Google TEMASEK BAIN & COMPANY

e-Conomy SEA 2020

At full velocity: Resilient and racing ahead

PHILIPPINES

Content

e-Conomy SEA research **methodology**

- Google trends
- Temasek insights
- Bain analysis
- Primary research*
- Expert interviews & Industry sources

In partnership with App Annie, East Ventures, Golden Gate Ventures, Monk's Hill Ventures, Openspace Ventures, Vertex Ventures, Wavemaker Partners

* Note : Kantar e-Conomy SEA 2020 primary research commissioned by Google, Research was conducted in Indonesia, Malaysia, Philippines, Singapore, Thailand, and Vietnam. Fieldwork ran from 18/08/2020 - 02/09/2020 online via a 25-minute Computer Assisted Web Interviewing survey with a total of 4,712 respondents interviewed.

English

Philippines

Main Takeaways

Flight to digital

Internet usage in Southeast Asia (SEA) continues to grow, with 40M new users this year alone (400M YTD vs 360M in 2019). In the Philippines, given the extensive COVID-19 lockdown periods, users went online searching for solutions to their sudden, new challenges. A significant number tried new digital services: **37% of all digital service consumers were new** (slightly higher than the SEA average), with **95% of these new consumers intending to continue** their behavior post-pandemic.

Online with a purpose

Southeast Asians spent on average an hour more per day on the Internet during lockdowns, while Filipinos were spending **4.0 hours online (for personal use) pre-COVID-19, which spiked to 5.2 hours** at the height of lockdowns - the highest across the region - and now rests at 4.9 hours per day. With 8 out of 10 users viewing technology as very helpful during the pandemic, it has become an indispensable part of people's daily lives.

Resilience in times of crisis

e-Commerce has driven significant growth in the Philippines, at 55%. This ascendance has largely offset declines in Travel, Transport and Food Delivery. Overall, **2020 GMV is expected to reach a total value of US $7.5B in 2020,** having grown at 6% YoY. Looking at **2025, the overall e-Conomy will likely reach US $28B in value,** re-accelerating to ~30% CAGR.

Philippines

Main Takeaways

On the path to profitability

Since peaking in 2018, funding for unicorns in mature sectors (e-Commerce, Transport & Food, Travel, and Media) has slowed. Platforms are now refocusing on their core business to prioritize a path to profitability, and are addressing consumers' broad range of needs through partnerships. The emerging DFS battleground is one of the few spaces where the super-services do collide, and though it's too early to tell the outcome, we expect that continued funding and a strong cash-generating core business to be key.

New frontiers

HealthTech and EdTech have played a critical role during the pandemic, with impressive adoption rates to match. Even so, these sectors remain nascent and challenges need to be addressed before they can be commercialized at a larger scale. Nonetheless, the **boost in adoption, compounded with fast growing funding, is likely to propel innovation in this space over the coming years.**

Cautiously optimistic

Deal activity across the region continued to grow unabated in the first half 2020. Investors are remaining cautiously optimistic and are doing fewer deals at more attractive valuations, in hope for higher returns in the long run. **Where the goal of years prior has been "blitzscaling", investors are now looking for sustainable, profitable growth.**

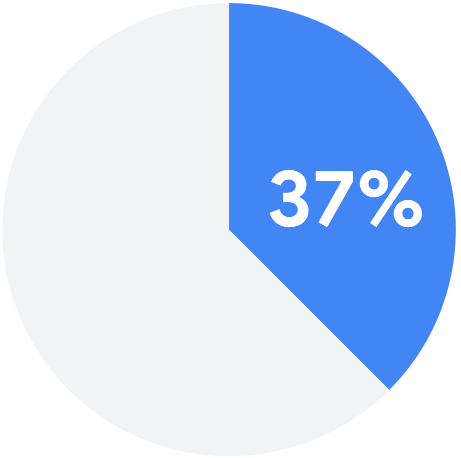
What's ahead

This year's seismic consumer and ecosystem shifts has advanced the Internet sector in unimaginable ways, putting it in a stronger position than ever. In our 2019 report, we identified six key barriers to growth - Internet Access, Funding, Consumer Trust, Payments, Logistics and Talent - and this year has seen significant progress on most (Payments and Consumer Trust, especially). **Talent, however, remains a key blocker that all parties will need to keep working on** to ensure the momentum gained this year is sustained.

