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REPORT FOR META

E-COMMERCE AND SOCIAL COMMERCE LANDSCAPE IN APAC

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1 Executive summary

Increased digitalisation across Asia–Pacific (APAC) and the rest of the world is driving significant growth of e-commerce. This, along with the popularity of social media platforms, has led to the emergence of new business models, including what is called 'social commerce'.[1] The purpose of this report is to provide a framework of the different e-commerce and social commerce business models in APAC (excluding China), in order to adequately capture the evolving models within the region.

Social commerce is a broad term used to define the process where people discover online the product or service they may want to buy, often through social media platforms. While the platform acts as a connector, enabling direct interactions between the customer and seller, it does not necessarily enable order placement or the final transaction, which could happen offline or through other e-commerce platforms. Developments in social commerce are bringing innovation to consumers' experience of product discovery, which is also being reflected within e-commerce; social commerce and e-commerce platforms are introducing original features such as incorporating product discovery into livestreaming or enabling group discounts through group purchasing.

The strong e-commerce growth is important to the economy as it facilitates trade and brings about many benefits for small and medium sized businesses. In particular, it provides a faster and cheaper route to market, enabling smaller players to compete with larger businesses that have substantially more capital and compared to traditional brick-and-mortar commerce. The Covid-19 pandemic has further accelerated this trend, with increasing numbers of people looking to e-commerce as a new source of income after losing their jobs or to supplement their income, as traditional businesses were negatively impacted from the movement restriction orders imposed in many countries.

The APAC e-commerce and social commerce landscape consists of several platforms and business models. Large business-to-business-to-consumer (B2B2C) marketplaces such as Amazon, Lazada and Shopee are typically the main players in terms of monthly visits,[2] but regional second-hand consumer-to-consumer (C2C) platforms such as Carousell, OLX and platforms that offer customers access to multiple services through a single app, such as Line and Grab, are also popular. Social commerce is quickly increasing in use across APAC, due to the emergence of a number of innovative start-ups and collaborative social media platforms. As part of this, social commerce and e-commerce platforms are complementing and collaborating with each other in order to support the digital economy ecosystem and drive further innovation. The continuous evolution of the e-commerce and social commerce industry limits the ability for these various business models to be comprehensively captured by historical classifications based on seller and customer types differentiating between businesses and consumers.

1 Often also referred to in the market as 'discovery commerce'

2 See https://magenest.com/en/top-ecommerce-sites-in-asia/

This report looks at the e-commerce value chain through the customer's purchasing journey, focusing specifically on the activities of the e-commerce and social commerce platform and customer within this journey. This purchasing journey can be separated into three phases: Pre- Purchase, Purchase and Post-Purchase.

Pre-Purchase	The Pre-Purchase phase is centred around how the customer finds or discovers the product. They may stumble upon the product as they browse a friend's social media feed, intentionally search for particular listings, or select a product through an advertisement. In this phase, the customer can browse through product listings to research prices, product photos, videos and so on.
Purchase	Once the customer has developed an interest, the journey continues on to the Purchase phase, where the customer interacts with a platform (either the same platform from the Pre-Purchase phase or a different one) to select a product and complete the transaction via a payment service. Some platforms have no visibility of the transaction if it does not provide a payment service, and the transaction is handled via separate interactions and agreements between the seller and buyer.
Post-Purchase	The final phase, Post-Purchase, involves all the aspects needed to fulfil the transaction: storing and picking of inventory, delivery, and the expected aftercare. Some of these fulfilment activities (delivery/logistics and aftercare) may be handled directly by seller and buyer, circumventing the need to use the platform(s) used in the Pre-Purchase / Purchase phase.

Based on our assessment of the level of involvement that platforms have in the customer's purchasing journey, we have identified four distinct business models[3] that customers can potentially interact with throughout their discovery and purchasing journey:

[3] Platforms that operate in multiple markets may fit into different business models in different markets. For the purposes of this paper, the real examples provided for each business model are based on the core offerings of the platform (rather than any value-added service it may provide), publicly available at the time of this paper's publication, as well as the features that the platform makes available in the majority of the APAC markets in which it operates (rather than based on relative revenue segment sizes or any other metric). For example, while TikTok, OLX and Carousell are cited in Model 1, their businesses are evolving to provide features such as payment integration in some markets. Nevertheless, they are cited as an example for Model 1 according to the outlined methodology. For more details about the methodology, please see the Introduction.

Model 1: discovery platform	The first business model applies to platforms where the bulk of the interactions happen during the Pre-Purchase phase, which is the only phase they have visibility over. These are typically social media and online content platforms such as Facebook Marketplace, Facebook Shops, Instagram Shops, YouTube and TikTok, as well as classified advertisement platforms such as Gumtree, OLX and Carousell. These discovery platforms are an example of emerging ways of finding products, alongside more traditional channels like magazines, TV, etc. .
Model 2: third- party seller platform	The second model applies to platforms that host third-party sellers with payment solutions integrated into their commerce products, such as eBay. In this model, platforms interact with customers in the Pre- Purchase and Purchase phases and have full visibility over each of these phases. They may also provide value-added services to sellers to cover the Post-Purchase phase, such as insurance add-ons.
Model 3: third-party seller platform with a first-party store	The third business model is similar to the second in that the platform hosts third-party sellers, but the difference is that it also sells its own first-party inventory. The platforms that adopt this model have visibility over all phases of the purchasing journey, as they also fulfil and deliver their own first-party sales. Businesses that use this model include Amazon, Lazada, Daraz, and Shopee
Model 4: direct to consumer brand	The final business model involves standalone e-commerce stores which solely sell the provider's own first-party inventory. These businesses have full control over the Purchase and Pre-Purchase phases but typically have limited presence in the Pre-Purchase phase.

Growth in the e-commerce and social commerce landscape is bringing great innovation to the digital economy. In large part due to the Covid-19 pandemic, e-commerce has become an increasingly vital aspect of the wider economy and the daily lives of internet users. The continuous evolution of social media is leading new businesses to enter the space, often adopting new business models. Besides providing businesses with the opportunity to grow revenues, customers also benefit from having access to more variety of goods online, increased awareness of the product, and opportunities for deals and discounts through new features such as group purchases and flash sales offered by these new business models.

Building a suitable environment for these dynamic, competitive, and innovative business models will be important to realise the benefits of the digital economy. The regulatory environment for e-commerce is still fragmented and nascent in APAC. Given the rapid evolution of platforms, it is imperative for policy makers to adopt a consultative approach inclusive of both global and local market players to understand the different business models and their varying levels of control over the purchasing journey.

E-commerce and Social Commerce Business Models

The e-commerce value chain can be extracted from the customer's purchasing journey

Activities

- Discovery and product browsing
- Product selection and payment
- Fulfilment, delivery and aftercare

The growth of e-commerce and social commerce industry is bringing many societal benefits

- Increasing contribution to the economy
- Lower cost barriers for small businesses
- Quick launch speeds for small businesses
- New earning potential as a merchant, following pandemic-driven job cuts
- Improved service for rural areas

The four distinct business models are based on the level of interaction with the customer's purchasing journey and comprehensively capture the Asia–Pacific e-commerce market

Discovery platform

Platforms that allow product discovery but have no oversight over transactions

Possible revenue models: Listing fee, advertising

Examples: Facebook, Youtube, Gumtree, TikTok, Google Shopping, OLX, Carousell

Third-party seller platform

Platforms that host third-party sellers and merchants, providing payment authorisation but no responsibility over fulfilment

Possible revenue models: Commission, subscription, listing fee, advertising

Examples: Lazada, eBay, Kakao Shopping, Tokopedia

Third-party seller platform with a first-party store

Platforms that host third-party sellers and sell and fulfil their first-party inventory under their own branded store

Possible revenue models: Direct sales, commission, subscription, listing fee, advertising

Examples: Amazon, Shopee, Daraz

Direct-to-consumer brand

Stand-alone e-commerce stores that solely sell their own first-party inventory

Possible revenue models: Direct sales, Subscription

Examples: Lenskart, Nike store

2 Introduction

E-commerce has experienced explosive growth in recent years and is now critical to the daily lives of many consumers and businesses

The e-commerce industry, which consists of the online sale of goods[4] to consumers and businesses alike, has experienced tremendous growth in the current global digital era. As of 2021, global e-commerce sales stood at approximately USD4.9 trillion,[5] making it one of the highest grossing industries worldwide. Due to high take-up of online services and large remote populations, Asia– Pacific (APAC), including China, contains four of the ten largest e-commerce markets globally[6] and is expected to continue growing at a strong rate over the coming years.

In line with the global trend of e-commerce being driven by digitalisation, the e-commerce market in APAC has seen strong growth in recent years. Google/Bain's 'e-Conomy-SEA 2021' report indicates that the e-commerce market in South-East Asia had a gross merchandise value (GMV) of USD120 billion in 2021, up by 62% from the previous year.[7] The report indicates that the market is expected to continue strong growth, reaching a GMV of USD230 billion by 2025, largely due to increasing internet penetration (at 75% as of 2021) and the Covid-19 pandemic accelerating purchases from online platforms (80% of internet users have made some form of online purchase).[7]

Mobile apps represent the key channel for e-commerce in APAC, with a survey conducted by checkout.com indicating that 63% of respondents use mobile apps as their main method for online shopping.[8] Analysys Mason Research forecasts that smartphone penetration in emerging APAC markets will increase from 62% in 2021 to 78% in 2025 (smartphone penetration in developed APAC markets already stands at a high 96% as of 2021), [9] which will support continued strong growth in e-commerce in the region.

The e-commerce industry brings about several benefits to the economy; for example it supports the development and growth of small businesses by shortening the time to market compared to traditional bricks and mortar stores, and by reducing the cost of setting up a business. This faster and cheaper route to market provides an opportunity for smaller players to compete with larger businesses that have substantially more capital.

As the Covid-19 pandemic has accelerated the demand for online commerce and digitalisation of services, a new avenue for generating income has opened up for e-commerce merchants/sellers. This has been especially beneficial during lockdowns when many workers lost their jobs. Alongside the increasing ease of setting up an e-commerce venture, there appears to be growing interest from potential sellers to do so, with the number of online search queries related to becoming a seller/merchant increasing between 2017–2021 nine, eleven and

4 While e-commerce can consist of physical goods and services (for example Kayak.com, Traveloka, RuangGuru, etc), this report is only focused on physical goods

5 See https://www.statista.com/statistics/379046/worldwide-retail-e-commerce-sales

6 See https://www.emarketer.com/content/top-global-ecommerce-markets

7 Google and Bain & Company – e-Conomy SEA 2021. Available at https://economysea.withgoogle.com/

8 See https://www.checkout.com/blog/post/the-rise-and-rise-of-mobile-commerce-in-asia-pacific

9 Analysys Mason Research

eighteen times in the Philippines, Malaysia and Indonesia respectively.[10] E-commerce also provides an extended geographical reach, making it easier than ever before for sellers to serve customers in rural areas. In the past there were challenges in serving rural areas using traditional bricks and mortar sellers, due to limited sales volumes coupled with the requirement to keep inventory in stock. The boom in e-commerce has also supported growth in the logistics industry which, in turn, has increased the e-commerce industry's ability to serve rural customers.

Technology and the digital economy ecosystem are constantly evolving, ushering in the prevalence of social commerce

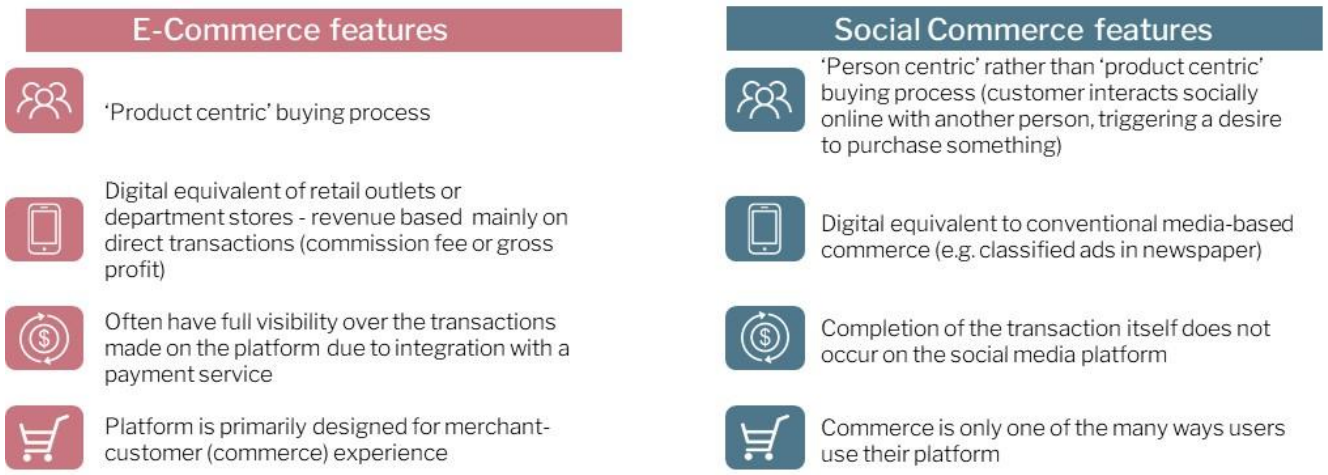
Outside traditional e-commerce stores and marketplaces, the increasing popularity of online content and social media platforms, such as Facebook, Instagram and TikTok, has led to the emergence of new business models, known as social commerce.

For the purpose of this report, we consider social commerce to mean a process where the first stage of the discovery process is through a social media platform, and is 'person centric' rather than 'product centric'. This person centric aspect of the buying process involves the customer socially interacting online in some form with another person (who could be an acquaintance, an influencer or another third party), and this interaction triggers a desire to purchase something. From the seller's perspective, there is an opportunity to promote their products, increase their engagement through their own social media accounts and also leverage new marketing channels through the use of social media influencers. Another differentiating factor between social commerce and e-commerce is that for the social media platforms that host social commerce, commerce is only one of the many ways people interact with their platform. People predominantly use social media platforms to connect with their friends, follow public figures, and share personal content. Meanwhile, for traditional e-commerce platforms, the platform is primarily designed for the merchant-customer experience.

Social commerce may affect the initiation of a customer's buying process through seller/product discovery, but the completion of the transaction itself does not necessarily occur on the social media platform. Instead completion of the transaction often takes place either through sellers' websites (or other e-commerce platforms that have payment integration solutions), cash on delivery, or similar. As the transaction often occurs on an external e-commerce platform, this promotes a collaborative ecosystem involving social commerce players and traditional e-commerce platforms. Transactions arising via social commerce that do not occur on the platform can be thought of as a digital equivalent to conventional media-based commerce. For example, Facebook Marketplace and Gumtree are similar to classified advertisements in newspapers or magazines as they all allow people to post goods for sale with a description, without the platform (previously a newspaper or magazine) being involved in the transaction. Live Shopping on Facebook and Instagram acts like traditional TV shopping channels as they allow the customer to see a product demonstration, but any purchase must be conducted directly with the seller, and not via the platform.

