety of sub-segments. Among them, digital payment and e-lending are the most popular segments in the Southeast Asian market.

However, it is expected that by the time of 2025, other emerging fields (such as online asset management and InsurTech) will usher in explosive growth. As of the end of 2019, the user penetration rate in the InsurTech field reached 4%, and the transaction premium on the entire platform reached US\$2 billion. It is estimated that by 2025, the transaction value will quadruple to 8 billion US dollars.

In terms of online asset management, the current user penetration rate in Southeast Asia has reached 3%, and the total asset under management (AUM) has reached 10 billion US dollars. By 2025, the annual growth rate in this field is expected to reach 41%, with an AUM reaching 75 billion US dollars.

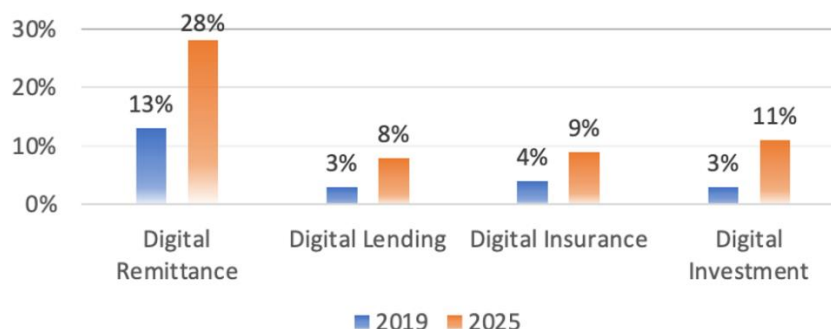


Fig 2. Digital Penetration of four major sub-divisions electronic exchange

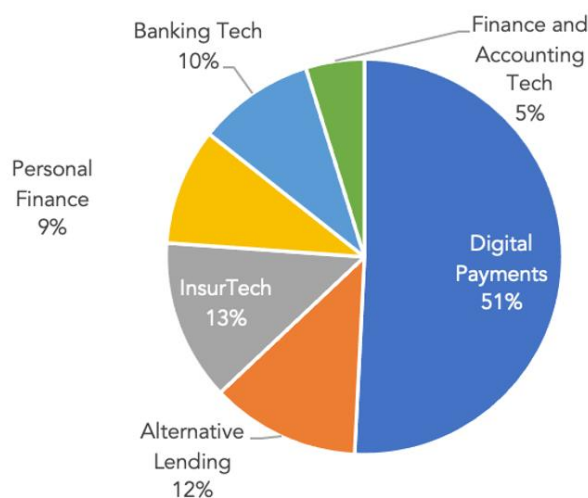


Fig 3. Top 6 funded FinTech verticals in ASEAN, 2019 (disclosed funding deals)

03 Segment Focus #1 - InsurTech

Summary

InsurTech can effectively address the pain points of the traditional insurance industry and significantly increase the insurance penetration rate. China has one of the highest penetration growth rates in the world and can be used as an industry benchmark for the Southeast Asian market.

Insurance Technology definition

Inspired by "FinTech", "InsurTech" is a combination of two words, namely "Insurance" and "Technology". Insurtech aims to solve the shortcomings of data acquisition and analysis in the traditional insurance industry. Insurtech can effectively optimize existing insurance products, improve service compatibility, and greatly reduce supervision costs,

which will ultimately build a rich and diverse "new insurance" ecosystem. Under insurance technology, it can be subdivided into three areas:

