# Introducing our new report on E-commerce and Social Commerce in APAC



analysys mason

REPORT FOR META

**E-COMMERCE AND SOCIAL COMMERCE LANDSCAPE IN APAC**

David Abecassis, Dion Teo, Nathan Myrie, Nabeel Hussain

JUNE 2022

analysysmason.com

**APAC (excluding China)**

South-East Asia

Australia, New Zealand

Japan, South Korea

South Asia

**Classification:**

Based on what business model the player sits in across the majority of the major APAC markets it operates in (including its home market)

**Case Studies:**

Amazon, TikTok, Facebook, Google, Shoppee, Lazada, Carousell, Tokopedia, Gumtree, eBay, Kakao Talk, OLX, Daraz

**Scope:**

Transaction of goods, not services or digital goods

**Key Insight:** Based on the report framework, different business models have differing roles and levels of involvement in the consumer purchasing journey. This results in corresponding variations in the platform's visibility on information, transactions, and other aspects of the purchase and post-purchase stages.

Report available at https://www.analysysmason.com/commerce-landscape-apac/

analysys mason

# 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 e-commerce and social commerce industry is growing which brings about many social and economic benefits

analysys
mason

# E-commerce vs Social Commerce features

## E-Commerce features

'Product centric' buying process

Digital equivalent of retail outlets or department stores - revenue based mainly on direct transactions (commission fee or gross profit)

Often have full visibility over the transactions made on the platform due to integration with a payment service

Platform is primarily designed for merchant-customer (commerce) experience

## Social Commerce features

'Person centric' rather than 'product centric' buying process (customer interacts socially online with another person, triggering a desire to purchase something)

Digital equivalent to conventional media-based commerce (e.g. classified ads in newspaper)

Completion of the transaction itself does not occur on the social media platform

Commerce is only one of the many ways users use their platform

The evolving industry has led to the introduction of new business models called social commerce. For this study we consider social commerce to differ from e-commerce, and refers to the initial discovery that occurs through a social media platform

analysys mason

# Why do we need a new way to classify business models?

## Common Classification

### The Bs and Cs

- **B2B** 🏛 ➡ 🏛
  (Business-to-Business)

- **B2C** 🏛 ➡ 👤
  (Business-to-Consumer)

- **B2B2C** 🏛 ➡ 🏛 ➡ 👤
  (Business-to-Business-to-Consumer)

- **C2C** 👤 ➡ 👤
  (Consumer-to-Consumer)

- **C2B** 👤 ➡ 🏛
  (Consumer-to-Business)

