

## **Indonesia E-Commerce Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)**

Market Report | 2023-01-23 | 100 pages | Mordor Intelligence

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### **Report description:**

The Indonesia E-commerce Market is expected to grow at a CAGR of above 14.4% during the forecast period, 2022-2027. The e-commerce industry is growing exponentially as more e-commerce businesses are emerging, and the digital economy is significantly expanding while reaching every corner of the world having internet access. Several e-commerce market players are expanding their business in Indonesia to leverage the growing demand for online retailing.

#### Key Highlights

Simultaneously, the e-commerce industry has faced major challenges such as regulation and policy uncertainties, comparatively shallow internet penetration, low quality of human resources, poor logistics infrastructure, and low digital payment penetration. Many factors have contributed to significant growth in the e-commerce market in Indonesia. The surge in smartphone and internet penetration are among the key drivers of its e-commerce growth. For instance, the rate of internet penetration has increased from 64% in 2020 to 73.7% in 2022, which accounts for a 15.15% rise, according to ISEAS - Yusof Ishak Institute.

Moreover, because of the high demand of online consumers, many international players from all over the world are investing in Indonesia's e-commerce market. For instance, In October 2021, Amazon invested USD 87 billion in Series B funding for an Indonesian startup Ula, investing for the first time in Southeast Asia's e-commerce space.

The E-commerce sector in Indonesia is seeing investments from various other sectors. For instance, In April 2021, Bank Rakyat Indonesia announced its investment in Bukalapak, a leading Indonesian e-commerce platform.

The COVID-19 pandemic has given an advantage to e-commerce in the Southeast Asian e-commerce market, including Indonesia. The social distancing restrictions during the pandemic have driven the online mode of major services like food, consumer electronics, and others. The pandemic has also encouraged many micros, small and medium enterprises (MSMEs) to switch to digital platforms. For instance, According to the Ministry of Cooperative and SME, the number of SMEs which are using online platforms has increased to 10.2 million at the time of the pandemic.

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## Indonesia E-commerce Market Trends

### Significant Growth in E-Commerce is Expected due to Digital Transformation

Due to the impact of Covid-19 across the globe, companies across the public and private sectors have switched to digital working space. The Indonesian government has been taking various steps in the ongoing digital transformation to connect with the world. In October 2021, the Indonesian government introduced its latest digital transformation strategy for achieving long-term digital transformation in the region. One of the factors included in its strategy is the introduction of the Indonesia Digital Roadmap for 2021-2024 to achieve digital transformation targets.

The growing internet penetration with the high demand for internet facilities in the country is driving the e-commerce market. For instance, In 2022, the internet penetration in Indonesia is recorded to be 73.7% of the total population which is significantly higher than the internet penetration rate in 2020 with 64% of the total population, Statista Digital Market Outlook.

Major market players are looking forward to strategic partnerships to expand their business in the Indonesian e-commerce market. For instance, In November 2021, Indosat Ooredoo and Google Cloud established a new strategic partnership in Indonesia to promote digital transformation in the consumer and enterprise markets.

Similarly, In February 2021, Microsoft made its investment in the Indonesian region by establishing its first data center in the country. It is a significant investment that will help in advancing the growth and digitalization of the country. This initiative will also help in empowering the locals by opening up employment opportunities.

### Fashion is Expected to hold a major share

Many factors are driving the growth of fashion in the Indonesian e-commerce market. One of the factors is the rise in internet usage and online shopping among customers. This has led to a substantial increase in the strategy of fashion giants to expand their reach in the Indonesian market.

For instance, Una Brands has announced an investment of \$40 million in equity and debt with numerous investors, including 500 Startups, Kingsway Capital, 468 Capital, Maximilian Bitner, the former CEO of Lazada, and Foresight Capital, and Global Founders Capital.

Looking at the rising demand for online shopping, major organizations are coming together to boost the fashion industry in the Indonesian market. For instance, In April 2022, Bibli and Tided.com announced the launch of a single sign-in platform that will allow users to easily access both platforms.

Similarly, In April 2021, Indonesian E-commerce platform Sirlo announced the acquisition of Orami, an e-commerce parenting company. This acquisition will further help Orami in boosting its capabilities in e-commerce and technology infrastructure with the help of Sirlo's strong position in the studied market.

### Indonesia E-commerce Market Competitor Analysis

Indonesia's E-commerce Market is witnessing a rise in competitiveness among companies. The market consists of major players, such as Tokopedia, Shopee, Lazada, and others. In terms of market share, these significant players are presently dominating the e-commerce market in Indonesia. However, with increasing innovations in e-commerce, many companies are increasing their market presence by securing new contracts and tapping new markets.

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In December 2021, TikTok has announced the launch of its 'TikTok Seller' app to facilitate Indonesia's e-commerce market. This will enable brands on TikTok to manage significant aspects of their in-app product listings in a separate space.

In May 2021, Gojek, a multi-service platform and digital payment technology group, announced its merger with Tokopedia to develop the largest internet company in Indonesia.

Additional Benefits:

The market estimate (ME) sheet in Excel format  
3 months of analyst support

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