- Microinsurance
- P2P insurance
- Comparison between policies

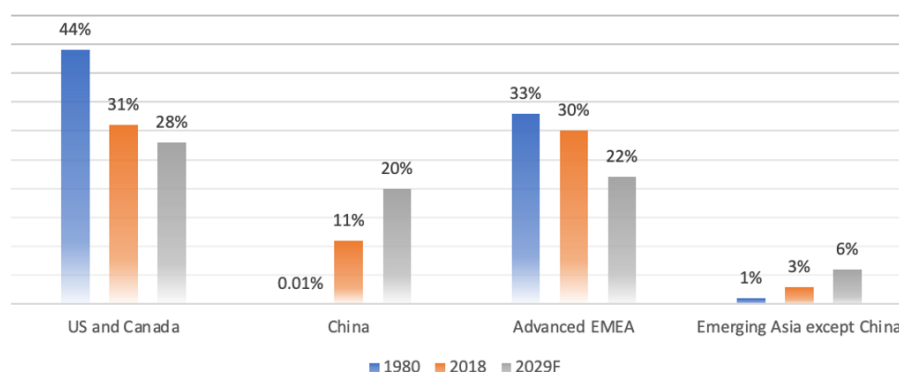


Fig 4. Market share for total direct premiums written by main markets, 1980-2029F

Among many emerging market countries, China has the highest insurance penetration growth rate. Benefiting from the vigorous development of insurance technology, China's share of the global insurance market (in terms of premiums) is expected to reach 20% by 2029.

Large companies such as Alibaba are actively deploying the strategic development of insurance technology to solve the pain points of the health management industry, which has become the main driver for high insurance penetration growth observed in China.

In addition, China has the highest number of InsurTech companies in Asia. Between 2010 and 2019, there were 37 start-ups with a total financing amount of US\$2 billion.

03-1 China's Major Insurtech Players

Summary

The high product adoption of China InsurTech is due to its unique business model and extremely smooth buying experience. Major players have deeply integrated product distribution channels and customer service platforms with the popular communication software WeChat.

The main success factor in China originated from the reorganization of the insurance ecosystem in 2013 - Alibaba and Tencent teamed up with Ping An Insurance to establish ZhongAn Insurance Technology Company, which has since ushered in a new era of online distribution of insurance products. In 2017, Tencent bought the InsurTech startup 微保 (WeSure), which overturned the traditional process of users selecting and purchasing insurance policies. The deep integration of WeSure and Tencent's communication software WeChat allows users to complete the entire process of purchasing insurance policies within the WeChat ecosystem. At the same time, WeSure has also innovated the user experience. For example, the marketing method of bundling insurance policies with electronic red envelopes during the Chinese New Year has been generally welcomed by the market. Tencent also launched the "WeChat Fitness" function to encourage users to develop healthy habits. Another unique business model is 水滴筹 (Waterdrop), which can also be used as a reference for players outside the region. In order to solve the problem of excessively expensive medical expenses, Waterdrop provides patients with a full range of crowdfunding services, and users can also easily get in touch with insurance companies. Waterdrop uses the risk differentiation management model used in emergency funds and other insurance technologies to improve the transparency of the insurance claiming process.



Fig 5. Alibaba and Tencent's partnership/investment in the InsurTech space

03-2 InsurTech Business in Southeast Asia

Summary

Except for Singapore, the insurance penetration rates of other Southeast Asian countries are still at a low level, which provides a broad space for InsurTech start-ups to open the market and increase sales through online channels.

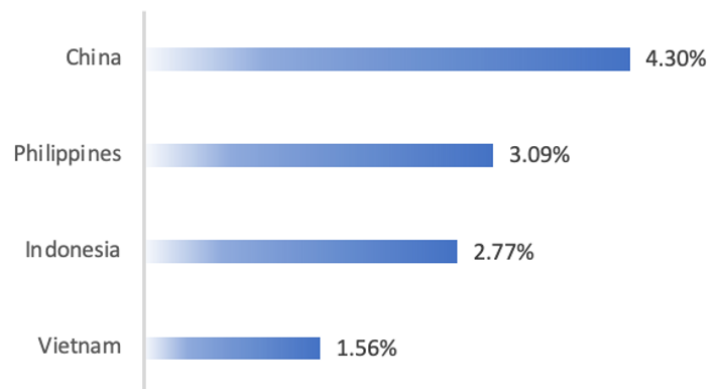


Fig 6. Insurance penetration as % of population

In conclusion, Southeast Asia countries still have much to catch up in terms of insurance penetration. Compared with the Philippines, Indonesia, and Vietnam, China's insurance penetration rate reached 4.3% in 2018, which is higher than in other countries in the region.