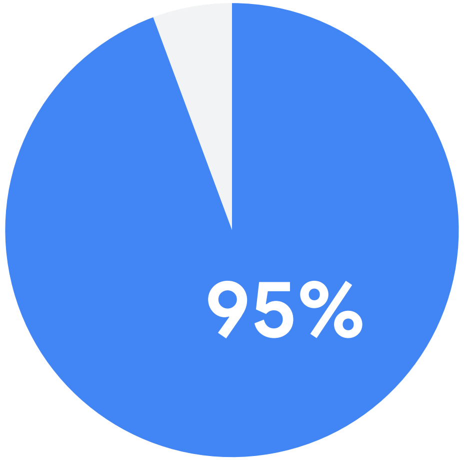
Philippines

Exponential growth of digital consumers (who will stay)

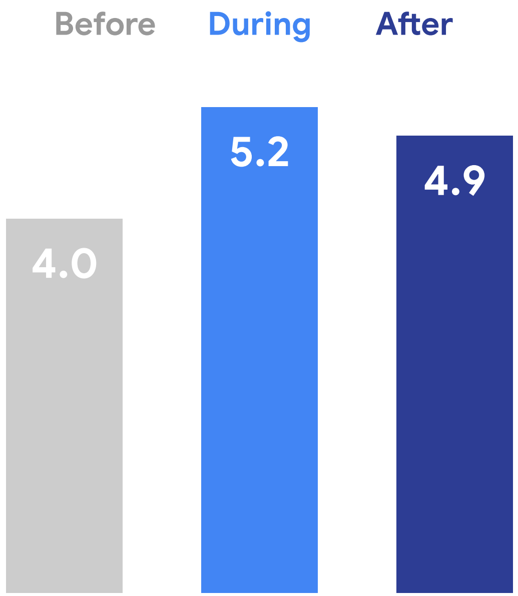
New consumers to Internet economy services



% of new consumers who will continue to use at least one digital service post-COVID-19



Average hours spent online per day (personal use)

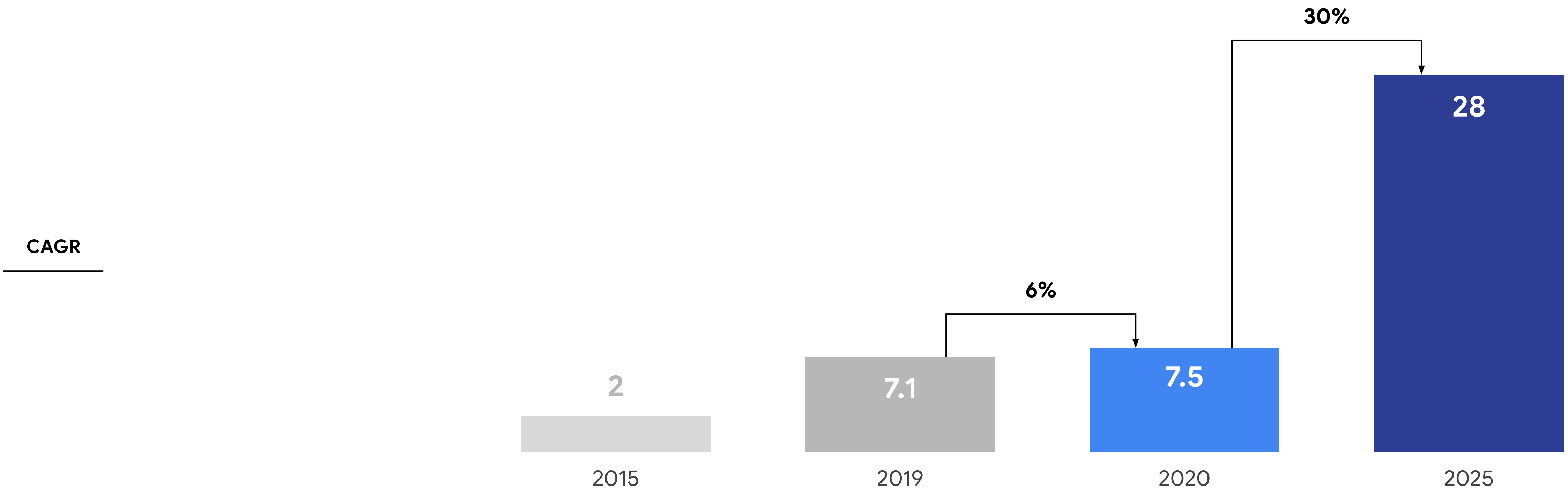


Source: Kantar

Philippines

Internet e-Conomy stands resilient at US **$7.5B**

Internet e-Conomy GMV (US $_B)