10 Yadav, M et al (2013), 'Social Commerce: A Contingency Framework for Assessing Marketing Potential', Journal of Interactive Marketing, 27, pp. 311 – 323

Figure 1: Social commerce features [Source: Analysys Mason, 2022]



The APAC e-commerce and social commerce market consists of several platforms and business models. Large marketplaces that stock third-party inventory, such as Amazon, Lazada, Shopee and Tokopedia, are typically the main players in terms of monthly visits,[2] but regional second-hand marketplaces such as Carousell, and commerce platforms within super-apps (an APAC-specific phenomenon of self-contained apps providing multiple services) such as Line, Grab and Gojek are also popular. Social commerce is quickly increasing in APAC, due to the emergence of a number of innovative start-ups and social media platforms that collaborate within the space. For example, social media platforms (like TikTok, Facebook, Instagram and Line) which offer product/seller discovery through social commerce are partnering with traditional e-commerce platforms such as Shopee, Tokopedia and Shopify.

Traditionally, e-commerce could be characterised by the type of seller and buyer involved in the transaction, i.e. business-to-business (B2B), business-to-consumer (B2C), and consumer-to-consumer (C2C).[11] However, the industry landscape in APAC is evolving as a result of players introducing new commerce features – offering the ability to simultaneously serve the majority of seller and buyer types – and not having a focus on any specific form of transaction. As a result, the boundaries between traditional player classifications have become complex, which makes it more important to understand the different business models and the types of activities into which they have visibility.

APPROACH AND METHODOLOGY

This landscape report seeks to provide a framework of the different e-commerce and social commerce business models in APAC, in order to adequately capture the evolving models within the region.

In order to assess the social commerce and e-commerce landscape, this report relies on secondary research – consisting of the analysis and synthesis of findings from existing reports, studies, other available market data,

11 Valarmathi, V et al (2018), 'A comparative study of e-commerce business models', International Research Journal of Engineering and Technology, Volume 5 (03), pp.3785- 3788

and self-reported, publicly available information from business websites and platform apps[12]. The desk review identified major market participants (platforms) according to their prevalence in APAC countries (by number of markets). In order to conceptualise and develop four archetype business models for the report, the platforms were analysed according to publicly available features that could be accessed at the time of the report publication (May 2022), and according to the level of interaction a platform has with consumers in each phase of the purchasing journey. This interaction is based on the core offerings and responsibilities of the platform, rather than any value-added services it may also provide.

Real examples from case studies are used to illustrate the different business model types. The case studies relate to several players in the APAC region and expanded versions of these case studies can be found in the Annex. E-commerce and social commerce players that operate in multiple markets may fit into different business models for different markets. For the purposes of this report, we have classified each platform based on what business model it uses in the majority of the APAC markets in which it operates (including its home market) – that is, the classifications are not based on relative revenue segment sizes or any other metric. For example, Facebook Shops has a payment feature in the US, but this is not present in Facebook Shops in any APAC market and thus is not taken into account in the classification of Facebook's business model in APAC. It is also worth noting that businesses may adopt different business models across markets in APAC, mainly due to commercial decisions, but also due to different market-specific regulatory constraints, such as foreign exchange restrictions, which can affect whether inventory can be directly sold by a platform with foreign investment.

For the avoidance of doubt, case studies within this report cover key players across APAC, excluding China.

For more information on the case studies, refer to the Appendix.

The remainder of this report aims to identify and outline an e-commerce and social commerce business model framework based on the characteristics of the prevalent businesses in APAC:

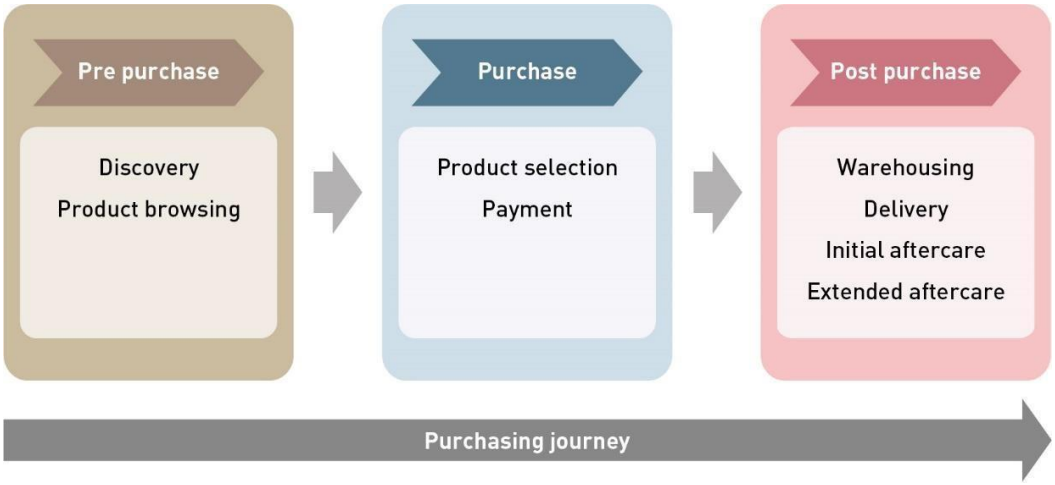
- Section 3 provides an overview of the e-commerce value chain based on the customer's purchasing journey and the activities of the platform and customer at each stage of the buying process in an e-commerce transaction.
- Section 4 outlines the key e-commerce and social commerce business models seen in the market, based on the platform's level of visibility and interaction with the value chain as detailed in section 3. These discrete business models are further illustrated using select case studies of some of the main e-commerce and social commerce players in the APAC region.
- Section 5 presents the conclusions from our study.
- This report includes four annexes containing supplementary case studies of e-commerce and social commerce players in APAC.

12 Sources include Analysys Mason Research; Google and Bain & Company – e-Conomy SEA 2021; Meta and Bain and Company – Southeast Asia, the home for digital transformation; Meta and Bain & Company – Riding the digital wave; Research Journal Of Engineering Technology, Volume 5; Statista; emarketer.com; checkout.com

3 E-commerce value chain

In order to capture the evolving nature of e-commerce and social commerce it is important to understand the key activities within the e-commerce value chain. This value chain can be structured as a customer's purchasing journey, showing the activities of the platform and customer within this journey. The customer's purchasing journey can be segmented into three phases, as shown in Figure 2.

Figure 2: Overview of a customer's purchasing journey [Source: Analysys Mason, 2022]



3.1 Pre-Purchase

The Pre-Purchase phase is the first stage of a customer's journey. In this phase the customer first becomes attracted to the product(s). This initial interest may take many different forms and can occur across a variety of platform types. The Pre-Purchase phase can be further broken down into discovery and product-browsing stages, which do not necessarily occur on the platform where the final transaction is completed.

3.1.1 Discovery

The discovery stage is the beginning of a customer's journey which can take several forms and which often does not even lead to a purchase. For social media and online content platforms, discovery typically comes from social media influencers, livestreaming and advertisements, whereas e-commerce platforms have traditionally offered discovery features such as platform-suggested recommendations and trending items. These discovery features are an example of the emerging ways of finding products, alongside more traditional channels. Within a growing digital economy, consumers are spending increasing amounts of time at the discovery stage. The generation that has grown up with the internet in APAC prefers discovery-led purchases. According to Bain/Meta's 'Riding the digital wave' study, 70% of shoppers in South-East Asia do not know what they want when they browse for items online and are instead driven by inspiration.[13] The amount of time that customers spend in this discovery stage, and how this stage can affect purchases, means that ongoing development of the discovery stage is vital for the prosperity of e-commerce in APAC.

13 Meta and Bain & Company – Riding the Digital Wave. Available at https://www.bain.com/globalassets/noindex/2020/report-riding-the-digital-wave.pdf.

Most social platforms only offer discovery and do not have visibility into transactions completed on a third-party platform. People are often inspired by products they come across organically through friends or businesses and brands they follow on social media.

It is possible for people to skip the discovery stage by taking a search-led approach to e-commerce purchases, which takes them directly to the product browsing stage (see Section 3.1.2). This search-led approach is becoming less popular – Bain/Meta's 'Digital Consumers of Tomorrow, Here Today' reports that 35% of online shoppers in South-East Asia prefer a search-led approach when starting their purchasing journey, compared to 53% preferring a discovery-led approach.[14]

3.1.2 Product browsing

Following inspiration in the discovery phase, the customer moves to the second stage of the Pre-Purchase phase, where they browse products or branded pages. This stage is largely used as research, to inform the customer's purchasing decisions. Here, the customer can look at images of the product, pricing, description and potentially reviews. As with discovery, product browsing does not need to occur on the same platform where the final transaction takes place. For example, YouTube, Google Shopping, Facebook Shops and Instagram Shops offer shoppable adverts, which allow a customer to browse a brand's products and read descriptions, alongside a link to an external platform where they can continue with the transaction. Shoppable adverts often occur at the same time as the initial discovery when a product is mentioned in a piece of online content.

The seller needs to ensure that the product listing aligns with the platform's policies before listing their products. Platforms which enable the sale of third-party inventory will provide varying levels of guidelines through their policies to ensure that listings meet their required standards. Examples can be seen in Figure 3 and Figure 4 below.

Figure 3: eBay Australia's selling policies [Source: eBay, 2022]

- eBay User Agreement and User Privacy Notice: All buyers and sellers are governed by laws and regulations outlined in the eBay User Agreement and User Privacy Notice
- Intellectual Property and the eBay's Verified Rights Owner (VeRO) Program: Intellectual property owners can report listings as part of eBay's Verified Rights Owner (VeRO) Program
- Managed Payments Terms of Use: Terms on which the eBay Payment Entities offer Payments Services to eBay sellers
- Listing policies: Actions that are and aren't allowed in listings to promote a safe, fair and enjoyable trading experience
- Selling practices: The basic requirements all sellers need to follow in order to meet our seller performance standards and provide a great customer experience
- Duplicate listings: Sellers aren't permitted to have listings for more than one identical item live at the same time
- Product Safety Guidance for APAC Sellers: Ensure your products comply with the applicable mandatory standards with guidance from government agencies on product safety laws and standards for US, European and Australian sites
- Prohibited and restricted Items: Some items can only be listed under certain conditions while others we don't permit on the site at all
- Payment methods policy: Information about the types of payment you can receive when you sell on eBay if you're not a managed payments seller

14 Meta and Bain & Company – Digital Consumers of Tomorrow, Here Today. Available at https://www.bain.com/globalassets/noindex/2020/facebook_and_bain_and_company_report_digital_consumers_of_tomorrow_here_today.pdf

2 **Adult products ↗**
Listings may not promote the buying, selling or use of adult products.

3 **Alcohol ↗**
Listings may not promote the buying or selling of alcohol.

4 **Body parts and fluids ↗**
Listings may not promote the buying or selling of human body parts or fluids.

5 **Digital media and electronic devices ↗**
Listings may not promote the buying or selling of devices that facilitate or encourage streaming digital content in an unauthorised manner or interfering with the functionality of electronic devices.

6 **Discrimination ↗**
Listings, and commerce Messenger threads, must not wrongfully discriminate or suggest a preference for or against people because of a personal characteristic, included but not limited to, race, ethnicity, colour, national origin, citizenship, religion, age, sex, sexual orientation, gender identity, family status, marital status, disability, or medical or genetic condition. Listings must comply with all applicable laws prohibiting discrimination. This includes but is not limited to discrimination for housing listings.

Figure 4: Selection of Facebook's Commerce Policies [Source: Meta, 2022]

3.2 Purchase

The Purchase phase is the next step in the purchasing journey, after the customer has been exposed to the product and has started to research product features and pricing. In this phase, a payment service is commonly integrated into the platform to enable transactions, but the transaction may also occur in person or on a sellers' website. This phase (and subsequent post-purchase phases) are not applicable for platforms that do not have payment features (e.g. Meta's products [Facebook Marketplace, Facebook Shops and Instagram Shops], Google Shopping, OLX). This phase comprises two stages: the product-selection stage and the payment stage.

3.2.1 Product selection

After browsing for and researching products, the customer must select a product in order to begin the transaction. This typically occurs on an e-commerce platform within the purchasing journey. In product selection, the customer can see whether an item is in stock, select features (size, colour, etc.) as well as the number of items they wish to purchase.

In this stage, visibility of the customer's activities by the platforms can vary greatly. Some platforms allow products to be listed by sellers but the transaction is completed off-platform via direct interaction between the seller and customer, either in person (cash on delivery) or through other channels, such as the seller's website. In this scenario, the platform is not involved in product selection and so has no visibility over whether a transaction was successfully completed or what volumes and types of goods have been purchased. Similarly, as payments from the customer to the seller may be made via a third-party payment service (see Section 3.2.2), this limits the platform's knowledge of the quantity of the product purchased by the customer. In contrast, platforms with payment integration will have full visibility on whether a successful transaction has been carried out and the volumes of goods purchased due to payment knowledge. Limited visibility carries important implications for what platforms can reasonably have control over. In the event that a customer experiences a scam or undelivered goods, platforms that are not involved in this process may not provide refunds as transactions are completed off-platform.

3.2.2 Payment

The second part of the Purchase phase is the payment stage. At this point, the customer makes a purchase through a payment service or in person. A payment service provider processes a transaction between customer and seller by authorising a payment via credit/debit card or another form of digital payment. A few platforms keep payments from a customer in escrow[15] and only release them to the seller once delivery of the product has been confirmed by the buyer.

The level of information and responsibility that a platform has over a transaction depends on if the platform is a merchant of record,[16] the product is tied to the payment service, or whether the payment service is owned by the platform (or at least intermediated by the platform). If the payment service has been developed or is intermediated by the e-commerce platform, then the platform will have visibility of the transaction. A platform can also partner with third-party payment service providers which do customer identity checks, risk management, payouts and take control of payments. In the event of a refund, the responsibility for this depends on which party is the merchant of record, the payment service or the platform.

Payments can also occur off the platform directly between customer and seller, in which case the platform may not have visibility or knowledge of the final transaction in all cases. By contrast, a platform with its own digital wallet (currency) has more knowledge of all transactions, due to the visibility of any purchases made on the platform using its currency.

E-commerce payment services typically permit numerous payment types. Historically, credit and debit cards have been the most common payment methods for commerce through a payment service – the recent proliferation of fully integrated digital wallets (e.g. GrabPay, GooglePay, ApplePay etc) in super-apps and mobile operating systems has increased the popularity of this payment option. Card and digital wallet payments account for more than 70% of online payments across Japan, Taiwan, Singapore, South Korea and India.[17] In some parts of APAC, especially in developing economies, cash payment on delivery is very common, which can further reduce a platform's knowledge over payments.

3.3 Post-Purchase

The final step in a customer's purchasing journey is the Post-Purchase phase. This involves the fulfilment of a customer's purchase and aftercare related to the purchase. The fulfilment of an e-commerce purchase includes inventory handling, shipping and delivery of the product. As such, the Post-Purchase phase can be broken down into four stages: warehousing, delivery, early aftercare and warranty. Just as discovery platforms are not involved in the Purchase phase (including payment), so too they are not involved in the Post-Purchase phase.

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15 A financial arrangement where a third-party holds a payment from one party and releases it to the other party once agreed terms are met.

16 A merchant of record is the entity that is authorised, and held liable, by a financial institution to process a customer's credit and debit card transactions.