Development status of InsurTech in Southeast Asian countries

Singapore

Singapore has the highest insurance penetration rate in the region – reaching 8.9%, thus, local players in Singapore mostly focus on how to update existing services and improve on their quality. Most of them have entered the later stage of financing. For example, last year (2019), the prestigious local Singapore startup, SingLife received US\$100 million in Series C financing. Singapore's success in the field of insurance technology is mostly attributed to its regional FinTech hub status and its exemplary innovation ecosystem.

Indonesia

Indonesia has a population of 274 million, but life insurance transactions account for nearly 1.35% of the country's GDP. Nevertheless, Indonesia is worthy of investors' attention - in the past few years, three InsurTech startups in

Indonesia have entered Asia's Top 100 list. The country's success is mainly attributed to its investment in infrastructure and close cooperation with local unicorn companies.

Vietnam

Vietnam's InsurTech market is still in its infancy, and several local players have gradually started to rise in recent years. At present, investment and financing in this field are still in its nascent phase.

04 Segment Focus #2 – Online Asset Management

Summary

In the Southeast Asian market, benefiting from the growing demand for trust funds and other wealth management products from individual users, the income of online asset management is expected to grow by 31% annually. In addition, China has made considerable progress in distributing passive income investment products exclusively online.

Definition of online asset management

Online asset management can be defined as the sale of retail wealth management funds and wealth management advisory services done through digital channels. These services do not require any traditional marketing channels such as face-to-face communication, ATM transactions, or telephone contact. In the coming year, the field of online asset (wealth) management will achieve a growth of about 31%, mainly due to the greatly reduced financial management costs and the ever-increasing scale of asset management.

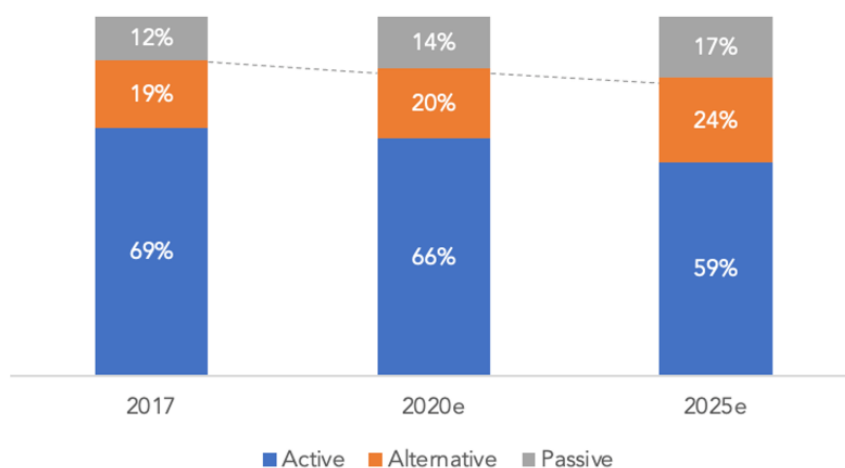


Fig 7. APAC AuM Projections for 2020-2025 based on investment strategies

One of the main drivers of the retail fund market is the growing demand for passive investment in the Asia-Pacific region. However, this growth is mainly due to the consumption wave of China's huge passive financial products, whilst other countries in the region have not seen significant growth of the same magnitude. The widespread use of robo-advisory and digitalized fund advice will overturn the current rules of the game in the industry and will become the next hot targets for investment.