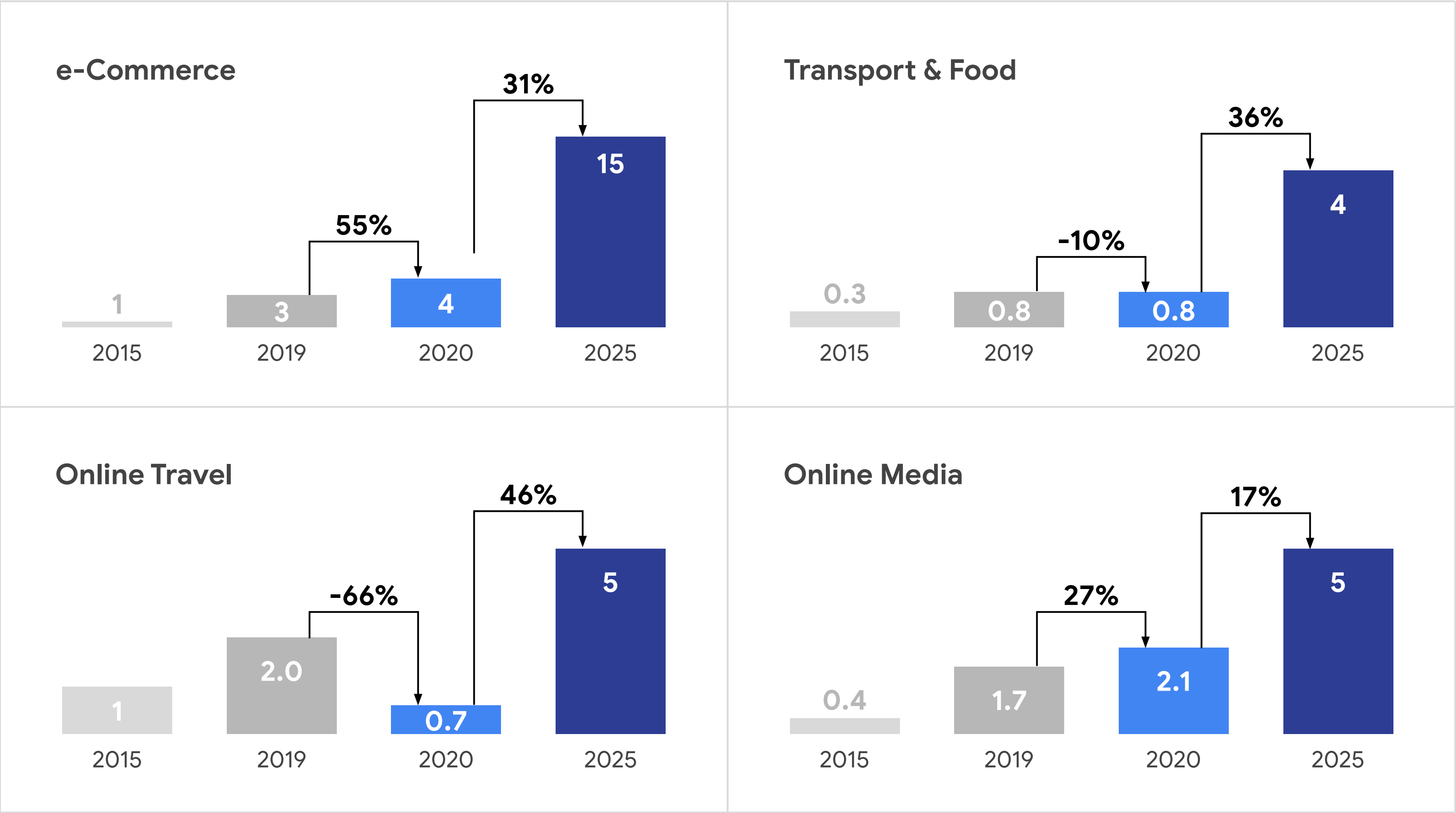
Source: Bain Analysis

Philippines

e-Commerce and Media offsets contraction in Transport & Food and Travel

CAGR

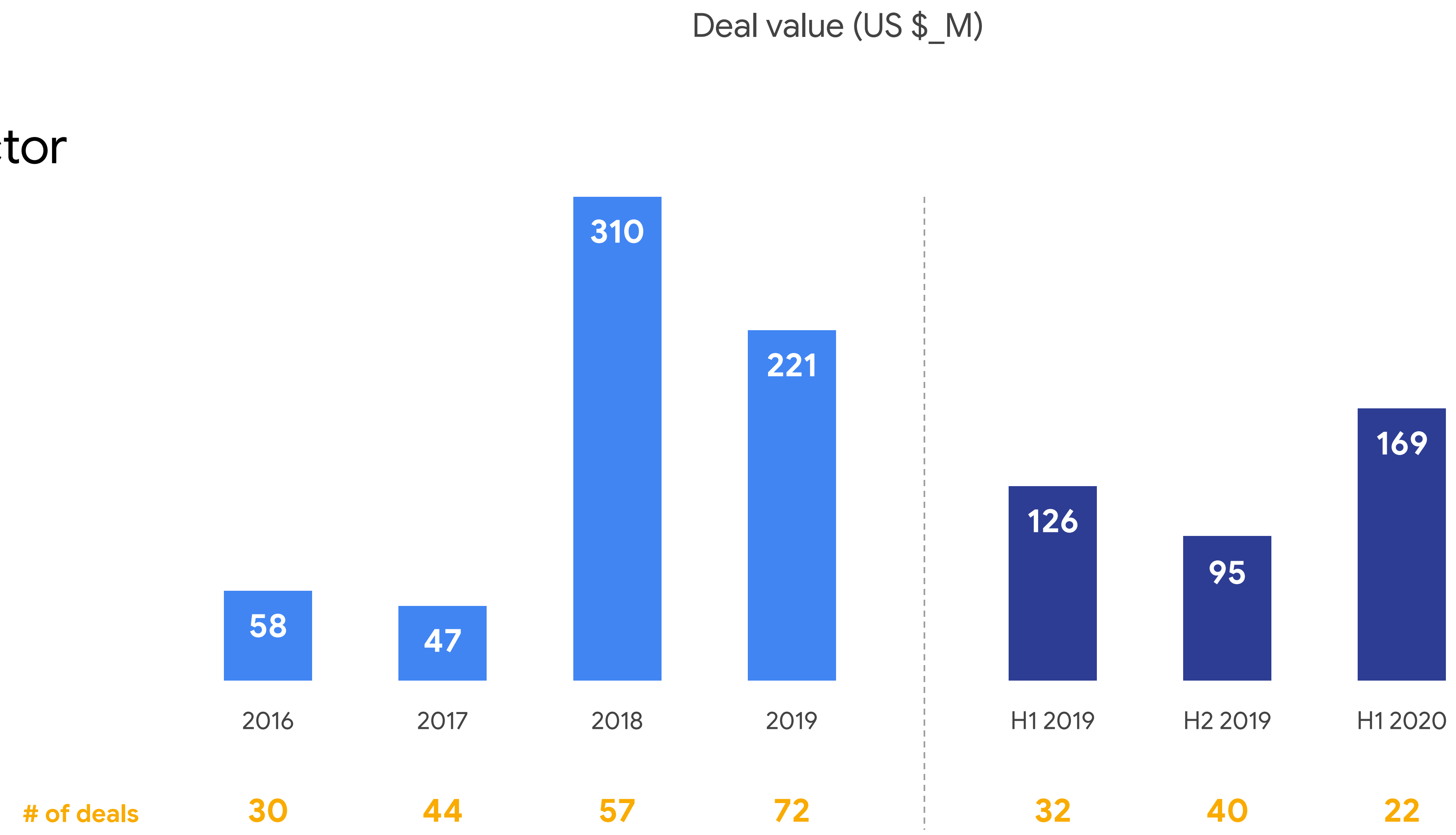
GMV (US $_B) per sector



Source: Bain Analysis

Philippines

Investment
in Internet sector



Source: Industry reports, VC partners, Bain Analysis

Filipino

Philippines

Mga Pangunahing Punto

Paglipat sa digital

Patuloy na tumataas ang antas ng paggamit ng Internet sa Southeast Asia (SEA), na may 40M bagong users sa taong ito lamang (400M YTD kumpara sa 360M noong 2019).
Sa Pilipinas, dahil sa matatagal na panahon ng lockdown na dulot ng COVID-19, nag-online ang mga user para maghanap ng mga solusyon sa mga biglaan at bagong hamong kinakaharap nila. May malaking bilang ng mga taong sumubok ng mga digital na serbisyo: **bago ang 37% ng lahat ng consumers ng digital na serbisyo** (mas mataas nang kaunti kaysa sa average sa SEA), kung saan **95% ng mga bagong consumers na ito ang naglalayong ipagpatuloy** ang kanilang gawi pagkatapos ng pandemya.

Online with a purpose

Bilang average, nananatiling online ang mga Southeast Asian ng karagdagang isang oras bawat araw habang nasa lockdown, habang 4.0 na oras lamang na nananatiling online ang mga Filipino (para sa personal na paggamit) bago ang COVID-19, na tumaas sa 5.2 oras sa kasagsagan ng mga lockdown - ang pinakamataas sa buong rehiyon - at ngayon ay nasa 4.9 na oras na ito bawat araw. May 8 sa 10 user na naniniwalang lubos na kapaki-pakinabang ang teknolohiya sa panahon ng pandemya kaya naging napakahalagang bahagi nito sa pang-araw-araw na pamumuhay ng mga tao.