17 See https://cdn2.hubspot.net/hubfs/5246303/Asia%20Pacific%20eCommerce%20and%20Payments%20Guide%202020.pdf.

3.3.1 Warehousing

From the customer's perspective, there is very little interaction with the warehousing stage of the purchasing journey, as interaction during this stage solely involves the seller and the relevant platform. Once a transaction has been processed, the journey moves to the picking, packing and shipping of the order. Sellers must ensure that there is enough stock in the warehouse to meet all orders. The seller must also ensure that the time it takes for the order to complete the warehousing stage fits with the proposed fulfilment time indicated to the customer at checkout.

Warehousing is typically the responsibility of the seller rather than the e-commerce platform, and so the platform has limited oversight of this stage. However, some platforms hosting third-party sellers have their own warehousing options for sellers to make use of, thus providing such platforms with visibility and some levels of responsibility over these activities. For example, Lazada offers a fulfilment service, where the third-party sellers' goods can be stored in a Lazada warehouse and once a transaction occurs Lazada picks and packs the goods[18]. Lazada's warehousing service is free and fees are only incurred for the subsequent delivery portion of the fulfilment. The provision of these services from a platform to the third-party seller can reduce capital requirements for the third-party seller and allow increased time to focus on other aspects of its selling process.

There are a variety of forms of warehousing, with differing cost requirements. Small players may rely on a limited storage space and manual picking to fulfil orders, whereas bigger players typically have the means to use inventory control software and machinery to speed up the warehousing process in a large warehouse or fulfilment centre. A popular fulfilment method for sellers in APAC is to use dropshipping, where the seller or platform does not hold its own inventory but has it stored and fulfilled by the supplier. This reduces the level of control and knowledge a seller or platform has over the warehousing stage.

3.3.2 Delivery

How goods are delivered to the customer is the responsibility of the logistic services provider and seller, who must ensure that the delivery is completed in line with the timings indicated to the customer and that the customer receives what they ordered. For the sale of second-hand goods, delivery is often carried out directly by the seller, typically meeting the customer in person instead of using a logistics firm. For other e-commerce sales, the seller most commonly uses a dedicated logistics company, such as Ninja Van in South-East Asia, for a traditional courier delivery.

The adoption and growth of the e-commerce industry has resulted in strong growth in the logistics industry to satisfy this demand. A few large e-commerce businesses have their own in-house logistics service (which typically requires significant capital), such as Daraz's logistics arm, Daraz Express, but a number rely on partnerships with logistics firms for deliveries. For example, eBay Australia has partnered with Australia Post and Sendle to provide sellers with nationwide shipping and to make it easy to create a shipment through the eBay platform. Beyond this, eBay also provides a list of recommended courier services.

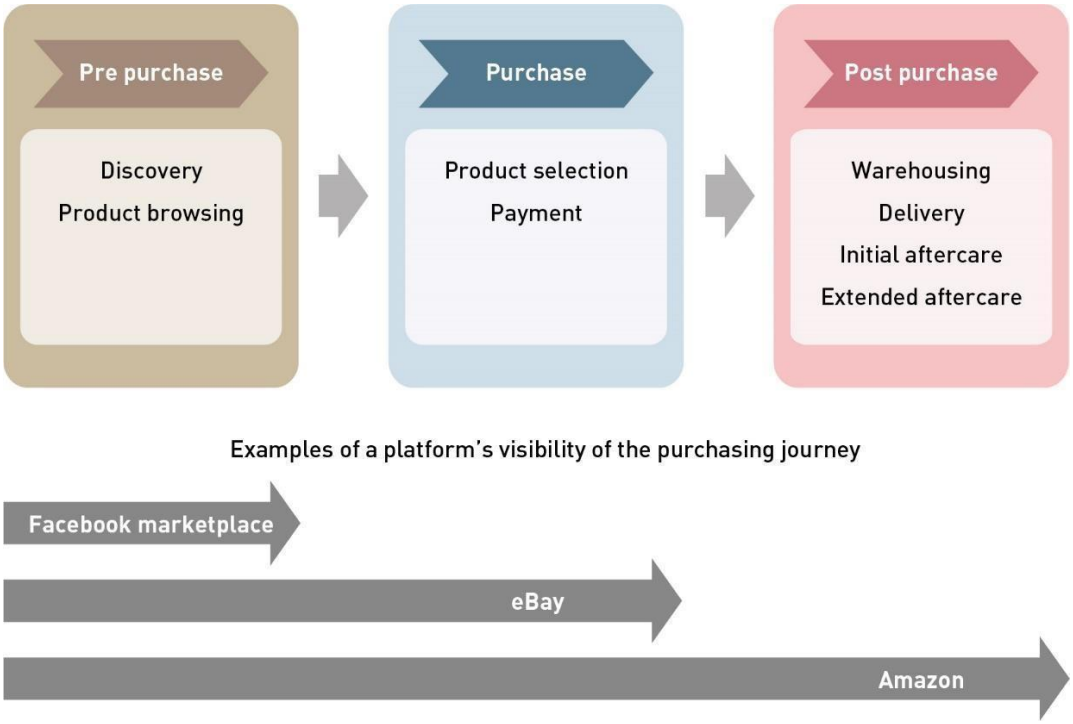
18 See https://sellercenter.lazada.com.my/seller/helpcenter/what-is-fulfillment-by-lazada-fbl-9724.html

3.3.3 Early aftercare and warranty

Returns and refunds are usually the responsibility of the seller. But, for platforms that provide integration with payment services, and thus have visibility through completion of the payment, they may have specific policies around returns and refunds for items that are delivered defective or which develop a fault within a short time after delivery. In the meantime, for discovery platforms that are not involved in the Purchase and Post-Purchase phases (and who do not have visibility of the transactions which follow discovery), buyers need to reach out to sellers directly for items that are delivered defective. Due to this differing level of visibility, platforms only involved in discovery typically have less extensive policies regarding warranties compared to platforms which sell their own goods. For example, Meta's products (Facebook Marketplace, Facebook Shops, Instagram Shops) do not provide warranties in most APAC markets as they have no visibility over transactions[19] whereas Amazon offers a full refund of unopened items and defective items within 30 days if it has been shipped by Amazon.[20]

Faults that occur after the initial returns window typically fall under the product's warranty, if any. This extended product aftercare responsibility due to a warranty often lies with the original seller or manufacturer rather than the platform which enabled the purchase.

Figure 5: Examples of platforms' visibility of the purchasing journey [Source: Analysys Mason, 2022]



19 Purchase Protection only covers items purchased on Facebook using Facebook Pay..See https://www.facebook.com/policies/purchase_protection

20 See https://www.amazon.co.jp/-/en/gp/help/customer/display.html?nodeId=GKM69DUUYKQWKWX7

4 Business models and key players in APAC

This section proposes a framework for classifying e-commerce and social commerce businesses in APAC and outlines four distinct business models that customers can potentially interact with in their discovery and purchasing journey.

The benefit of developing a new classification is that the existing B2B/B2C/C2C approach does not provide a full picture of the current e-commerce and social commerce landscape because the industry has evolved significantly (and continues to) and there are many more types of players and business models in the market today.

These four business models are categorised based on the level of interaction a platform has with each phase of the customer's purchasing journey outlined in Section 3. This interaction is based on the core offerings and responsibilities of the platform, rather than any value-added services it may also provide (meaning anything a platform offers that either customer or business may 'opt in' for). These business models offer a potential means to easily distinguish the level of involvement, if any, an e-commerce or social commerce player may have in a customer's purchasing journey and, specifically, the end-to-end transaction process.

Real examples from case studies are used to illustrate the different business model types. The case studies relate to several players in the APAC region and further expanded versions of these case studies can be found in Annex A–D. E-commerce and social commerce players that operate in multiple markets may fit into different business models in different markets. For the purposes of this report, we have classified each platform based on what business model it uses in the majority of the APAC markets in which it operates (including its home market) – that is, the classifications are not based on relative revenue segment sizes or any other metric.[21]15 For example, Facebook Shops has a payment feature in the US but this is not present in any APAC market and thus is not taken into account in the classification of Facebook's business model in APAC. It is also worth noting that businesses may adopt different business models across markets in APAC, mainly due to commercial decisions, but also due to different market-specific regulatory constraints, such as foreign exchange restrictions, which can affect whether inventory can be directly sold by a platform with foreign investment. For the avoidance of doubt, case studies within this report cover key players across the Asia- Pacific region (APAC) excluding China.

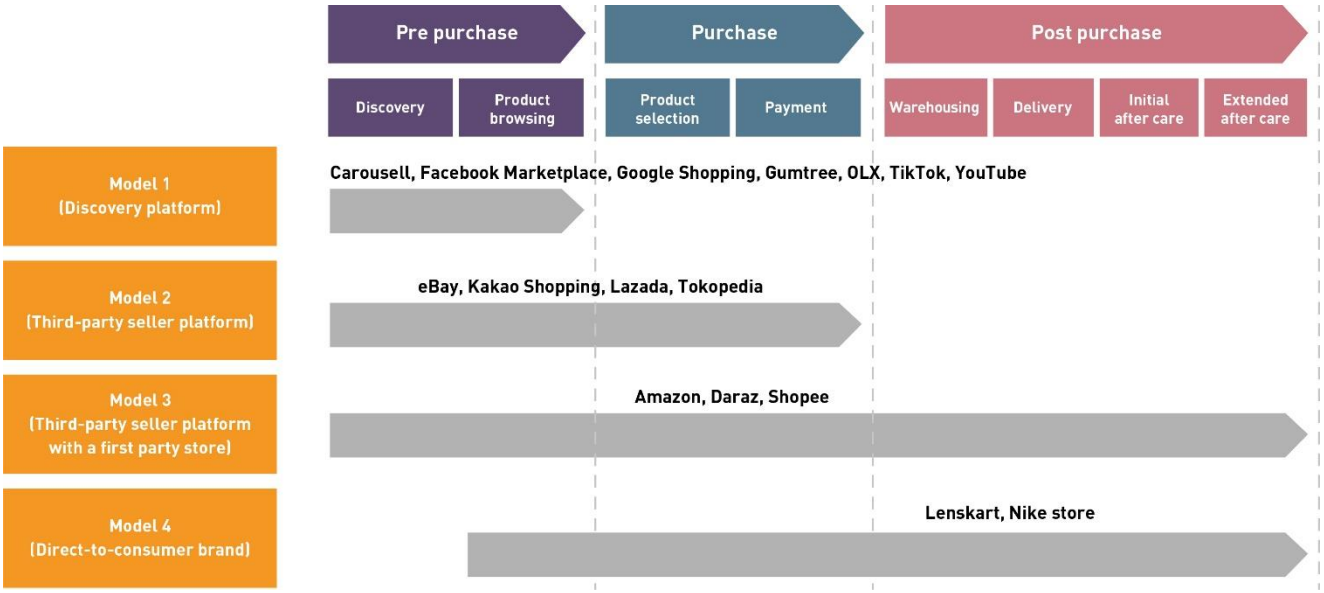
Figure 7 shows the activities the e-commerce or social commerce player is responsible for across each of the four business models. With regards to Model 2, a number of Post-Purchase activities, such as warehousing and delivery, are the responsibility of the third-party seller hosted by the platform, but the platform provider often offers these activities as a value-added service to the seller – thus providing the platform some visibility and responsibility over these activities.

21 See annexes for further details regarding case studies adopting different models across markets.

Figure 6: E-commerce and social commerce business model classification [Source: Analysys Mason, 2022][22]

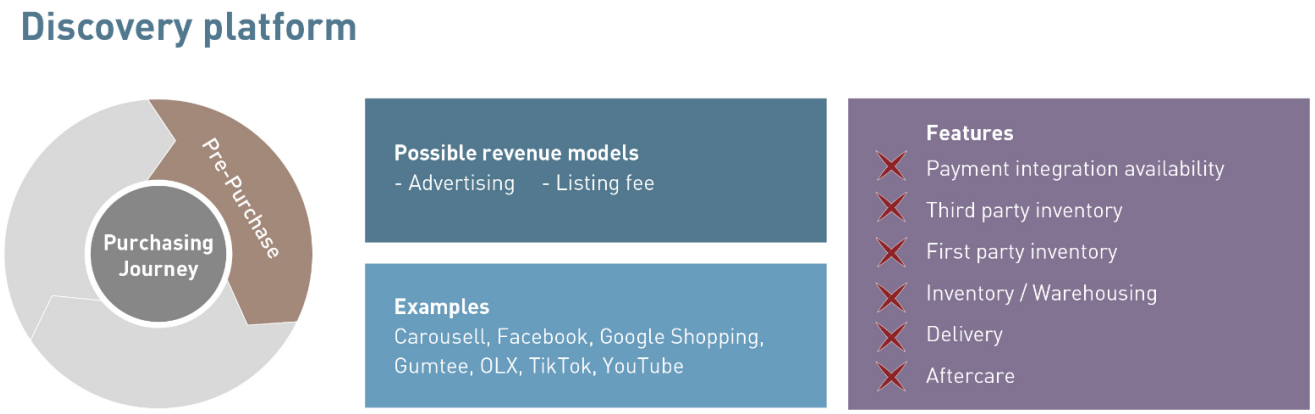
	Model 1 Discovery platform	Model 2 Third-party seller platform	Model 3 Third-party seller platform with a first-party store	Model 4 Direct-to-consumer brand
Possible revenue models	- Advertising - Listing fee	- Commission - Subscription - Advertising - Listing fee	- Direct sales - Commission - Subscription - Advertising - Listing fee	- Direct sales - Subscription
With payment integration availability	✗	✓	✓	✓
Third party inventory	✗	✓	✓	✗
First party inventory	✗	✗	✓	✓
Inventory / Warehousing	✗	✓ Can be a value-add service	✓	✓
Delivery	✗	✓ Can be a value-add service	✓	✓
Aftercare	✗	✓ Can be a value-add service	✓	✓ Extended

Figure 7: Overview of business models split by purchasing journey [Source: Analysys Mason, 2022]



22 Social media platforms operating under Model 1 do not typically generate revenue from the normal commerce streams such as listing fees or commission.

4.1 Model 1 – Discovery platform



Model 1, the discovery platform, encompasses business models that only involve, and have interaction with, the Pre-Purchase phase (mainly the discovery stage) of a customer's purchasing journey. These platforms do not process payments in the Purchase phase or provide post-purchase support. These are most commonly social media/online content platforms where consumers can become interested in purchasing a product in various ways. Facebook Marketplace, Instagram, TikTok[23] and YouTube are all examples of social/content players that fit within this model, as well as super-apps with built-in marketplaces but no commerce payment features such as Line.[24]

Platforms that exclusively host classified advertisements and do not accept payment, such as Gumtree and Carousell,[25] are also discovery platforms. These classified advertisement platforms generally incorporate more of a search-led approach, but do offer the ability to browse products. The final transaction is handled off-platform, directly between customer and seller. Google Shopping, although not a classified advertisement platform, operates a comparable service – providing search-led discovery and the ability to research a product without any transactions on the Google platform.

Platforms within this model do not hold any inventory or process transactions of products advertised on or through their platform. Model 1 businesses will typically impose obligations regarding the type of products that can be sold by sellers on the platform and what can be included in adverts, to avoid issues such as the sale of illegal goods.

Small distinctions can be made between the style of discovery employed by the platform. Social media players such as Instagram and TikTok provide an inspirational discovery model, whereas Google Shopping and Gumtree follow a search-led business model. These different discovery models do not differ greatly in the level of knowledge a platform provider may have regarding the parts of the customer purchasing journey, but they do affect the level of involvement the platform has over a product being sold (i.e. inspiration-focused platforms are more likely to lead to spontaneous purchases). The two types of discovery models are not necessarily exclusive, as platforms can incorporate both types of discovery: for instance, Facebook Marketplace can both be searched and provide inspirational discovery.