04-1 China's Major Online Asset Management Players

Summary

By integrating online investment products and mobile payment channels, major players in the market such as Alipay and Alibaba can better motivate customers to invest their disposable income for a profit while promoting savings for purchases on their subsidiary e-commerce platforms.

China has a wide variety of money market funds. Its fund market is significantly different from that of developed countries - retail investors collectively hold more assets than institutional investors. Retail investors no longer rely

solely on banks to purchase wealth management products. On the contrary, they are keener to complete transactions through mobile platforms.

One of the factors driving the growth of public funds is the rise of 余额宝(Yu'eobao) and the business model it represents. Yu'eobao, the "management and monetization tool for surplus assets", is an independent subsidiary of Alibaba. Its main functions and services are embedded in Alipay - providing users with electronic wallets and personal financial management and a whole range of services beyond it. The biggest impact that Yu'eobao has brought to the industry is that its initial investment is as low as 1 RMB. In addition, this kind of Yu'eobao + Alipay-style bundling temporarily "locks up" the user's payable asset balance and encourages online consumption and the purchase of wealth management products.

Other notable innovations come from 陆金所 (Lufax). Ping An Group's subsidiary focused on P2P lending at the initial stage, and now they have also developed into a wealth management business. Through a strong online and offline connection network, Lufax provides users with a large number of wealth management products to meet different needs. Lufax's large investment in the field of artificial intelligence chat robots provides a user experience of two-way real-time interaction and real-person conversations, all at the same time greatly reducing the cost.

04-2 Southeast Asian Online Asset Management Strategies

Summary

In Southeast Asia especially in Indonesia and Vietnam, the leading players are attracting retail investors by increasing the availability of investment products sold and helping users to invest based on their risk-return preferences.

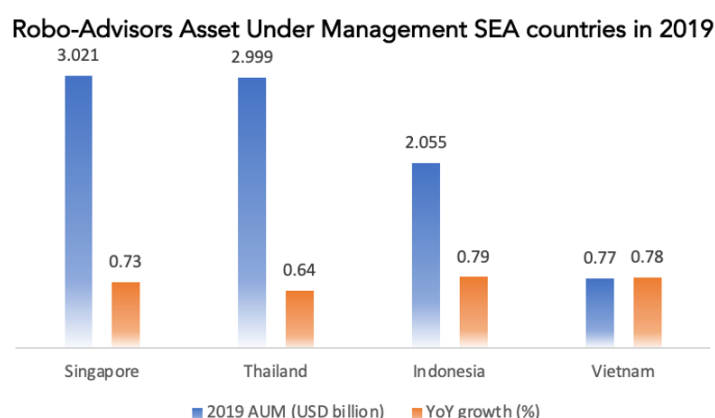


Fig 8. Robo-Advisors Asset Under Management SEA countries in 2019

Taking a closer look at the performance of various countries in Southeast Asia, in terms of the AUM in the field of robotic advisors, Singapore is far ahead of all countries with a total of US\$3 billion in 2019. At the other end, Indonesia and Vietnam are growing their AUM with yearly AUM growth of 79% and 78% respectively. Their growth rate is higher than more countries in SEA which is accelerated with the emergence of digital investment platforms.

Major players in the Southeast Asian market

Indonesia

Currently, only about 0.1% of Indonesians have invested in mutual funds. However, after mutual fund trading platforms (such as Bareksa) and information aggregate portals (such as Stockbit) were established in 2016, the number of individual investors has nearly tripled. Bareksa was initially positioned as a B2C trading platform in 2016, providing users with related trading products such as public funds, sovereign debts, and gold. They also reached cooperation with e-commerce giants such as Tokopedia and Bukalapak distributors. The company is currently preparing to launch a robo-advisory feature on its APP platform to enter this segment.

Vietnam

The Vietnamese public fund industry is still dominated by local private asset management companies. These traditional asset management companies need improvement in attracting the younger generation and guiding their investment. The main influencer in this regard is undoubtedly the new online asset management and smart savings platform - Finhay. The company's mobile app allows users to start investing with a very small amount and adjust investment recommendations by analyzing user return/risk preferences.