Katatagan sa mga panahon ng krisis

Naghatid ang e-Commerce ng malaking paglago sa Pilipinas, nasa 55%. Lubos na na-offset ng pagtaas na ito ang mga pagbaba sa Travel, Transportasyon, at Food Delivery. Sa pangkalahatan, **inaasahang aabot ang 2020 GMV sa kabuuang halagang US $7.5B sa 2020,** na tumaas at nasa 6% YoY. Kung titingnan ang **2025, malamang na umabot ang pangkalahatang e-Conomy sa halagang US $28B,** na bibilis ulit sa ~30% CAGR.

Philippines

Mga Pangunahing Punto

Patungo na sa profitability

Simula nang nag-peak noong 2018, bumagal ang pagpopondo para sa mga unicorn sa mga mature na sektor (e-Commerce, Transportasyon at Pagkain, Travel, at Media). Nagfo-focus na ulit ngayon ang mga platform sa pangunahing negosyo ng mga ito para bigyang-priyoridad ang daan patungo sa kakayahang kumita, at tinutugunan ng mga ito ang malawak na saklaw ng mga pangangailangan ng mga consumer sa pamamagitan ng mga partnership. Ang sumisikat na kumpetisyon sa DFS ay isa sa iilang espasyo kung saan nagbabanggaan ang super services, at bagama't masyado pang maaga para masabi ang resulta, inaasahan naming magiging mahalaga ang patuloy na pagpopondo at matatag na kumikitang pangunahing negosyo.

Mga bagong larangan

Nagkaroon ng mahalagang tungkulin ang HealthTech at EdTech sa panahon ng pandemya, at nagpakita rin ang mga ito ng mga kamangha-manghang rate ng paggamit. Sa kabila nito, nananatiling bago ang mga sektor na ito at may mga hamon munang dapat tugunan bago mas malawakang mapagkakitaan. Gayunpaman, ang **pag-boost sa paggamit, kasabay ng mabilis na lumalagong pagpopondo, ay malamang na magtulak ng inobasyon sa larangang ito sa mga susunod na taon.**

Maingat, pero positibo

Patuloy na lumalakas ang aktibidad sa pakikipagtransaksyon sa buong rehiyon sa unang kalahati ng 2020. Nananatiling maingat pero may positibong pananaw ang mga investor at mas kaunting transaksyon ang ginagawa nila sa mas magagandang valuation, nang umaasa sa mas malalaking kita sa kalaunan. **Kung ang layunin ng mga nakalipas na taon ay “blitzscaling,” naghahanap na ngayon ang mga investor ng sustainable at kumikitang paglago.**

Philippines

Mga Pangunahing Punto

Ang maaasahan sa kinabukasan

Dahil sa matitinding pagbabago sa consumer at ecosystem ngayong taon, umangat ang sektor ng internet sa mga hindi kapani-paniwalang paraan, na naglagay rito sa pinakamalakas na katayuan nito sa kasaysayan.
Sa aming ulat noong 2019, tinukoy namin ang anim na pangunahing hadlang sa paglago - Access sa Internet, Pagpopondo, Tiwala ng Consumer, Mga Pagbabayad, Logistics, at Talento - at sa taong ito, nagkaroon ng malaking pag-unlad sa karamihan (lalo na sa Mga Pagbabayad at Tiwala ng Consumer). **Gayunpaman, nananatiling pangunahing hadlang ang talento, na dapat patuloy na aksyonan para** matiyak na mapapanatili ang momentum na nakuha ngayong taon.

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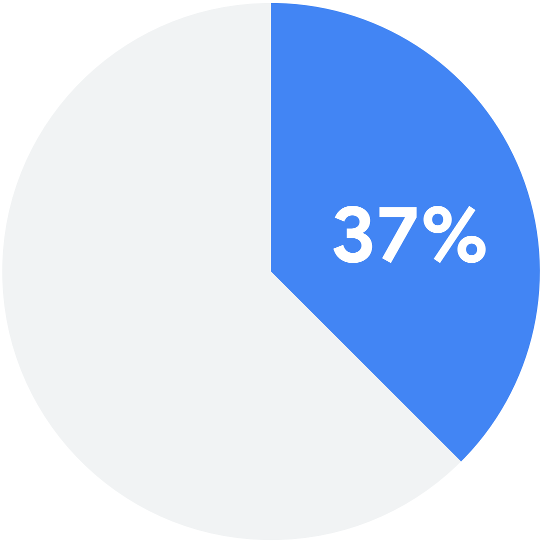
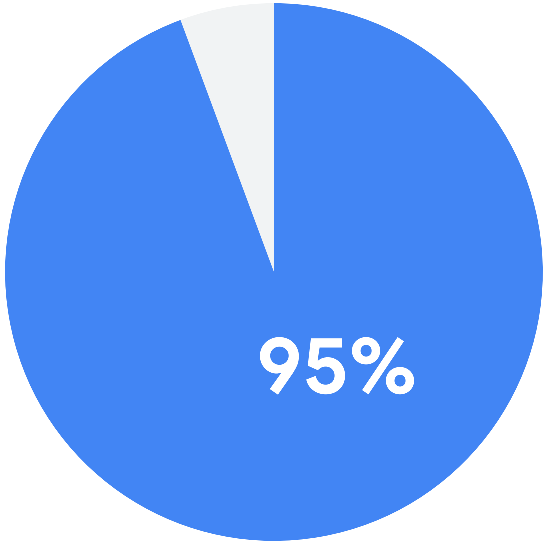
Pabilis nang pabilis na pagdami ng mga digital na consumer (na mananatili)