23 It should be noted that TikTok has implemented payment features in Indonesia, Malaysia and Vietnam, but not in the majority of its markets and is therefore classified in Model 1

24 It should be noted that Line has e-commerce payment features in South Korea but not in the majority of its markets and is therefore classified under Model 1

25 It should be noted that Carousell has payment options in Singapore but not in the majority of its markets and is therefore classified under Model 1

Platforms within this model generally do not make any revenue from the purchase of goods; rather revenue is generated entirely through general advertisements (typically the case for social media platforms) and/or listing fees and promotional feature fees paid by sellers hosted on the platform (common for classified advertisement players).

Example: Facebook Marketplace, Facebook Shops and Instagram Shops

On the Facebook platform, there is a specific feature called Facebook Marketplace. Facebook Marketplace is a discovery feature that connects individuals who are interested in selling their personal items with individuals interested in buying those items. People who wish to sell or trade items with others can list items on Facebook Marketplace; however, the completion of the transaction and payment for such items (if relevant) occurs off the Facebook platform. People who have an active account, and who are 18 years old and above, can create listings on Facebook Marketplace. Facebook Marketplace is created and mainly used for C2C interactions. Facebook Marketplace does not charge any seller fee; instead their revenue is mainly from general advertisements on the Facebook platform. Listings within Facebook Marketplace typically include product images and a description. In some APAC countries, the platform offers recommendations, but people can also use a simple search-based approach. Any listings on Facebook Marketplace need to comply with Meta's Community Standards and Commerce Policies.[26]

In APAC, Facebook Marketplace does not provide checkout, order confirmation and tracking or payments services integration. As transactions are completed off the platform, Facebook does not process the transaction or cover purchase protection programs for buyers. It does not accept, or have any involvement in, payments; instead it provides an opportunity for individuals to list products and a potential customer the option to contact such a seller if they wish to enquire about a product. In the non-digital world, their role is similar to classified advertisements, magazines or TV shows that promote products.

In 2020, Facebook introduced a new social commerce feature in certain jurisdictions, Facebook Shops and Instagram Shops, to make it easy for businesses to set up an online store for customers. All merchants using the Facebook Shops and/or Instagram Shops feature must comply with Meta's Commerce Policies and Commerce Eligibility Requirements. As with Facebook Marketplace in APAC, Facebook Shops and Instagram Shops in APAC, no transactions are completed on the platform; people make purchases directly on third-party websites (i.e. off the Facebook Shops or Instagram Shops platform).

Figure 8: Example of how the final transaction is handled off platform directly between customer and seller in Facebook Marketplace [Source: Facebook Marketplace, 2022]

26 https://transparency.fb.com/en-gb/policies/community-standards/ and https://www.facebook.com/policies_center/commerce/

Example: Gumtree

Gumtree is a classified advertisement platform focusing on the sale of second-hand goods by third-party sellers. Within APAC, Gumtree operates in Australia and has a small presence in Singapore; it is also present in a number of markets outside of APAC. It offers a free listing service to sellers, with the option of paying for additional features, such as increased exposure. Gumtree does not provide a payment service for transactions, which are handled directly by seller and customer. Gumtree offers a messaging feature on its platform for sellers and customers to discuss the potential purchases. Payment can occur in person or via an external payment platform. Gumtree provides the ability to request payment via PayPal, however, it has no visibility or control over the payments made.

Gumtree's model consists of free listings, but sellers can pay for promotional features, such as featuring on the homepage, priority listings, urgent tags and extra photos. The advanced listings fees vary depending on the type of product being sold. Outside of listings, Gumtree also generates revenue from paid advertisements.

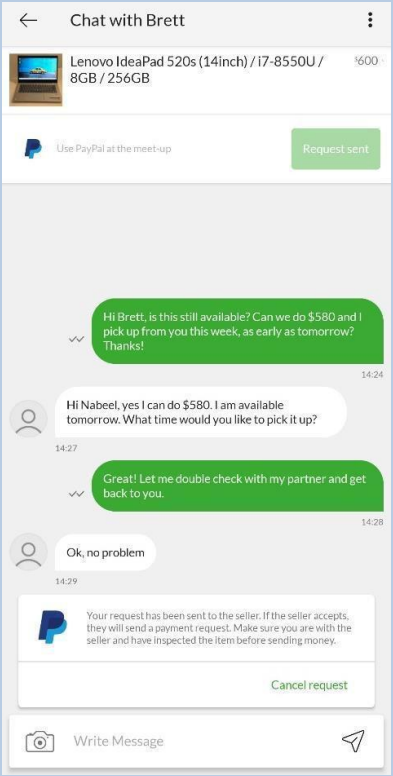
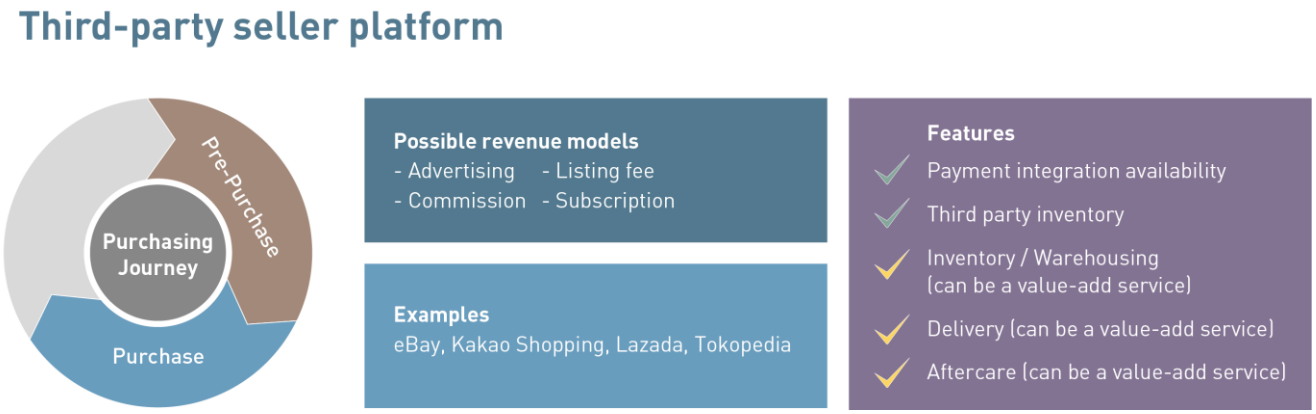


Figure 9: Example of Gumtree PayPal request [Source: Gumtree, 2022]

4.2 Model 2 – Third-party seller platform



Model 2, a third-party seller platform, consists of e-commerce businesses that provide a platform to host products from third-party sellers, as well as enable transactions by integrating payment service solutions. These platforms interact with buyers in both the Pre-Purchase and Purchase phases. Platforms within this model include the multi-market South-East Asian player, Lazada, (which only allows the sales of new items unless certain criteria are met) as well as the global player, eBay (which permits the sale of both new and used goods). Outside of these more traditional marketplaces, this business model also covers super-apps with e-commerce payment features – such as South Korea's KakaoTalk which recently integrated an e-commerce platform.

Platforms within Model 2 only sell third-party inventory but often have full visibility over the transactions made on the platform due to integration with a payment service. As part of the onboarding, these platforms will probably have knowledge of seller and consumer profiles, including information from past transactions (type of products, volume, amount of transactions); this enables the platform to offer recommendations to customers.

Like Model 1, platforms in Model 2 typically provide some form of guidelines over the type of products that can be displayed and sold on the platform in order to ensure standards are upheld. Unlike platforms in Model 3, platforms in this model do not have a direct responsibility with regards to Post-Purchase activities, such as warehousing and delivery, as this responsibility falls on the seller. However, platforms sometimes provide these as a value-added service, or partner with logistics companies. Platforms often provide features to allow easy communication between seller and customer for after-sales care, such as refunds and returns.

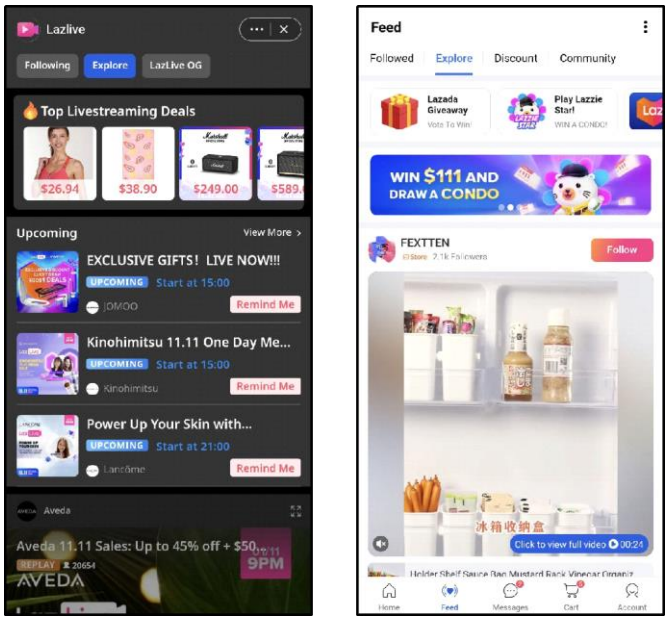
There are some distinctions in this model between platforms, particularly regarding payment services. Some platforms, such as Lazada[27], have their own digital wallet feature. In principle, this could provide the platform with increased knowledge over transactions, and creates some additional responsibility for financial standards, such as fraud prevention. This proprietary digital wallet feature, however, does not provide much difference in the overall operating model between players under Model 2 or the level of interaction with the customer's purchasing journey.

Unlike in Model 1, platforms in Model 2 can make revenue from direct transactions by taking a commission fee, which is typically a percentage of the final transaction fee. Similar to Model 1, platforms can also generate revenue from listing fees and advertisements.

27 It should be noted that in Singapore and Vietnam Lazada sells goods under its own branded store but this is not the case in the majority of its APAC markets and thus it has been classified under Model 2

As the industry has evolved, businesses within this model have begun implementing social commerce features to drive engagement. For example, the South-East Asian online platform Lazada offers livestreaming to increase interactions between customers and sellers, as well as a social feed to promote interactions between fellow users. The increasing number of social commerce features in this model is echoed by the trend of social media players in Model 1 showing an interest in moving further down the purchasing journey towards Model 2. For example, TikTok is currently developing an e-commerce function within its platform, known as TikTok Shop, which will allow checkout (including payment) and shipping of products[22]. Similar plans are also being developed for the likes of YouTube.

Figure 10: LazLive (Lazada's livestreaming feature) and Lazada social feed (social feed for sellers to engage customers) [Source: Lazada, 2022]



Example: Lazada

Lazada is one of the largest third-party marketplaces in South-East Asia.[28] Besides retail, it caters to group purchases and bulk buys, as well as traditional retail purchases. Within its main store, a number of listing requirements must be met by sellers – including not selling a number of prohibited products, ensuring there is a product description and image, and stating if a product is used or refurbished. Additionally, the seller must comply with Lazada's returns policy, where unreasonable refusal of a return could lead to a fine.

Lazada is present throughout the Pre-Purchase and Purchase phases. It also offers optional services to sellers in the Post-Purchase phase, including a fulfilment service where it stores, packs and ships their goods, and a delivery service via Lazada Logistics. Altogether, it provides a full end-to-end service for merchants.

Lazada does not charge sellers for listing on the website but generates its revenue from transactions made on the platform via commission fees and payment fees. These fees are based on a percentage of the transaction amount and are broken down, with commission fees typically ranging from 1–8%, depending on the product category. Lazada also generates shipping fees from transactions via its optional fulfilment service and provides sellers with a transparent rate dependent on the delivery type, distance and parcel weight.

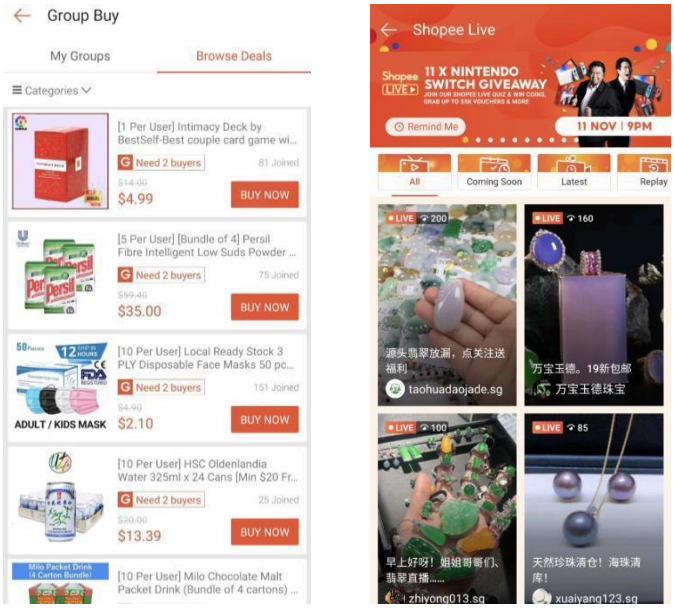
28 See https://www.tmogroup.asia/must-know-southeast-asia-online-marketplaces

4.3 Model 3 – Third-party seller platform with a first-party store

Model 3, a third-party seller platform with a first-party store,[29] consists of a platform to host goods from third-party sellers and enable transactions through payment integration, as well as a store selling their own inventory. As these platforms sell their own goods, they interact with all phases of the purchasing journey. It should be noted that first-party inventory sales do not necessarily represent the largest revenue arm for these businesses, as some will generate more revenue from their third-party marketplace function. The most successful platforms within this model typically have a multi-market presence, with the likes of Amazon present globally and Shopee present in a number of markets across South-East Asia and East Asia.

Similar to Model 2, platforms in this model have historically incorporated a search-led approach to discovery, however, platforms have now expanded the discovery phase to include various social features. Shopee has incorporated a number of social elements to its platform including Shopee Live (which allows customers to watch livestreams by sellers), mini-games to promote user interaction, rewards and group-buy discounts.

Figure 11: Shopee Live and Shopee Group Buy [Source: Shopee, 2022]



29 First party store is defined as part of the platform where the platform provider directly sells its owned inventory

Platforms within this model sell third-party and first-party inventory and therefore have similar involvement over, and knowledge of, the customer purchasing journey (in relation to their platform, customer/seller profiles and payments) as the platforms in Model 2. They have an increased duty of care compared to Model 2 regarding first-party goods. Model 3 platforms must ensure that the first-party goods it sells are accurately depicted, picked, packed and delivered within a reasonable timeframe, and that an adequate returns and refund policy is adhered to. The platform also often has its own branded digital wallet, which brings about the same increased responsibility mentioned in Model 2. The first-party store combined with a third-party seller platform typically provides platforms in this model with the greatest levels of control over a customer's purchasing journey.

Revenue is generated from direct sales of goods sold under the first-party branded store. From their third-party seller platform, these platforms can use the same revenue model as Model 2: commission, subscription, listing and advertising fees.