05 Segment Focus #3 - Digital Banking

Summary

In recent years, the emergence of e-banking plays an important role in improving the user experience of wealth management and personal wealth management platforms. China's rapid electrification in the field of payment has also caused financial regulatory authorities to issue more and more electronic banking operating licenses - the number of licenses in the China mainland and Hong Kong market currently ranks first in Asia.

Definition of Digital Banking

Among many countries in the Asia-Pacific region, banks still assume the main role of providing liquidity in the financial market. However, banks cannot meet the huge market demand for personal financial management and wealth management, hence digital banking came into being. In many countries in the region, traditional banks cooperate with emerging technology startups to take the lead in the coming wave of financial technology. Digital banking business covers the current three traditional banking service areas - retail banking, corporate banking, and wealth management.

Up to now, among the economies in the Asia-Pacific region, China, Australia, India, and South Korea are leading the way in digital banking licenses and fundraising scale.

05-1 China's Major Digital Banking Players

Although Australia and Japan were the birthplaces of the first generation of “Internet banks”, with Alibaba and Tencent entering the track, China has gradually grown into a pioneer in disrupting the traditional banking industry. For example, WeBank, the digital banking leader of Tencent, was established in 2015. MyBank, which is endorsed by Alibaba, was also established in 2015 and recently received US\$367 million of expanded financing in 2020.

Practicing the industry’s “310 model” when handling loans for SMEs, the corporate service part of online commercial banks can already achieve “zero human participation” in the loan approval process. The number of cases handled by WeBank, MyBank, and XWBank (small and micro enterprises and personal credit) each has reached 10 million, and the bad debt rate has stabilized at around 1%.

In terms of data sources for obtaining lender information, WeBank mainly uses social media data, while MyBank relies on the consumption records of e-commerce platforms.

05-2 Digital Banking Business in Southeast Asia

Summary

Southeast Asia is expected to see more issuance of the digital banking licenses (mainly from Singapore and Malaysia) .

Current status of the Southeast Asian market

Singapore

The Monetary Authority of Singapore (MAS) issued the first batch of four e-banking business licenses in the local market on December 4th, 2020.

Vietnam

The main driving force in the Vietnamese market is the popularity and rapid growth of mobile payments – the penetration rate of mobile payments will directly affect the growth rate of newly opened bank accounts. At present, the Vietnamese regulatory authorities have not prioritized the issuance of e-banking licenses. However, it is predicted that private banks will invest substantially in R&D and market deployment funds in mobile channels and electronic business departments.

Indonesia

At present, the “Internet banking” players in the Indonesian domestic market are mainly from leading banking groups in Southeast Asia. For example, TMRW from UOB, and Digibank from DBS. With the State Bank Open Banking initiative, it is expected that by 2025, 91.3 million unbanked population and 62.9 million unbanked SMEs will be banked through direct onboarding, electronic KYC, or third-party onboarding.

Southeast Asia Digital Banking Players



(End of SEA FinTech Industry Research)

SEA Online Video Industry

Overview

As a result of the COVID-19 lockdown, the Online Media sector experienced growth in new digital consumers. One of the leading sub-sectors of this industry would be Online Video. This report takes a deep dive into this high-growth industry.