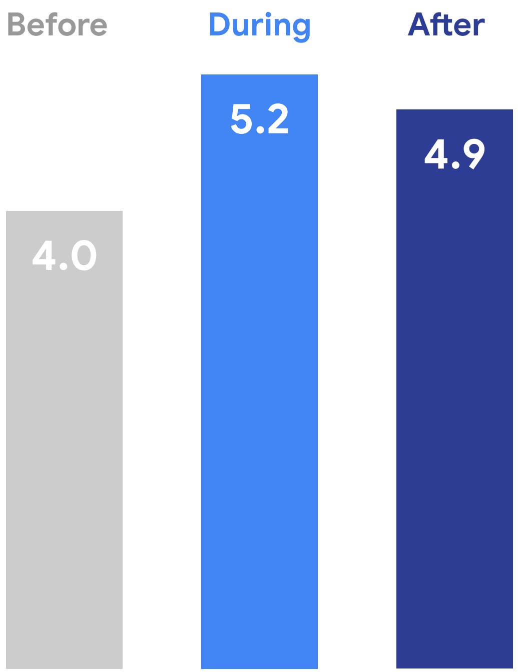
Mga bagong consumer sa mga serbisyo ng Internet economy



% ng mga bagong consumer na patuloy na gagamit ng kahit isa lang na digital na serbisyo pagkatapos ng COVID-19



Average na oras na nananatiling online bawat araw (personal na paggamit)



Source: Kantar

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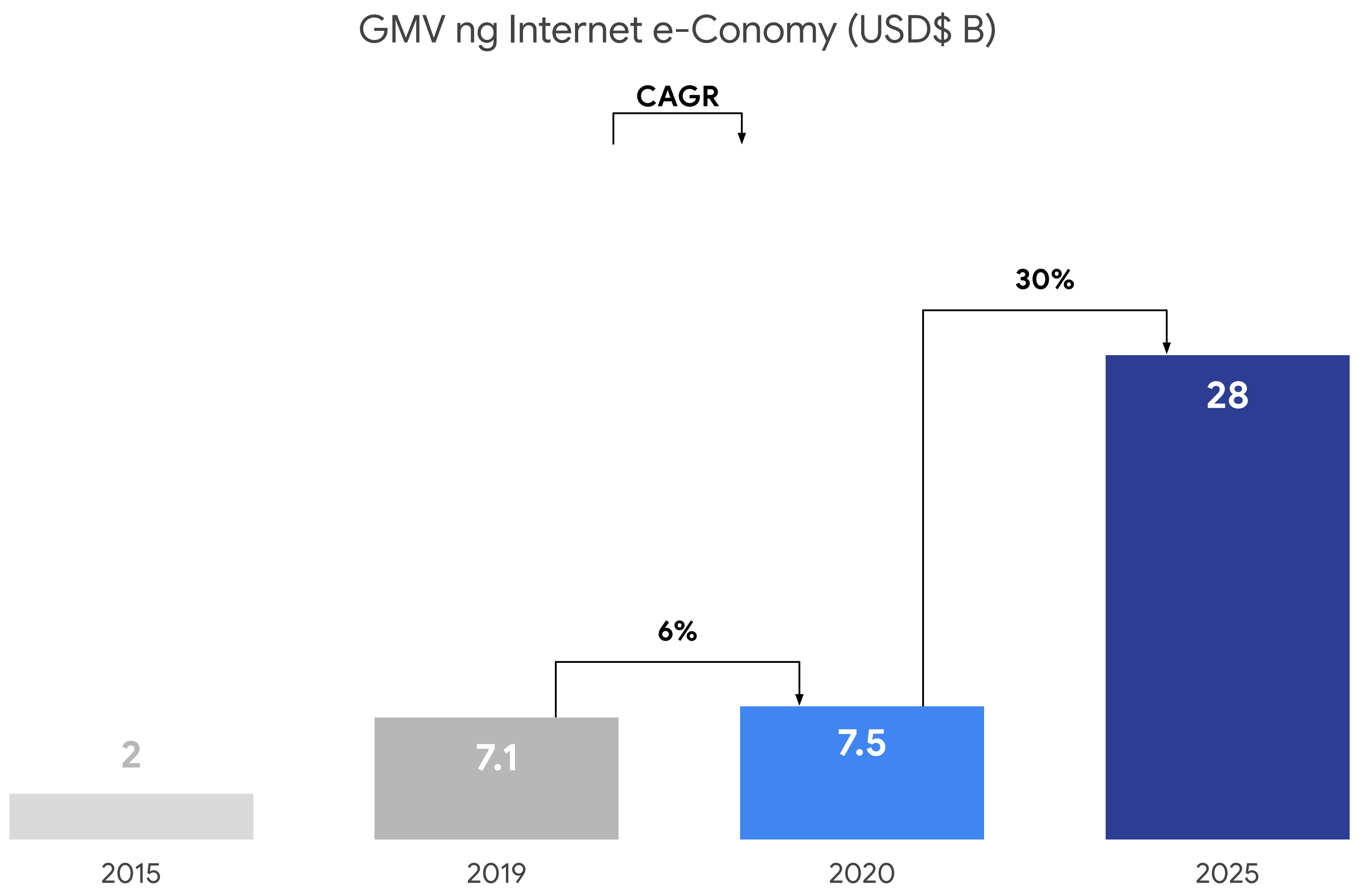
Nananatiling matatag ang Internet e-Conomy na nasa **$7.5B**