Example: Amazon

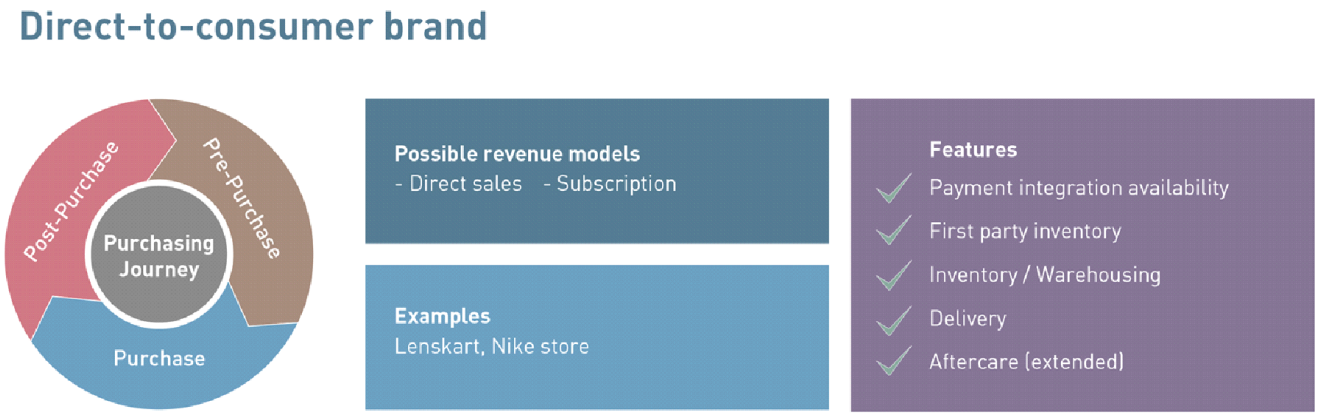
Amazon is one of the world's largest e-commerce platforms, providing a sales platform for corporate retailers, small businesses and individuals, as well as selling its own first-party inventory. Amazon launched in 1994 in the USA and expanded into the APAC region via Japan in 2000.

Amazon is present across all phases of the customer purchasing journey. The platform uses a search-led approach, but Amazon has also developed a social-commerce angle for discovery with its well- established Amazon Associates Program (an affiliate program offering commission to social influencers). Payment is made to Amazon before it is transferred to sellers upon receipt of goods. Amazon has fleets of freelance drivers which can be used by third-party sellers for delivery, and users can benefit from expedited deliveries via the Amazon Prime subscription service. Amazon Prime provides next-day/expedited delivery to customers Amazon provides an order- management portal for post-purchase activities such as returns and refunds.

Revenue is generated from the direct sale of its own inventory as well as fees and advertisements from third-party sellers. In Japan, third-party sellers are charged a payment fee of JPY100 per item sold but can opt into Amazon's professional selling plan, where a subscription of JPY4900 per month means they do not pay individual selling fees.[30] On top of this, Amazon charges a 'referral fee', a commission fee for products sold on the platform, which in Japan is generally between 8–15% of the sale price.[30] Amazon offers the option of paid advertisements to sellers to boost their presence in search results. Amazon also generates another type of subscription revenue via Amazon Prime.

30 See https://sellercentral.amazon.co.jp/gp/help/external/help-page.html?itemID=200336920&language=en_JP&ref=efph_200336920_bred_201822160

4.4 Model 4 – Direct-to-consumer brand



Model 4, direct-to-consumer brands, are stand-alone e- commerce stores that solely sell the provider's own (first-party) inventory. In the Pre-Purchase phase, platforms in this model will typically rely on adverts, which lead to search-led purchases, as opposed to any social commerce features. These platforms may have limited knowledge of the customer's general preferences since they only have visibility of their own-brand products. However, they will have complete visibility and control over the Purchase and Post-Purchase phases similar to players in model 3. Branded products typically also come with the expectation to fulfil aftercare beyond the initial return window (for goods such as electronics, which usually have longer guarantees and warranties) and that the end-brand (and, in this case, the associated e-commerce store) will be in charge of fulfilling these guarantees.

Typically, revenue generation in this model comes purely from direct sales and subscriptions.

5 Conclusion

E-commerce and social commerce are experiencing strong growth and innovation globally, particularly in APAC, with this growth set to continue and remain a large contributing factor to gross domestic product (GDP). E-commerce and social commerce provide a number of benefits, offering great support to the development and growth of small businesses through less set-up time compared to establishing brick and mortar stores and lowering the barrier to entry in terms of cost. These benefits have been highlighted by the Covid-19 pandemic – increased demand for online commerce has allowed new merchants to enter the market, opening up a new avenue for earning opportunities during a time of uncertainty where people lost their jobs and needed new sources of income.

The increasing take-up of online services has resulted in the evolution of the e-commerce and social commerce space. Social media and online content platforms play a bigger role in the e-commerce ecosystem now more than ever, and this has led to the emergence of new business models under the broader grouping of social commerce. Social commerce largely focuses on engagement in the customer's initial discovery phase and is set to further the growth of the digital economy. Social commerce is also particularly beneficial to small businesses, providing a cost effective and direct route to market to reach their customers.

The evolving business models adopted by existing and new players in the space creates the need for new ways to adequately capture the e-commerce and social commerce landscape. These dynamic and novel business models are competing with each other and driving innovation as a result. Building an environment that enables these competitive business models will be important to realising the benefits of the digital economy. In order to do that, regulators and policymakers will need to better understand the differences, so that they can take an informed and more proportionate approach to consultations about future policy and regulatory frameworks, with the knowledge that a one-size-fits-all approach is not appropriate.

Our approach to identifying these business models is to consider the interaction and visibility such platforms have over a customer's online purchasing journey as there are important differences in the role that various platforms play at different stages of the journey. Some business models are primarily focused on the pre-purchase stage where the customer first becomes attracted to the product and learns more about the product while others enable product selection and payment during the purchase stage of the customer journey. Business models that handle the post-purchase stage have the most extensive interaction with the customer as they are involved in the delivery and fulfilment of the order. Social media platforms, online content providers and classified advertisement websites typically have the least visibility, whilst marketplace platforms that also sell first-party inventory have the greatest visibility on the purchasing journey. It should be noted that e-commerce players are already developing self-regulation policy and investing in technology and manpower to ensure protection of consumers and sellers stakeholders and long-term sustainability of the business.

Policy makers are also taking increased interest in regulating the social commerce and e-commerce space. The e-commerce regulatory environment is still developing in APAC and given the evolving nature of the landscape and innovations across business models, it would be a good consideration for policy makers to adopt a consultative approach with both global and local market players to understand the business models in the market and their varying levels of influence over the purchasing journey. The findings from the consultations could then inform policy reform that takes into account nuances and differences between various social commerce and e-commerce platforms.

Annex A Case study list

This annex contains a list of case studies of 13 businesses in the APAC market classified by business model type. The three business models used (Model 1, Model 2, Model 3) are outlined in the main report in Sections 4.1 to 4.3. No case studies have been included on businesses classified by Model 4 as this is generally a well-documented model. **It should be noted that we have classified business based on what business model the player sits in across the majority of the major APAC markets it operates in (including its home market)** – these classifications are not based on relative revenue segment sizes or any other metric.

Figure A.1: Case study summary [Source: Analysys Mason, 2022]

Case study	Founded	Business model	Revenue model	Applicable countries
Carousell	2012	1	Listing fee, advertisement, subscription	Australia Indonesia Malaysia New Zealand Philippines Taiwan Singapore (Model 2)
Facebook Marketplace	2016	1	Advertisement[31]	Pan-APAC
Gumtree	2004	1	Listing fee, advertisement	Australia Singapore
OLX	2006	1	Listing fee, advertisement	India Indonesia
TikTok[32]	2016	1	Advertisement	Pan-APAC Indonesia trial (Model 2) Malaysia (Model 2) Thailand (Model 2) Vietnam (Model 2)
Google	1998	1	Advertisement	Pan-APAC
eBay[33]	1995	2	Commission, subscription, listing, advertisement	Australia South Korea

31 While Facebook generates revenue from advertising more broadly, it is not specific to Facebook Marketplace

32 TikTok Shop expanded in to Malaysia, Thailand and Vietnam at the end of February 2022 after performing it's A/B testing in Indonesia. See https://www.techinasia.com/tiktok-shop-enters-thailand-vietnam-malaysia

33 eBay Plus as a subscription service is only available in Australia out of the countries listed

				Malaysia Philippines Singapore Taiwan
KakaoTalk	2010	2	Commission, listing fee, advertisement	South Korea[34]
Lazada	2012	2	Commission, payment fees, advertisement	Indonesia (Model 2) Malaysia (Model 2) Philippines (Model 2) Thailand (Model 2) Singapore (Model 3) Vietnam (Model 3)
Tokopedia	2009	2	Commission, advertisement	Indonesia
Amazon	1994	3	Direct sales, commission, payment fees, subscription, advertisement	Pan-APAC
Daraz	2012	3	Commission, payment fees, listing fee	Pakistan (Model 3) Sri Lanka (Model 3) Bangladesh (Model 3) Nepal (Model 2) Myanmar (Model 2)[35]
Shopee	2015	3	Direct sales, commission, payment fees, advertisement	Indonesia (Model 3) Malaysia (Model 3) Philippines (Model 3) Singapore (Model 3) Thailand (Model 3) Vietnam (Model 3) Taiwan (Model 2)

34 Although KaktaoTalk sells its own merchandise/products on the messaging app, KakaoTalk does not have its own store on Kakao Shopping

35 Daraz exists as shop.com in Myanmar

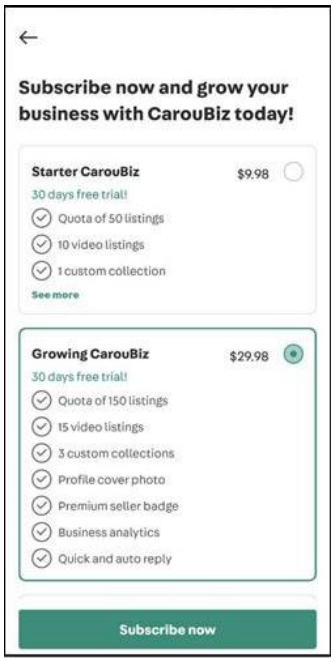
Annex B Model 1 (Discovery Platform) case studies

A.1 Carousell

APAC market coverage: Singapore, Indonesia, Malaysia Philippines, Taiwan, Australia, New Zealand

Carousell was launched in 2012 in Singapore and has grown to be one of the largest second-hand marketplaces in South-East Asia, operating across ten markets in APAC.

Figure B.1: CarouBiz subscription offering [Source: Carousell, 2022]



Carousell provides a standard marketplace platform for third-party sellers to list second-hand goods for sale, commonly resulting in C2C transactions. These listings can be paid for by the sellers (typically free up to a quota) and Carousell offers a subscription-based model (CarouBiz) for sellers to access advanced tools which improve their presence on the platform. Carousell provides a social group feature which allows users to interact with each other on topics of interest, with this interaction driving engagement. Several sales occur off the platform via direct customer-seller interaction, as is the case with Model 1 businesses. However, in Singapore Carousell can enable transactions within the platform using Carousell Protection, formerly known as CarouPay, in which payments can be made via credit and debit cards.[36] Carousell Protection provides buyer protection by using an escrow service, transferring payment to the seller only once the product has been received. It also provides an order-management portal within the platform for customers to request transaction support and refunds for customers who use Carousell Protection. As part of its Carousell Protection service, Carousell evaluates and advises on return requests related to transactions made using the service. Carousell has partnership with several logistics partners including for example Sendle in Australia and uParcel in Singapore.

Carousell earns revenue from listing fees, subscriptions from sellers and from customers using Carousell Protection, where they are charged 2.5% of the product and delivery costs. This payment integration and service

36 See: https://support.carousell.com/hc/en-us/articles/360020382834--Singapore-What-is-Carousell-Protection

(Carousell Protection) is currently limited to Singapore, however all other Carousell markets require payments to be conducted off-platform and thus Carousell has been classified under Model 1.

Figure B.2: Carousell business model in APAC [1/2] [Source: Analysys Mason, 2022]

Area	Applicability					
Revenue model	Direct sales	Commission	Payment fees	Subscription	Listing fee	Advertisement
Payment option	Payment service			Off platform		
Inventory sold	First-party			Third party		
Fulfilment method	Warehousing			Handled by seller separately		
Delivery	Outsourced logistics		Internal logistics		Separate arrangement between customer and buyer	
After care (Refund and Return, Mediation, etc)	Handled by the platform		Facilitated by the platform (handled by the seller)		Handled by seller separately	

Figure B.3: Carousell business model in APAC [2/2] [Source: Analysys Mason, 2022]

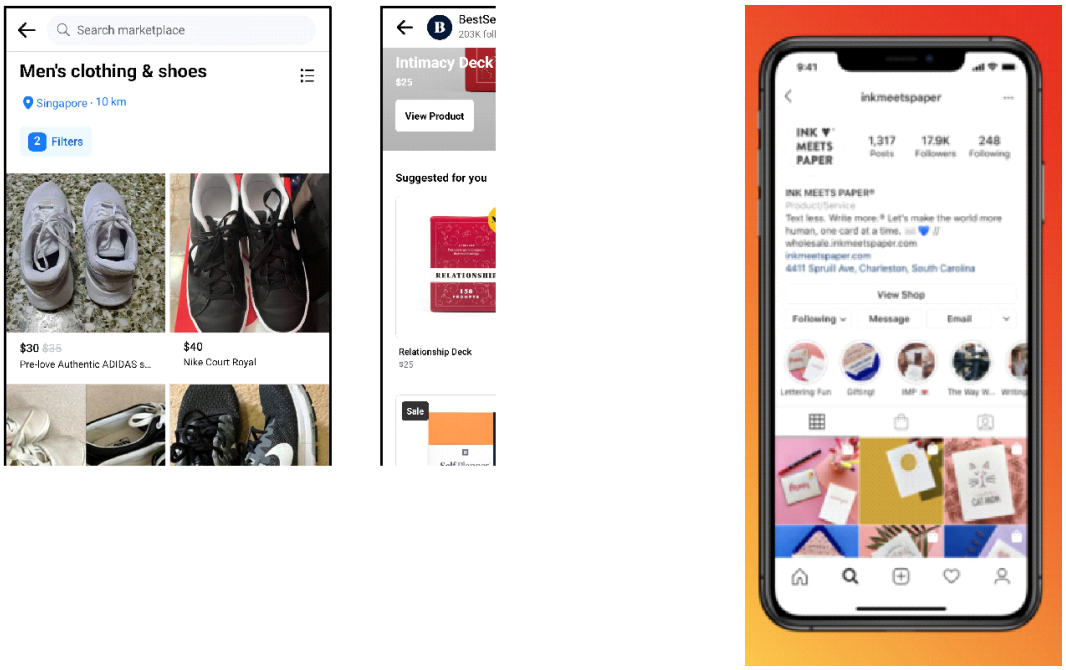
Area	Comment
Revenue model	• Revenue is generated from listing fees paid by sellers and an optional subscription service for advanced seller tools • Revenue is generated from paid advertisements from merchants
Payment option	• Payment is mostly conducted off the platform (However, in Singapore, Carousell provides a payment option with buyer protection, Carousell Protection)
Inventory sold	• Carousell only hosts third-party sellers
Fulfilment method	• Fulfilment is handled purely by sellers (off platform)
Delivery	• Delivery is handled by merchants and sellers but Carousell does provide the option for sellers to make use of its logistics partners
After care (Refund and Return, Mediation, etc)	• Carousell is mostly not involved in after-sales for transactions as the majority are completed off platform and Carousell has no visibility of these transactions • Only for transactions on the platform using Carousell Protection, Carousell facilitates after-salles care and provides refunds/returns solutions

A.2 Facebook Marketplace, Facebook Shops and Instagram Shops

A.2.1 APAC market coverage: Pan-APAC

Facebook and Instagram, launched in 2004 and 2010 respectively, are social media technologies owned by Meta. Meta began offering discovery features with the launch of Facebook Marketplace in 2016. In 2020, it expanded its offering through the introduction of Facebook Shops and Instagram Shops. Unlike Model l – e-commerce companies, whose users use their platforms primarily to buy and sell physical goods, Facebook and Instagram are used for many activities, and shopping is just one of them. Facebook Marketplace is exclusively designed for C2C, while Facebook Shops and Instagram Shops are designed for B2C. Meta has specific Commerce Policies that apply to Facebook Marketplace, Facebook Shops and Instagram Shops that govern what sellers can list, see Figure 4.