## Evolving landscape with new innovations

### Illustrative example

Shopee Live
B2C + C2C

Shopee Mall
B2B2C

Shopee
Wholesale
B2C + B2B

Shopee
Marketplace
B2C

# Customer's purchasing journey

**Pre purchase**

Discovery
Product browsing

**Purchase**

Product selection
Payment

**Post purchase**

Warehousing
Delivery
Initial aftercare
Extended aftercare
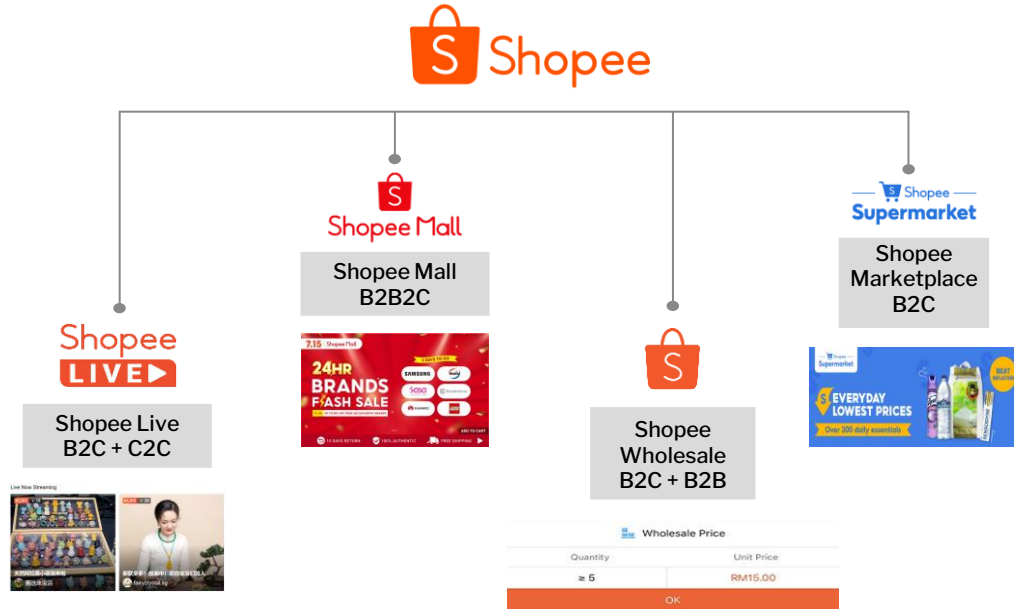
Purchasing journey
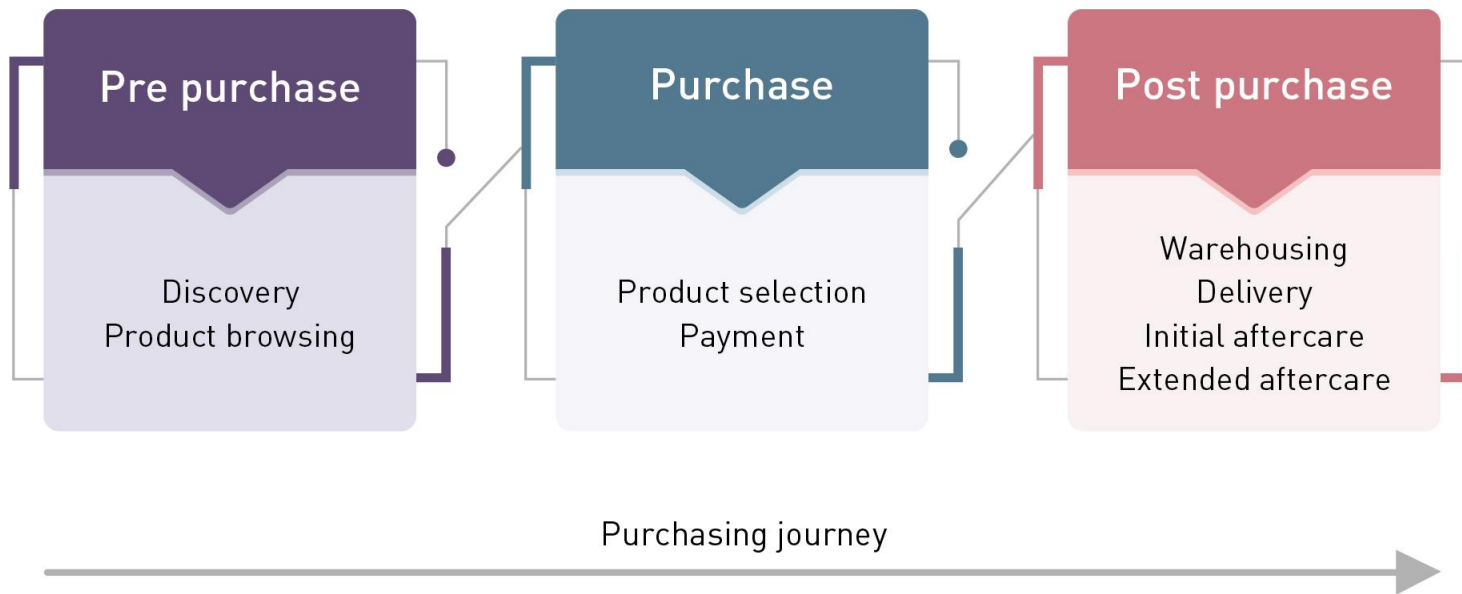
The e-commerce and social commerce value chain can be looked at through the lens of the customers purchasing journey

Note: Initial aftercare refers to the initial return window where unopened or defective items can be refunded within a short time after product delivery. Extended aftercare refers to product warranties that extend beyond the initial return window.

analysys
mason

# Each phase of the journey covers various buyer/seller activities, where the platform has varying degrees of transaction visibility

## Pre purchase

- In this phase the customer first becomes attracted to the product(s)
- Activities:
- discover products through a variety of means (social media feed, general listings, advertisements etc)
- browse through product listing to research prices, product photos, videos etc
- Activities do not necessarily occur on the platform where the final transaction is completed

## Purchase

- Once the customer develops an interest they continue to this phase where they interact with the platform
- Activities:
- Selection of product size, colour etc
- Payment
- Some platforms provide payments services (e.g. payment gateways or wallets)
- Other platforms have no visibility of the transaction and this is handled via separate interactions and agreements between the seller and buyer

## Post purchase

- The final phase involves activities needed to fulfil the transaction and deliver the product to the customer
- Activities:
- Order fulfilment which includes warehousing of goods sold and delivery
- Facilitation of returns and refunds in the short term and longer term under warranties
- Fulfilment activities may be handled directly by the seller and buyer or through in house warehouse, circumventing the need to use the platform

analysys mason

# Framework for Understanding Social & E-Commerce Business Models

| | Pre purchase | | Purchase | | Post purchase | | | |
|---|---|---|---|---|---|---|---|---|
| | Discovery | Product browsing | Product selection | Payment | Warehousing | Delivery | Initial after care | Extended after care |