Source: Bain Analysis

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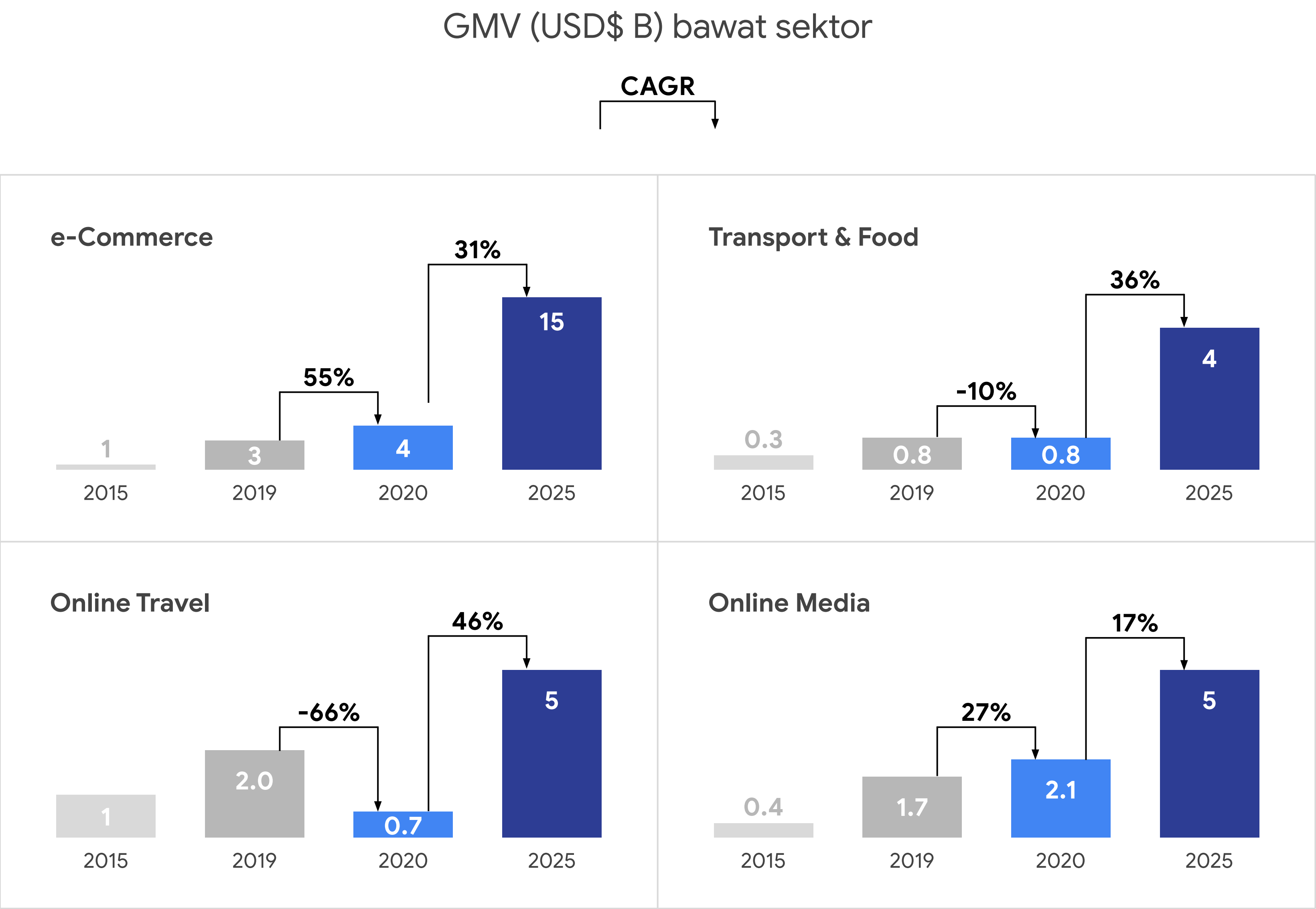
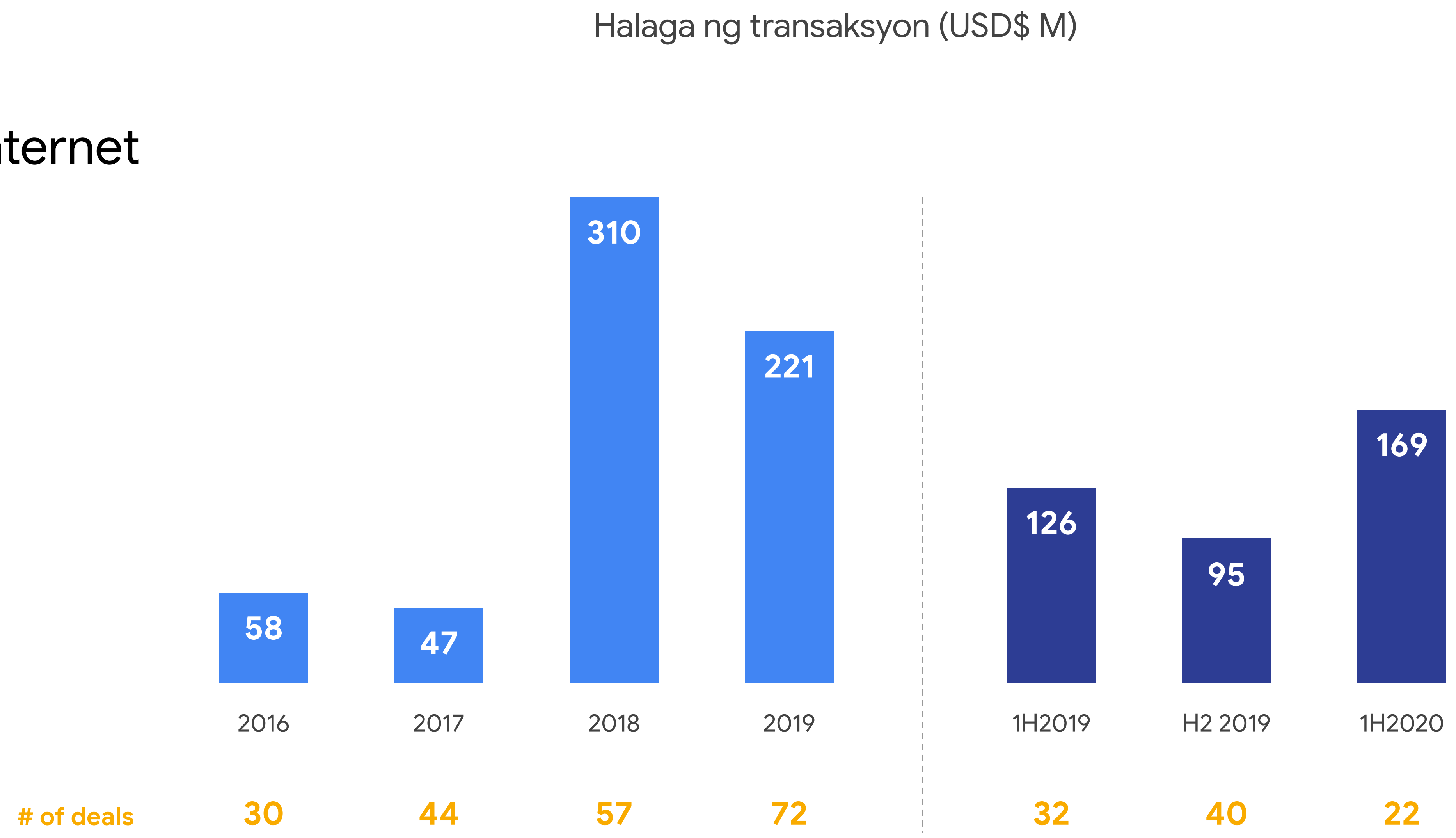
Ino-offset ng e-Commerce at Media ang pagbaba sa Transportasyon at Food and Travel



Source: Bain Analysis

Philippines

Investment
sa sektor ng Internet



Source: Industry reports, VC partners, Bain Analysis