Figure B.4: Facebook Marketplace, Facebook Shops and Instagram Shops [Source: Meta, 2022]



Meta is only present in the Pre-Purchase phase of a customer's journey for Facebook Marketplace, Facebook Shops and Instagram Shops. Meta provides sellers the opportunity to list products for free and generates no direct revenue from Facebook Marketplace, Facebook Shops or Instagram Shops; instead, Meta's business model is dependent on the sale of advertisements.

Facebook Marketplace allows users to discover listings, which typically include product images and a description, using a simple search function. Facebook Marketplace does not have payments integration in APAC, but provides potential customers the option to contact sellers directly if they wish to purchase a product.

Facebook Shops and Instagram Shops allow sellers to set up a storefront within the Facebook and Instagram platforms. Facebook Shops and Instagram Shops host a number of established local and international brands. In APAC, payments do not occur within the Facebook Shops and Instagram Shops platforms, instead the customer is provided with a link to the merchant's off-platform product landing page, thus Meta does not process or control the payments made.

Figure B.5: Facebook business model in APAC [1/2] [Source: Analysys Mason, 2022]

Area	Applicability					
Revenue model	Direct sales	Commission	Payment fees	Subscription	Listing fee	Advertisement
Payment option	Payment service			Off platform		
Inventory sold	First-party			Third party		
Fulfilment method	Warehousing			Handled by seller separately		
Delivery	Outsourced logistics		Internal logistics		Separate arrangement between customer and buyer	
After care (Refund and Return, Mediation, etc)	Handled by the platform		Facilitated by the platform (handled by the seller)		Handled by seller separately	

Figure B.6: Facebook business model in APAC [2/2] [Source: Analysys Mason, 2022]

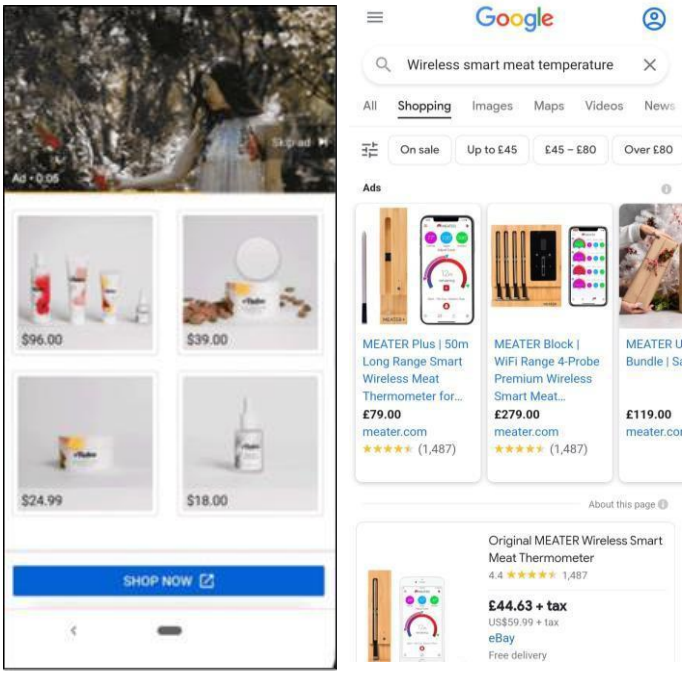
Area	Comment
Revenue model	• Facebook generates its revenue from advertising within its platform and does not charge any fees to users listing products
Payment option	• Payment is completed outside the platform and arranged separately by buyers and sellers, Facebook does not provide a payment option in APAC
Inventory sold	• Facebook Marketplace, Facebook Shops and Instagram Shops only host third-party sellers
Fulfilment method	• Fulfilment is handled purely by sellers and Facebook is not involved on the fulfilment
Delivery	• Delivery is handled purely by sellers and Facebook is not involved
After care (Refund and Return, Mediation, etc)	• Facebook is not involved in after-sales as transactions are completed off-platform and Facebook do not have visibility on volume and amount of the transaction

A.3 Google (Google Shopping and YouTube)

APAC market coverage: Pan-APAC

Google, one of the largest tech firms globally, has been involved in the e-commerce space for a number of years. Google Shopping (first launched in 2002 as Froogle) allows customers to browse and compare products advertised by merchants following a search, users can complete their transaction in third-party websites. Google's online video platform, YouTube (launched in 2005), is separate from its search engine and hosts shoppable adverts which allows customers to browse a brand's product offerings in platform.

Figure B.7: Google Shopping and YouTube shoppable advertisements [Source: Google and YouTube, 2022]



In APAC, Google Shopping and YouTube both purely provide discovery capabilities and no e-commerce transactions take place on the platform. Google Shopping's discovery is search-led and therefore discovery is intentional on behalf of the customer. When a customer searches for a type of product, the Google Shopping feature brings up a number of advertisements and listings, which the customer can browse through before seeing more detailed listings with images, prices, reviews and the ability to be taken to the sellers' platform. YouTube's shoppable advertisements provide an in-platform store function for users to scroll through when an advert is played. The user can then click a link to be taken to the seller's platform Outside of these advertisements, YouTube also allows product placement and affiliate promotion within videos, thus providing additional forms of discovery (promotions and endorsements must be disclosed within the video.

YouTube has shown interest in expanding its presence within the purchasing journey by allowing for direct product purchases on the platform.[37] Google Shopping has also launched 'Buy on Google' to allow users to complete the purchase journey on the platform, however, this service is currently limited to the USA. Launching 'Buy on Google' worldwide would move Google Shopping from Model 1 to Model 2.

37 See https://www.techradar.com/uk/news/google-wants-youtube-to-become-a-major-ecommerce-platform

Google does not charge merchants an upfront fee for advertisements in Google Shopping, nor does it take any commission on sales, instead it charges via a cost-per-click model based on the number of clicks an advert receives. YouTube revenue is generated from paid third-party advertisements.

Figure B.8: Google business model in APAC [1/2] [Source: Analysys Mason, 2022]

Area	Applicability					
Revenue model	Direct sales	Commission	Payment fees	Subscription	Listing fee	Advertisement
Payment option	Payment service			Off platform		
Inventory sold	First-party			Third party		
Fulfilment method	Warehousing			Handled by seller separately		
Delivery	Outsourced logistics		Internal logistics		Separate arrangement between customer and buyer	
After care (Refund and Return, Mediation, etc)	Handled by the platform		Facilitated by the platform (handled by the seller)		Handled by seller separately	

Figure B.9: Google business model in APAC [2/2] [Source: Analysys Mason, 2022]

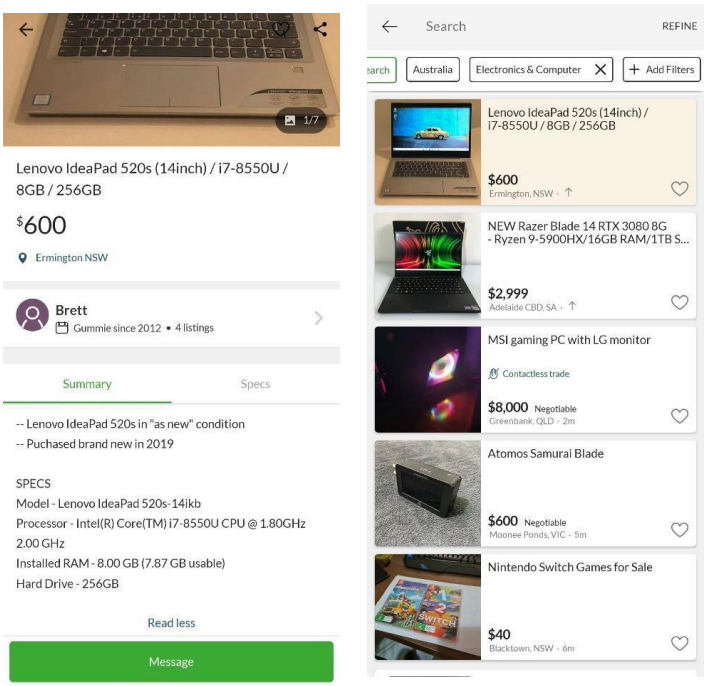
Area	Comment
Revenue model	• Revenue is generated from paid advertisements from sellers
Payment option	• Payment is off-platform and arranged separately between customer and seller
Inventory sold	• Google Shopping and YouTube only host third-party sellers
Fulfilment method	• Fulfilment is handled purely by sellers off platform
Delivery	• Delivery is handled purely by sellers off platform
After care (Refund and Return, Mediation, etc)	• Google is not involved in after-sales as users are directed to third-party platform to complete transactions

A.4 Gumtree

APAC market coverage: Australia and Singapore

Gumtree is the leading classified advertisement platform in Australia, focusing on sales of second-hand goods from third-party sellers.[38] It launched in the UK in 2000 and expanded into APAC in 2007. It also has a presence in Singapore.

Figure B.10: Gumtree listings and product details [Source: Gumtree, 2022]



Gumtree provides free listing options, which have made it a popular platform for sellers in Australia. Sellers can opt to pay for advanced features associated with listings, such as increased exposure through priority listing. Gumtree is a discovery platform that leaves the rest of the purchasing journey for the buyer and seller to arrange privately. Buyers can search by using keywords, categories or filters to find products; the seller typically includes price, images and a description, and their seller rating is visible. When interested in purchasing a product, the customer can message the seller directly through the Gumtree platform or take the communication off the platform. Payment can occur in person or via an external payment platform, but Gumtree does not have any visibility or control over the payments made.

Gumtree generates revenue from the optional advanced listing fees paid by sellers as well as from advertising on the platform.

38 See https://www.similarweb.com/top-websites/australia/category/e-commerce-and-shopping/classifieds/

Figure B.11: Gumtree business mode in Australia and Singapore I [1/2] [Source: Analysys Mason, 2022]

Area	Applicability					
Revenue model	Direct sales	Commission	Payment fees	Subscription	Listing fee	Advertisement
Payment option	Payment service			Off platform		
Inventory sold	First-party			Third party		
Fulfilment method	Warehousing			Handled by seller separately		
Delivery	Outsourced logistics		Internal logistics		Separate arrangement between customer and buyer	
After care (Refund and Return, Mediation, etc)	Handled by the platform		Facilitated by the platform (handled by the seller)		Handled by seller separately	

Figure B.12: Gumtree business model in Australia and Singapore [2/2] [Source: Analysys Mason, 2022]

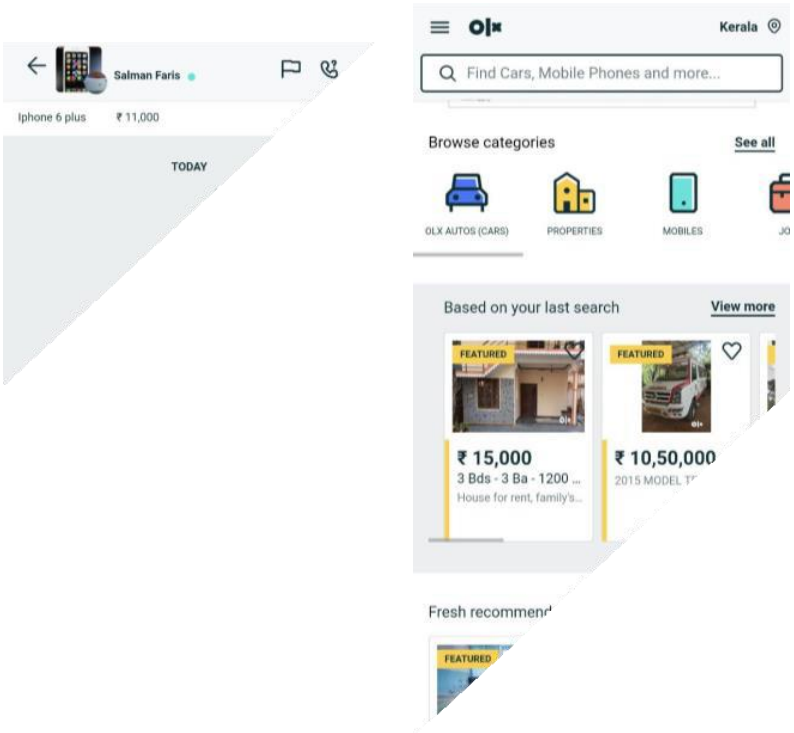
Area	Comment
Revenue model	• Gumtree generates revenue from sellers who are purchasing optional advanced listing features, such as priority listings, urgent tags, extra photos, etc. • It also receives revenue from hosting advertisements
Payment option	• Payment is off-platform and is arranged separately between customer and seller • The platform offers the option to request a PayPal payment, but this payment happens off platform
Inventory sold	• Gumtree only hosts third-party sellers
Fulfilment method	• Fulfilment is handled purely by sellers and Gumtree is not involved
Delivery	• Delivery is handled purely by sellers and Gumtree is not involved
After care (Refund and Return, Mediation, etc)	• Gumtree has no visibility of the transaction and is therefore not involved in after-sales

A.5 OLX

APAC market coverage: India and Indonesia

OLX is a classified advertisement platform that focuses on sales of second-hand goods from third-party sellers. It has a presence in 16 markets globally, first launched in 2006 before expanding into APAC, via India, in 2009. In APAC, it is only present in India and Indonesia after its Philippines arm was acquired by Carousell in 2019 and its Pakistan arm acquired by EPMG in 2020.

Figure B.13: OLX platform and messaging feature [Source: OLX, 2022]



As with Gumtree, OLX allows users to list goods for free, but they are subject to a limit on the number of listings permitted within each category. Sellers can, however, opt to pay for advanced listing features such as priority listing placement in searches and increased listing allowances within categories. The OLX platform allows customers to search using keywords, categories, locations and filters. The OLX platform does not have payment integration and therefore has no visibility on the completion of the transaction. Transaction is completed off platform and handled directly between the customer and seller. The platform does, however, offer a messaging feature to allow the customer and seller to communicate directly and for the buyer to make an offer via a ‘make offer’ feature.

OLX generates revenue through advanced listing and promotional features, as well as through advertising on the platform.