01 Long-Form Video Industry

Long-Form Video Global Outlook

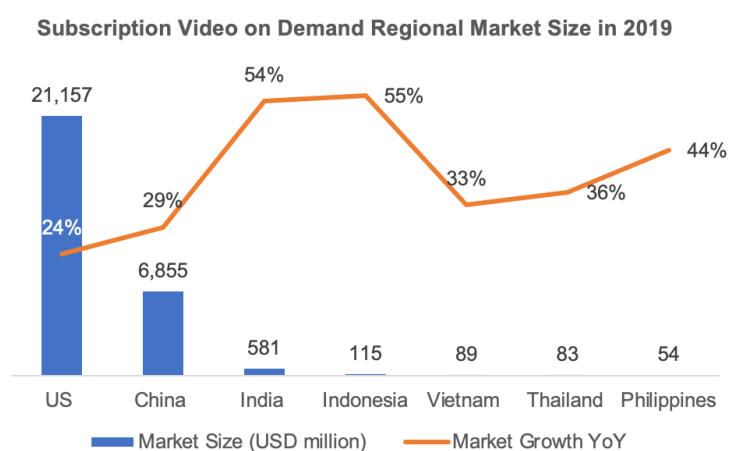
Long-form video platform or sometimes mentioned as video-on-demand still possesses the highest growth with the global market size reaching USD 53.96 billion in 2019 and projected to reach USD 159.62 billion by 2027, implying a compound annual growth rate of 14.8% during the projection period.

Comparatively, China experienced a 40% CAGR for the last three years. China's long-form video market size is estimated to be USD 6.8 billion which is only second to the US at USD 21.2 billion. Moreover, the number of online video subscriptions on China's platforms have surpassed 300 million users in 2019.

The Southeast Asian market is still nascent in terms of market size, though seen from the annual growth last year, countries such as Indonesia, Vietnam, Thailand, and the Philippines surpassed the growth rate of China and the US.

With the saturation of the US and China market, we see two major trends:

1. International streaming media giants will open up more in Southeast Asia.
2. Local player(s) with the advantage in local content will up their game.



Long-Form Video Market Trend in China

We identified four major industry players in the long-form video platform in China, namely *Bilibili*, *Tencent Video*, *iQiyi*, and *Xigua*.



Bilibili



iQiyi



Tencent Video



西瓜视频

Xigua

China is experiencing the same speed of waves in online streaming with several interesting trends coming to play.

Among the players, Bilibili is probably the most special as it acts as the main hub for followers of Anime, Comic, and Game (ACG) culture in China. Bilibili is also able to encourage interesting social interactions amongst users through its “bullet screen” feature which allows their audiences to comment with each other and with the content creator by sending bullet comments.

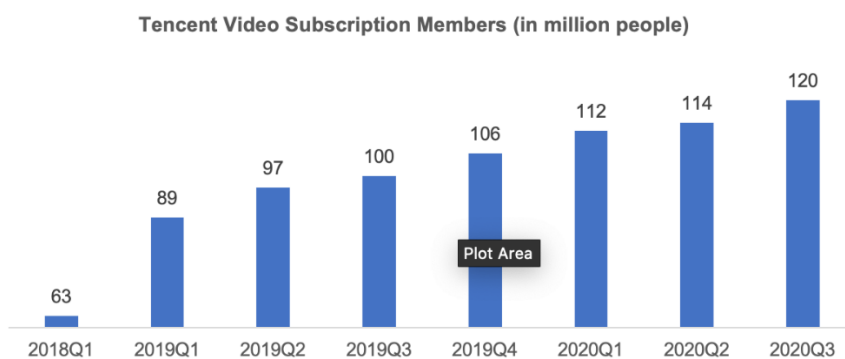
Tencent Video has high popularity with its subscription members surpassing 100 million in 2019. The answer to its popularity is the embedded videos in WeChat that attracts users to download the Tencent Video app.

iQiyi is a video streaming app that offers both ad revenue and a paid subscription model. iQiyi invests massively in content that allows them to offer an extensive array of films, TV series, and reality shows.

China’s Xigua positions itself differently from the players mentioned above. Xigua focuses on mid-length videos with professionally generated content. The videos offered on the platform run in excess of a couple of minutes and the quality of the contents tend to be higher, offering a more premium feel than the likes of Douyin (more commonly known outside of China as TikTok).

The major players in China’s success are not only attributable to content domination, but also an acceleration in AI and machine learning. That said, the competition has shifted to “content experience” where each player races with their own innovative technology.