**Model 1 (Discovery platform)**
Carousell, Facebook Marketplace, Google Shopping, Gumtree, OLX, TikTok, YouTube

**Model 2 (Third-party seller platform)**
eBay, Kakao Shopping, Lazada, Tokopedia

**Model 3 (Third-party seller platform with a first party store)**
Amazon, Daraz, Shopee

**Model 4 (Direct-to-consumer brand)**
Lenskart, Nike store

The framework above shows that different business models will perform different roles along the consumer purchasing journey which impacts the types of activities into which different players / platforms have visibility

Classification based on the prevalence of features across the majority of the major APAC markets the player operates in (including its home market)

analysys mason

# Four distinct business models have been developed based on the level of interaction the customer's purchasing journey

## 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

These business models comprehensively capture the Asia-Pacific e-commerce market

analysys mason

# The four distinct categorisations and their respective revenue models and commerce features

## E-commerce and social commerce business model classification

| Possible revenue models | Model 1<br>Discovery platform | Model 2<br>Third-party seller platform | Model 3<br>Third-party seller platform with a first-party store | Model 4<br>Direct-to-consumer brand |
|---|---|---|---|---|
| | - Advertising<br>- Listing fee | - Commission<br>- Subscription<br>- Advertising<br>- Listing fee | - Direct sales<br>- Commission<br>- Subscription<br>- Advertising<br>- Listing fee | - Direct sales<br>- 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 |

Note: Businesses under Model 4 may provide extended aftercare with longer warranties on products sold that extend beyond the initial returns/refunds window for defective goods

analysys mason

# Example classifications of e-commerce and social commerce players in APAC

| Case study | Founded | Business model | Applicable countries |
|---|---|---|---|
| Carousell | 2012 | 1 | Australia, Indonesia, Malaysia, New Zealand, Philippines, Taiwan<br>Singapore (Model 2) |
| Facebook Marketplace | 2016 | 1 | pan-APAC |
| Gumtree | 2004 | 1 | Australia, Singapore |
| OLX | 2006 | 1 | India, Indonesia |
| TikTok | 2016 | 1 | Pan-APAC<br>Indonesia trial (Model 2), Malaysia (Model 2), Thailand (Model 2), Vietnam (Model 2) |
| Google | 1998 | 1 | pan-APAC |
| eBay | 1995 | 2 | Australia, South Korea, Malaysia, Philippines, Singapore ,Taiwan |
| KakaoTalk | 2010 | 2 | South Korea |
| Lazada | 2012 | 2 | Indonesia, Malaysia, Philippines, Thailand<br>Singapore (Model 3), Vietnam (Model 3) |
| Tokopedia | 2009 | 2 | Indonesia |
| Amazon | 1994 | 3 | pan-APAC |
| Daraz | 2012 | 3 | Pakistan, Sri Lanka, Bangladesh<br>Nepal (Model 2), Myanmar (Model 2) |
| Shopee | 2015 | 3 | Indonesia, Malaysia, Philippines, Singapore,, Thailand, Vietnam<br>Taiwan (Model 2) |

*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*

analysys mason

# Contact details

**Dion Teo**

**Principal**

**dion.teo@analysysmason.com**

**David Abecassis**

**Partner**

**david.abecassis@analysysmason.com**

Report available at:
https://www.analysysmason.com/commerce-landscape-apac/

**Bonn**
Tel: +49 176 1154 2109
bonn@analysysmason.com

**Cambridge**
Tel: +44 (0)1223 460600
cambridge@analysysmason.com

**Dubai**
Tel: +971 (0)4 446 7473
dubai@analysysmason.com

**Dublin**
Tel: +353 (0)1 602 4755
dublin@analysysmason.com

**Hong Kong**
hongkong@analysysmason.com

**Kolkata**
Tel: +91 33 4084 5700
kolkata@analysysmason.com

**London**
Tel: +44 (0)20 7395 9000
london@analysysmason.com

**Lund**
Tel: +46 8 587 120 00
lund@analysysmason.com

**Madrid**
Tel: +34 91 399 5016
madrid@analysysmason.com

**Manchester**
Tel: +44 (0)161 877 7808
manchester@analysysmason.com

**Milan**
Tel: +39 02 76 31 88 34
milan@analysysmason.com

**New Delhi**
Tel: +91 124 4501860
newdelhi@analysysmason.com

**New York**
Tel: +1 212 944 5100
newyork@analysysmason.com

**Oslo**
Tel: +47 905 59 075
oslo@analysysmason.com

**Paris**
Tel: +33 (0)1 72 71 96 96
paris@analysysmason.com

**Singapore**
Tel: +65 6493 6038
singapore@analysysmason.com

**Stockholm**
Tel: +46 8 587 120 00
stockholm@analysysmason.com

linkedin.com/company/analysys-mason
@AnalysysMason
youtube.com/AnalysysMason