Figure B.14: OLX business model in India and Indonesia [1/2] [Source: Analysys Mason, 2022]

Area	Applicability					
Revenue model	Direct sales	Commission	Payment fees	Subscription	Listing fee	Advertisement
Payment option	Payment service			Off platform		
Inventory sold	First-party			Third party		
Fulfilment method	Warehousing			Handled by seller separately		
Delivery	Outsourced logistics		Internal logistics		Separate arrangement between customer and buyer	
After care (Refund and Return, Mediation, etc)	Handled by the platform		Facilitated by the platform (handled by the seller)		Handled by seller separately	

Figure B.15: OLX business model in India and Indonesia [2/2] [Source: Analysys Mason, 2022]

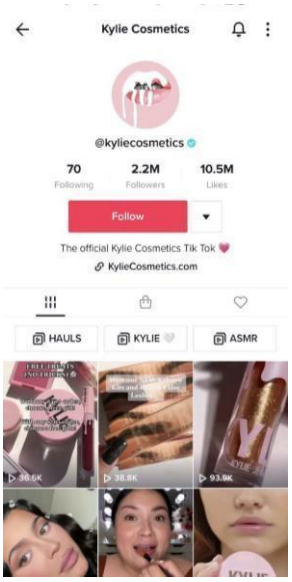
Area	Comment
Revenue model	• OLX generates revenue from advertisement and from sellers who purchase advanced/priority listing features
Payment option	• Payment is off-platform and arranged separately between customer and seller
Inventory sold	• OLX only hosts third-party sellers
Fulfilment method	• Fulfilment is handled purely by sellers and OLX is not involved
Delivery	• Delivery is handled purely by sellers and OLX is not involved
After care (Refund and Return, Mediation, etc)	• OLX has no visibility of the transaction and is not involved in after-sales

A.6 TikTok Shopping

APAC market coverage: Pan-APAC

TikTok is a global social media platform with a variety of features, mainly focused on short video clips posted by users. TikTok's popularity and video format allows influencers to reach (and thereby provide product discovery) to large volumes of users. TikTok has partnered with Shopify to launch TikTok Shopping in a number of markets, including Indonesia.[39]

Figure B.16: Example TikTok Shopping profile [Source: TikTok, 2022]



The TikTok Shopping feature allows Shopify sellers to create dedicated storefronts on their TikTok profile. The shopping profile allows sellers to post videos to showcase products and host livestreams, allowing engagement between sellers and customers. Users can browse through product catalogues to see product descriptions and pricing. In order to make a purchase, they must follow a link taking them to the seller's external platform. TikTok Shopping hosts a number of established brands and not just the typical second-hand goods seller common within this discovery business model. TikTok does not have any visibility of the transaction beyond the user clicking an external link away from the storefront.

TikTok has recently indicated plans to further expand its e-commerce venture, with the aim to bring the entire purchasing journey onto the platform. TikTok intends for its shopping feature to eventually allow customers to pay on the TikTok platform and to ship either through TikTok or through the seller. This was trialled in Indonesia in 2021 where the platform accepted various forms of payment and permitted refund requests up to six days after the delivery of the items.[40] TikTok launched this expanded e-commerce and payment integration offering in Thailand, Vietnam and Malaysia in February 2022 (TikTok Shop),[32] positioning it under Model 2 in these markets, but the majority of APAC markets still do not have this feature and thus have been classified under Model 1. Currently, outside of TikTok Shop markets, TikTok only generates revenue related to its e-commerce functions through advertisements. In the few APAC markets where its TikTok Shop feature is present TikTok generates revenue from payment and commission fees.[41]

39 See https://newsroom.tiktok.com/en-my/tiktok-expands-shopify-partnership-to-southeast-asia-my

40 See: tubefilter.com/2021/12/13/tiktok-launches-tiktok-seller-app-n-indonesia

41 See: https://seller-id.tiktok.com/university/article/agreement?knowledge_id=10001020

Figure B.17: TikTok business mode/in APAC [1/2] [Source: Analysys Mason, 2022][42]

Area	Applicability					
Revenue model	Direct sales	Commission	Payment fees	Subscription	Listing fee	Advertisement
Payment option	Payment service			Off platform		
Inventory sold	First-party			Third party		
Fulfilment method	Warehousing			Handled by seller separately		
Delivery	Outsourced logistics		Internal logistics		Separate arrangement between customer and buyer	
After care (Refund and Return, Mediation, etc)	Handled by the platform		Facilitated by the platform (handled by the seller)		Handled by seller separately	

Figure B.18: TikTok business model in APAC [2/2] [Source: Analysys Mason, 2022][42]

Area	Comment
Revenue model	• TikTok does not charge sellers any fees and purely generates revenue from advertisements
Payment option	• Payment handled by sellers off platform
Inventory sold	• TikTok's platform only hosts third-party sellers
Fulfilment method	• Fulfilment is handled purely by sellers off platform
Delivery	• Delivery is handled purely by sellers off platform.
After care (Refund and Return, Mediation, etc)	• TikTok currently has no visibility of the transaction and is not involved in after-sales considerations

42 Business model classification and commentary relates only to TikTok's business in APAC outside of Indonesia, Thailand, Vietnam and Malaysia where it has TiKTok shop and operates under Model 2

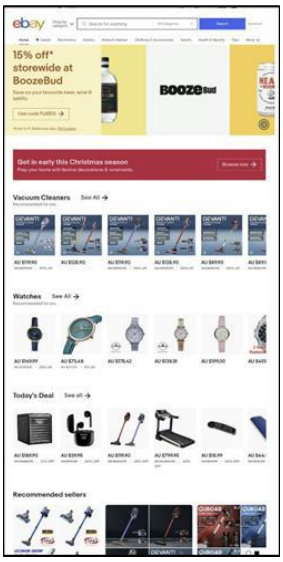
Annex C Model 2 (Third-party Seller Platform) case studies

A.7 eBay

APAC market coverage: Australia, South Korea, Malaysia, Philippines, Singapore, Taiwan

eBay is an e-commerce marketplace that operates in over 20 countries globally and allows third- party sellers to list goods to sell to customers. It launched in 1995 and entered APAC, via Australia, in 1999, expanding into numerous other APAC markets soon after.

Figure C.19: eBay marketplace [Source: eBay, 2022]



The eBay platform is a standard third-party marketplace, providing categories, search filters and tailored recommendations. However, it also takes a non-standard approach by allowing both auction-based sales as well as immediate sales. eBay has not implemented any significant advancements to expand its discovery features (i.e. it has no social commerce features). Historically, eBay relied on PayPal for transactions, but now uses its own payment service which gives it knowledge of, and responsibility over, payments. eBay has partnerships with authorised third-party insurers and logistics firms such Australia Post and Sendle, providing optional post-purchase features for sellers and buyers (including product protection plans for buyers).[43] This allows sellers to provide nationwide shipping options and adds to the ease of creating an in-platform shipment. As eBay has integrated payment services, it also provides a post-purchase order-management portal for services such as refunds and returns, eBay will also get involved in the refund process if a seller cannot resolve an issue.

eBay earns revenue from listing fees and applying a commission fee to most categories. In select markets, customers can pay for eBay Plus – a subscription service where they can gain discounts as well as free delivery and returns. eBay also generates revenue from advertisements.

43 See https://www.protocol.com/fintech/ebay-managed-payments-alyssa-cutright

Figure C.20: eBay business model in APAC [1/2] [Source: Analysys Mason, 2022]

Area	Applicability					
Revenue model	Direct sales	Commission	Payment fees	Subscription	Listing fee	Advertisement
Payment option	Payment service			Off platform		
Inventory sold	First-party			Third party		
Fulfilment method	Warehousing			Handled by seller separately		
Delivery	Outsourced logistics		Internal logistics		Separate arrangement between customer and buyer	
After care (Refund and Return, Mediation, etc)	Handled by the platform		Facilitated by the platform (handled by the seller)		Handled by seller separately	

Figure C.21: eBay business model in APAC [2/2] [Source: Analysys Mason, 2022]

Area	Comment
Revenue model	• Revenue is generated from listing fees paid by sellers and commission on certain items sold • In Australia customers can pay for an eBay Plus subscription to gain discounts and free delivery for eBay Plus purchases • eBay also generates revenue from advertisements
Payment option	• eBay has integrated with various payment services
Inventory sold	• eBay only hosts third-party sellers
Fulfilment method	• Fulfilment is handled purely by sellers off platform
Delivery	• Delivery is handled by sellers but eBay does provide the option for sellers to make use of its logistics partners
After care (Refund and Return, Mediation, etc)	• eBay's platform is used to facilitate communication between the buyer and seller, but eBay will step in if a resolution is not found. e-Bay also provides optional post-purchase features through partnerships with third-parties, such as optional product protection plans

A.8 Kakao Shopping

APAC market coverage: South Korea

KakaoTalk is one of the most popular messaging apps in South Korea and was founded in 2010. Although it operates in South Korea, it is open to international users, with strong take-up in Vietnam and Indonesia. The super-app contains a shopping platform known as Kakao Shopping.

Figure C.22: Kakao Shopping [Source: KakaoTalk, 2022]

Kakao Shopping interacts with the Pre-Purchase and Purchase phases and, in the Post-Purchase phase, it provides delivery options to merchants from logistics partners. Kakao Shopping typically focuses on social interaction and on groups achieving discounts. It allows users to promote products to their friends on KakaoTalk, resulting in both parties receiving a discount. The 'Talk Deal' feature allows group discounts if two users purchase an item together. Other features include livestreaming from merchants and an option for users to send in-app gift coupons. KakaoTalk offers an in-house digital wallet (KakaoPay) which can be used on the platform as well as third-party payment services. KakaoTalk generates revenue from its e-commerce offering through listing fees as well as commission and payment fees.

Figure C.23: KakaoTalk business model in APAC [1/2] [Source: Analysys Mason, 2022]

Area	Applicability					
Revenue model	Direct sales	Commission	Payment fees	Subscription	Listing fee	Advertisement
Payment option	Payment service			Off platform		
Inventory sold	First-party			Third party		
Fulfilment method	Warehousing			Handled by seller separately		
Delivery	Outsourced logistics		Internal logistics		Separate arrangement between customer and buyer	
After care (Refund and Return, Mediation, etc)	Handled by the platform		Facilitated by the platform (handled by the seller)		Handled by seller separately	

Figure C.24: KakaoTalk business model in APAC [2/2] [Source: Analysys Mason, 2022]

Area	Comment
Revenue model	• Revenue is generated from listing fees, sales commission and payment fees • KakaoTalk also generates revenue from advertisements
Payment option	• KakaoTalk offers a payment service where various payment methods can be used, as well as its in-house digital wallet
Inventory sold	• KakaoTalk only hosts third-party sellers
Fulfilment method	• Fulfilment is handled purely by sellers off platform
Delivery	• Delivery is handled by sellers but KakaoTalk provides sellers the option of using its logistics partners
After care (Refund and Return, Mediation, etc)	• KakaoTalk app has an after-sales order-management portal for services such as returns and refunds

A.9 Lazada

APAC market coverage: Indonesia, Malaysia, Philippines, Singapore, Thailand, Vietnam

Lazada, founded in 2012, is one of the largest third-party marketplace platforms in South-East Asia and is owned by Alibaba. It caters to group purchases and bulk buys, as well as traditional retail purchases.

Figure C.25: Lazada's Marketplace [Source: Lazada, 2022]

Lazada is present throughout the Pre-Purchase, Purchase and Post-Purchase phases. It also offers optional services to sellers in the Post-Purchase phase, including a fulfilment service where it stores, packs and ships their goods, and provides a choice of delivery service via Lazada Logistics or other logistics partners. Altogether, it can supply a full end-to-end service for merchants. Lazada has expanded its offerings in the discovery stage by implementing a number of social commerce features. These include:

- LazGame, where a variety of mini-games promote in-app interactions between users and that can lead to individual and group rewards
- LazLive, an offering that allows sellers to livestream, providing direct engagement and interaction with prospective customers and a social feed where sellers can engage customers through pictures, videos and hashtags.

Lazada's main marketplace offers categorisation and search features. Within this platform a number of listing requirements must be upheld by sellers. These include: not selling certain prohibited products, ensuring there is a product description and image, and a prefix for product names stating if it is used or refurbished. Additionally, the seller must comply with Lazada's returns policy where unreasonable refusal of a return could lead to a fine.

Lazada does not charge sellers for listing on the website but generates its revenue when transactions are made on the platform through commission and transaction fees. Commission fees typically range from 1–4%, depending on the product category. Lazada also generates shipping fees through its optional fulfilment service; sellers are provided with transparent rates on what these fees will be based on depending on the delivery type, distance and parcel weight.

In Singapore, Lazada sells its own first-party inventory through its separate branded store Redmart, and in Vietnam, Lazada sells first-party supermarket/grocery inventory through a partnership with VinCommerce. This places Lazada within Model 3 in Singapore and Vietnam, but as it does not have such a first-party store in its other APAC markets,

Lazada has been classified as Model 2 for the purpose of this report. There is also regional variation with respect to Lazada's service offering, such as an affiliate programme unique to Thailand which can make use of social influencers.

Figure C.26: Lazada business model in APAC [1/2] [Source: Analysys Mason, 2022]

Area	Applicability					
Revenue model	Direct sales	Commission	Payment fees	Subscription	Listing fee	Advertisement
Payment option	Payment service			Off platform		
Inventory sold	First-party			Third party		
Fulfilment method	Warehousing			Handled by seller separately		
Delivery	Outsourced logistics		Internal logistics		Separate arrangement between customer and buyer	
After care (Refund and Return, Mediation, etc)	Handled by the platform		Facilitated by the platform (handled by the seller)		Handled by seller separately	

Figure C.27: Lazada business model in APAC [2/2] [Source: Analysys Mason, 2022]

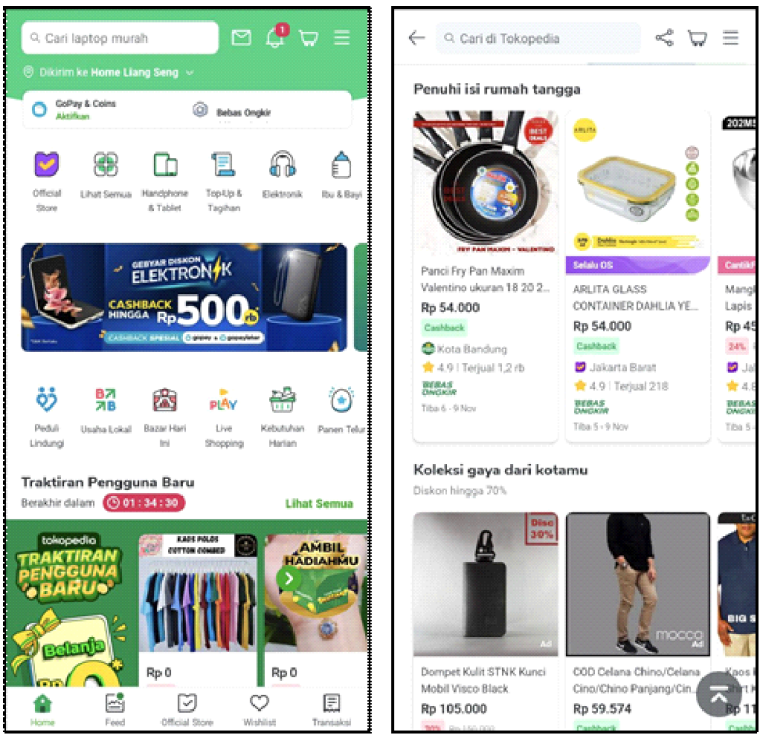
Area	Comment
Revenue model	• Revenue is generated from commission and payment fees via transactions • Lazada charges for paid promotions
Payment option	• Lazada offers a payment service where various payment methods can be used as well as its in-house digital wallet
Inventory sold	• Lazada only hosts third-party sellers, with the exception in Singapore and Vietnam where they have first party store
Fulfilment method	• Fulfilment can be handled separately by sellers or they can pay a fee to make use of Lazada's fulfilment services
Delivery	• Lazada has several logistics partners • Lazada has its own in-house delivery arm, Lazada Logistics
After care (Refund and Return, Mediation, etc)	• Lazada has an after-sales order-management portal for services such as returns and refunds

A.10 Tokopedia

APAC market coverage: Indonesia

Tokopedia was founded in 2009 and is the largest e-commerce platform in Indonesia. In May 2021, Tokopedia merged with Gojek, an Indonesia super-app; the brands will remain separate but combine efforts on payment and logistics.[44]

Figure C.28: Tokopedia marketplace and local business page [Source: Tokopedia, 2022]



Historically, Tokopedia has been present in just the Pre-Purchase and Purchase phases but has now expanded its offering into the Post-Purchase phase by providing optional fulfilment services and delivery services to sellers, for a subscription fee. Tokepedia encourages social influencers, providing an affiliate scheme through the platform feature 'Tokopedia ByMe', where users of the feature can become creators and sellers can pay the users a commission. Tokepedia also supports livestreaming from sellers to drive engagement. Tokopedia authorises transactions and offers multiple payment methods, including Gojek's GoPay. It also provides sellers the opportunity to increase their presence on the platform via a paid advertisement feature, TopAds. Tokopedia also offers a subscription fulfilment service to sellers (Tokocabang). The Tokocabang service provides sellers storage of goods, picking, packaging and delivery.