Meanwhile, comparing China to Southeast Asia, the striking comparison would be the high barrier of entry for international players when the Chinese players clearly dominate their domestic markets. Whereas in Southeast Asia, as opposed to having strong local industry leaders, the competitive landscape is largely influenced by international video streaming platforms such as Netflix, Disney Hotstar from the US, as well as the aforementioned Chinese companies. Thus, homegrown players in Southeast Asia have plenty to catch up if they want to win in their own region.



Investment Opportunity in Southeast Asia

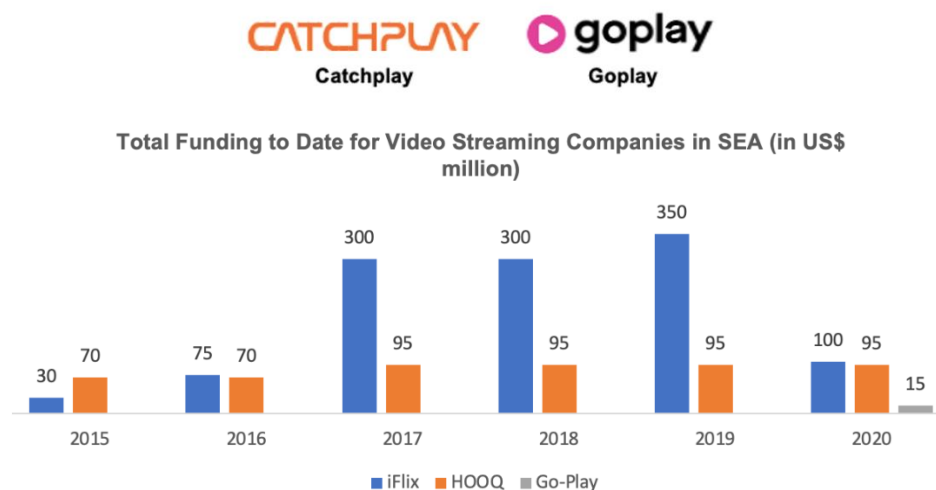
Expanding in the Southeast Asia market has not been easy either for local players or international giants. Challenges faced by the long-form video platforms come from **two major factors**: a lower proportion of locally produced films and a low willingness to pay for premium content. For example, in 2018 only 35% of films in Indonesia were locally produced versus 65% in China, meaning that there is room for growth in this domain.

The second challenge comes from the preference for AVOD (advertising-video-on-demand), thus platforms providing free content are more popular than pure SVOD like Netflix. That said, the Southeast Asian market is still relatively price-sensitive as the propensity to pay fees of US\$ 8 and US\$ 10 per subscription service per month is still low. The tough competition faced in this industry has resulted in the departure of two once market leader - HOOQ and iFlix.

A classic case of unfortunate financial mishap that led to iFlix's demise inadvertently presented a golden opportunity for Tencent-owned WeTV to enter the under-developed market. They are now available in most Southeast Asian countries.

Southeast Asia's long-form video platforms have to cater to the critical elements by increasing the commitment to cultivating premium local content or collaboration with local tech giants such as what Tencent Video does with WeChat as SEA users mostly utilize their smartphone when watching videos. Otherwise, for the newer players, they can compete more effectively by finding a niche target market.

The homegrown player that we deem potential would be Gojek-owned GoPlay which has recorded 100,000+ installs. Users can purchase bundle packages combined with vouchers for Gojek's other services. This model combined with higher quality and original titles in the platform differentiates them from their competitors and directly tackles the challenges in the industry.



02 Short-Form Video Industry

Short-Form Market Trend in China

Fueled by the rise of mobile as a content-consumption medium, short-form videos have become an entertainment staple for many consumers. Especially in today's mobile era, people spend increasing amounts of time on platforms like TikTok (Douyin), the biggest player in the world with services covering 190+ countries and still growing.