Tokopedia does not charge a listing fee, instead it generates revenue from an administrative fee which is a percentage of the transaction value and operates like a commission. The level of admin fee percentage depends on the merchant's status on the platform (merchant status is based on sales-performance targets).

44 See: https://economictimes.indiatimes.com/tech/technology/indonesias-gojek-tokopedia-merge-in- countrys-biggest-deal/articleshow/82700861.cms?from=mdr

Figure C.29: Tokopedia business model in Indonesia [1/2] [Source: Analysys Mason, 2022]

Area	Applicability					
Revenue model	Direct sales	Commission	Payment fees	Subscription	Listing fee	Advertisement
Payment option	Payment service			Off platform		
Inventory sold	First-party			Third party		
Fulfilment method	Warehousing			Handled by seller separately		
Delivery	Outsourced logistics		Internal logistics		Separate arrangement between customer and buyer	
After care (Refund and Return, Mediation, etc)	Handled by the platform		Facilitated by the platform (handled by the seller)		Handled by seller separately	

Figure C.30: Tokopedia model in Indonesia [2/2] [Source: Analysys Mason, 2022]

Area	Comment
Revenue model	• Revenue is generated from an admin fee which is a percentage of the transaction • Sellers can pay for adverts to increase their presence, using the TopAds feature, where revenue is generated for Tokopedia per click • Sellers can pay a subscription fee for Tokopedia's fulfilment service (TokoCabang)
Payment option	• Tokopedia offers a payment service where various payment methods can be used
Inventory sold	• Tokopedia only hosts third-party sellers
Fulfilment method	• Fulfilment can be handled separately by sellers or they can pay a fee to make use of Tokopedia's fulfilment service, TokoCabang
Delivery	• Tokopedia has several logistics partners and its own in-house delivery service
After care (Refund and Return, Mediation, etc)	• Tokopedia has an after-sales order-management portal for services such as returns and refunds

Annex D Model 3 (Third-party seller platform with a first-party store) case studies

A.11 Amazon

APAC market coverage: Pan-APAC

Amazon is the world's largest e-commerce platform, providing a sales platform for corporate retailers, small businesses and individuals, as well as selling its own first-party inventory. Amazon launched in 1994 in the USA and expanded into the APAC region via Japan in 2000.

Figure D.31: Amazon Marketplace [Source: Amazon, 2022]

Amazon is present across all phases of the purchasing journey. The platform is based on a search-led approach, but Amazon has also developed a social-commerce angle for discovery with its well-established Amazon Associates Program. This affiliate programme offers a commission of up to 10% of sales for referrals and allows Amazon to benefit from traffic driven by influencers and the discovery focus of other platforms. Payment is made to Amazon before it is transferred to sellers upon receipt of goods.

Amazon has its own fleets of freelance drivers which can be used by third-party sellers for delivery and users can benefit from expedited deliveries via the Amazon Prime subscription service. Amazon provides an order-management portal for post-purchase activities such as returns and refunds, as well as offering an 'A-to-z Guarantee' where customers can communicate directly with Amazon if the third-party seller does not respond.

Revenue is generated from the direct sale of its own inventory, as well as through fees and advertisements from third-party sellers. For example, in Japan, third-party sellers are charged a payment fee of JPY100 per item sold but sellers can opt into Amazon's professional selling plan where a subscription of JPY4900 per month is used instead of individual selling fees. On top of this, Amazon charges a 'referral fee' for products sold on the platform, which in Japan is generally between 8% and 15%. Amazon offers advertisements to sellers for a fee in order to boost the seller's presence on the platform. Amazon also generates another type of subscription revenue from customers, through Amazon Prime, however Amazon only has dedicated websites for 21 countries (including Australia, China, India, Japan, and Singapore in Asia), and limits some of its services (such as Prime and gift card payments) to these countries, although it delivers products internationally with shipping and potential import fees.

Figure D.32 Amazon business model in APAC [1/2] [Source: Analysys Mason, 2022]

Area	Applicability					
Revenue model	Direct sales	Commission	Payment fees	Subscription	Listing fee	Advertisement
Payment option	Payment service			Off platform		
Inventory sold	First-party			Third party		
Fulfilment method	Warehousing			Handled by seller separately		
Delivery	Outsourced logistics		Internal logistics		Separate arrangement between customer and buyer	
After care (Refund and Return, Mediation, etc)	Handled by the platform		Facilitated by the platform (handled by the seller)		Handled by seller separately	

Figure D.33: Amazon business model in APAC [2/2] [Source: Analysys Mason, 2022]

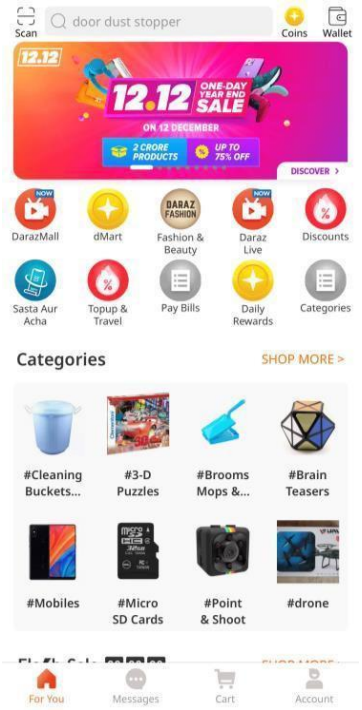
Area	Comment
Revenue model	• Amazon generates revenue from direct sales • Amazon generates revenue from third-party sellers via a payment fee per item sold (or through a selling subscription service) and a commission on sales known as a referral fee • Amazon generates revenue from advertisements bought by sellers to boost their presence on the platform • Amazon also generates revenue from Amazon Prime subscriptions which includes its fulfilment services
Payment option	• Amazon offers a payment service where various payment methods can be used
Inventory sold	• Amazon sells its own inventory but also hosts third-party merchants
Fulfilment method	• Fulfilment can be handled separately by sellers or they can pay a fee to make use of Amazon's fulfilment service
Delivery	• Amazon has logistics partners and its own in-house delivery service
After care (Refund and Return, Mediation, etc)	• Amazon handles after-sales care directly but facilitates communication between the buyer and seller if the product is not eligible for Amazon's A-to-z Guarantee

A.12 Daraz

APAC market coverage: Bangladesh, Myanmar, Nepal, Pakistan, Sri Lanka

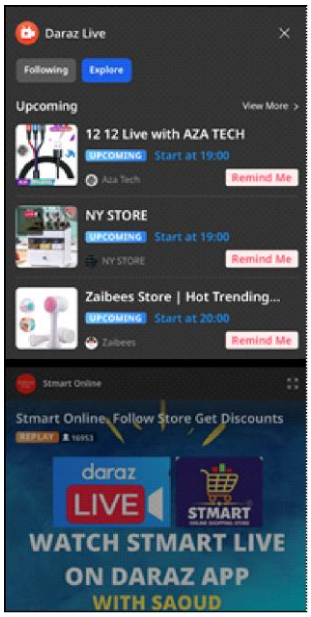
Daraz, a subsidiary of Alibaba, is one of the largest e-commerce platforms in South Asia with its own in-house logistics company, Daraz Express (DEX). Daraz was founded in 2012 as a fashion retailer in Pakistan and expanded into general e-commerce in 2015 before launching in other South Asian markets.

Figure D.34: Daraz Marketplace [Source: Daraz, 2022]



Daraz is present across all stages of the purchasing journey due to its integration with payment services. It provides platform features, such as product categories and search options, and offers a number of social features in the discovery phase – such as livestreaming, with associated live chats and mini-games to drive engagement between sellers and buyers. Payments from customers are made to a Daraz account and transferred to sellers upon successful delivery. Daraz has integration with payment services such as Visa and MasterCard. In Pakistan, Daraz also provides its own digital wallet (Daraz Wallet) for payments on the platform. Daraz offers sellers the option to use its own fulfilment centres and logistics company. It also provides a post-purchase order-management portal to facilitate refunds and returns. In Pakistan, Sri Lanka and Bangladesh Daraz sells goods, including branded clothing as such is classified under Model 3. In Myanmar and Nepal, Daraz only hosts third-party sellers.

Figure D.35: 'Daraz Live' [Source: Daraz, 2022]



Daraz provides free listing to sellers but charges a commission fee to them, typically between 4% and 15% of the sales value.[45] On top of commission, Daraz charges a small payment fee to sellers for transactions. It also generates revenue from its fulfilment and logistics services.

Figure D.36: Daraz business model in South Asia [1/2] [Source: Analysys Mason, 2022]

Area	Applicability					
Revenue model	Direct sales	Commission	Payment fees	Subscription	Listing fee	Advertisement
Payment option	Payment service			Off platform		
Inventory sold	First-party			Third party		
Fulfilment method	Warehousing			Handled by seller separately		
Delivery	Outsourced logistics		Internal logistics		Separate arrangement between customer and buyer	
After care (Refund and Return, Mediation, etc)	Handled by the platform		Facilitated by the platform (handled by the seller)		Handled by seller separately	

Figure D.37: Daraz business model in South Asia [2/2] [Source: Analysys Mason, 2022]

Area	Comment
Revenue model	• Daraz generates revenue from commission and payment fees on transactions • Daraz's in-house fulfilment and delivery services also generate revenue
Payment option	• Daraz has payment integration with several payment services • Daraz has its own digital wallet for its operation in Pakistan
Inventory sold	• Daraz sells its own inventory in most markets but also hosts third-party sellers
Fulfilment method	• Sellers handle fulfilment but can make use of Daraz's fulfilment centres and services for a fee
Delivery	• Customers can select Daraz's in-house logistics function or Daraz's logistics partners
After care (Refund and Return, Mediation, etc)	• Daraz has established after-sales care with purchase protections for issue resolution, returns, and refunds

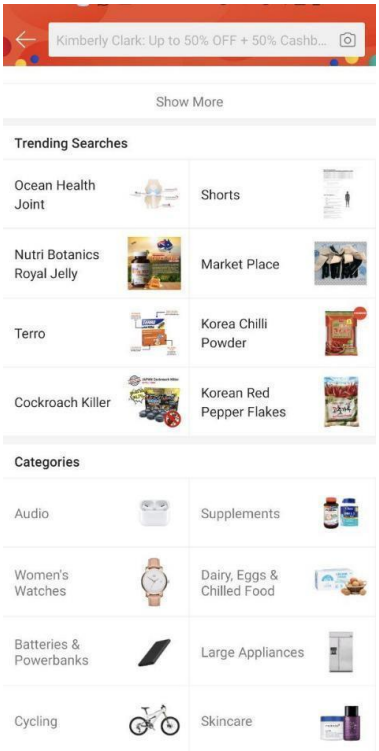
45 See https://university.daraz.lk/course/learn?id=1125&type=policies&login=skip

A.13 Shopee

APAC market coverage: Indonesia, Malaysia, Philippines, Singapore, Thailand, Vietnam, Taiwan

Shopee is one of the largest multi-market merchandise platforms in South-East Asia, focusing on various categories of goods, including fashion, health and beauty, home and living, and baby products. It was first launched in 2016 and is now present in seven markets in South-East Asia and in Taiwan.

Figure D.38: Shopee Marketplace [Source: Shopee, 2022]



Shopee is present across all phases of the purchasing journey. It provides categorisation and search functions but makes use of a number of social features to drive engagement. The social features provide mini-games to earn group rewards, allow sellers to livestream about products, provides a feed allowing users to scroll through multimedia listings which they can interact with and provides group-buy discounts. Under Shopee Guarantee, payment is made by the buyer into a Shopee account and only released to the seller upon receipt of goods. Shopee also provides a digital wallet, ShopeePay, for use in transactions. Shopee is responsible for the fulfilment of its first-party inventory but offers sellers warehousing as a value-added service. In all markets except India, Shopee sells its own inventory, including third-party brands and groceries. Similarly, it provides online store operations for sellers as a value-added service.

Shopee generates revenue from direct sales, as well as paid adverts from sellers, commission and payment fees from merchant sales and optional fulfilment fees.

Figure D.39: Shopee business model [1/2] [Source: Analysys Mason, 2022]

Area	Applicability					
Revenue model	Direct sales	Commission	Payment fees	Subscription	Listing fee	Advertisement
Payment option	Payment service			Off platform		
Inventory sold	First-party			Third party		
Fulfilment method	Warehousing			Handled by seller separately		
Delivery	Outsourced logistics		Internal logistics		Separate arrangement between customer and buyer	
After care (Refund and Return, Mediation, etc)	Handled by the platform		Facilitated by the platform (handled by the seller)		Handled by seller separately	

Figure D.40: Shopee business model [2/2] [Source: Analysys Mason, 2022

Area	Comment
Revenue model	• Shopee generates revenue from direct sales and from third-party sales via commission and payment fees • Shopee also generates revenue from value-added services such as warehousing, online store operations and paid promotional advertisements
Payment option	• Shopee offers a payment service where various payment methods can be used, including in-house digital wallet ShopeePay
Inventory sold	• Shopee sells its own inventory (including third-party brands and groceries), although this is limited compared to third-party offerings
Fulfilment method	• Fulfilment can be handled separately by sellers or they can pay a fee to make use of Shopee's fulfilment service
Delivery	• Shopee provides the option for sellers to make use of its logistics partners or the seller can handle delivery via its own logistics provider
After care (Refund and Return, Mediation, etc)	• Shopee has an after-sales order-management portal for services such as returns and refunds alongside the Shopee Guarantee