The countries with the highest TikTok downloads are India, China, the US, Indonesia, and Brazil, with Southeast Asian countries such as Vietnam and Thailand following closely. The spike in short-form video popularity is supported by the rise in average daily time spent on mobile, from 3.6 hours (before lockdown) to 4.7 hours during the

lockdown. This habit is projected to continue after lockdown with an average of 4.2 hours spent online.



In China, Douyin and its rivals Houshan and Kuaishou top the chart as the most popular players, each with a special focus on customer segments. Douyin for example, in 2016 quickly amassed over 100 million users within one year of releasing its platform. Its main target consumers are in China's Tier 1 and Tier 2 cities born after 1995.

While Vigo (Houshan) video app targets users aged 24-49 in Tier 3, 4, and 5 cities. Houshan has carved out a niche by finding a specific category of adult consumers within part of China. The closest competitor of Douyin is Kuaishou which started early in 2011 as a GIF maker app. It is now the preferred short video app for users living outside big cities in China.

Such applications mentioned above may take a longer period to emerge in Southeast Asia (with the exception of Singapore). Although the mobile user market size and internet penetration growth are impressive, Southeast Asia still needs massive investment in R&D to be able to develop the same level of AI technology.

Short-Form Video Market Characteristics in Southeast Asia

Southeast Asia is one of the fastest-growing sub-regions in the world, and its near 670 million-strong population is increasingly mobile internet-savvy. Uptake of digital services by businesses and consumers alike is experiencing major growth – a trend that has only been accelerated by the health pandemic, as organizations race to redirect operations towards online-oriented.

TikTok remains the largest player and collectively, it has been downloaded over 300 million times in SEA which is nearly half of the region's 670 million population. More than half of its users are under 30 years old, according to mobile application data research firm Sensor Tower.

The main driver for short-form video consumption in Southeast Asia is the high social media penetration rate. In Thailand for example, the social media penetration rate is at 75% (2019), the second-highest in the region just behind Malaysia at 81% (2019).

Though it is hard to detect any major short-form video player that was locally made in SEA, Singapore is definitely steps ahead with the rising popularity of BIGO's owned Likee App. LIKEE's parent company, BIGO (AI tech company) was established in Singapore in 2014. BIGO owns BIGO Live, LIKE, and social app products. Three years after its launch, BIGO officially turned profitable in October 2017, with total revenue of US\$300 million (2017). BIGO Live MAU reached 45 million in 2017 during the peak of live streaming euphoria.

Now, the app is defeated by its short video counterpart LIKEE with 130 million users in 2020. However, the platform is no longer headquartered in Singapore after its acquisition by YY for US\$1.45 billion in 2019 to help with the latter's globalization strategy.

Investment Opportunity in Southeast Asia

There are several short-form video platforms in Southeast Asia, and this report covers two potential up-and-coming players from Indonesia. The first is a newly launched app called vTube. The app was launched in June 2019 and till

date, they have already recorded 5 million installs which positions them in the Top 20 most downloaded apps in Indonesia.

Their high popularity is partly due to the incentive mechanism in their app. Once users complete tasks in the app, vTube rewards them with virtual currency. In terms of content, they face tough competition from global players which have more advantages in terms of quality content creators.

Tado TV is another short video platform developed locally in Indonesia and funded by Insignia Venture Partners. Tado TV differentiates itself from their competitors by offering interactive video similar to the likes of RPG, MMORPG, FPS, and MOBA game genres. The app is frequently compared to an episode of Netflix's Black Mirror Bandersnatch. Tado TV serves option-based vertical video where viewers are free to choose either one of the options of the storyline and experience the role of the main character in the first-person angle. So far the app has 100,000+ installs.

In conclusion, we're optimistic that the short video platform market in Southeast Asia will increase in popularity with the usage growing more than 5-10% weekly, thus the trend for this industry in Southeast Asia is yet to unfold.

(End of Compilation Report)