

## **Indonesia E-commerce - Market Share Analysis, Industry Trends & Statistics, Growth Forecasts 2019 - 2029**

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### **Report description:**

The Indonesia E-commerce Market size is estimated at USD 58.43 billion in 2024, and is expected to reach USD 95.84 billion by 2029, growing at a CAGR of 10.40% during the forecast period (2024-2029).

The e-commerce industry is growing exponentially as more e-commerce businesses emerge, and the digital economy is significantly expanding while reaching every corner of the world with internet access. Several e-commerce market players are expanding their business in Indonesia to leverage the growing demand for online retailing.

#### **Key Highlights**

-Many factors have contributed to significant growth in the e-commerce market in Indonesia. The smartphone and internet penetration surge are among the key drivers of its e-commerce growth. For instance, the internet penetration rate increased from 64% in 2020 to 73.7% in the last year, which accounts for a 15.15% rise, according to ISEAS - Yusof Ishak Institute. Furthermore, the Indonesian government promotes e-commerce development in line with President Joko Widodo's vision on Indonesia Vision 2045 in pushing the digital economy's transition. The government, in particular, encourages micro-SMEs (MSMEs) to engage in e-commerce via B2B channels.

-Moreover, many international players worldwide are investing in Indonesia's e-commerce market because of the high demand of online consumers. 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.

-As e-commerce grows in popularity in the Indonesian market, it is governed by Law No. 7/2014 on Trade, Government Regulation No. 71/2019 on e-commerce Transactions and Electronic System and Transactions Management, Government Regulation No. 80/2019 on e-commerce Transactions, and Minister of Trade Regulation No. 50/2020 on Business Licensing, Advertising, Advocating, and Supervision of Business in Electronic Commerce. According to Ministry of Trade Law No. 50/2020, foreign

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e-commerce platforms (PMPSE) that have completed more than 1,000 transactions and deliveries in a year must establish a Representative Office in Indonesia.

-The COVID-19 pandemic gave 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 essential services like food, consumer electronics, and others. The pandemic also encouraged many micros, small and medium enterprises (MSMEs) to switch to digital platforms. For instance, According to the Ministry of Cooperative and SMEs, the number of SMEs using online platforms increased to 10.2 million during the pandemic.

-In e-commerce, electronic payment systems play a critical role. Electronic payment systems, often known as paperless monetary transactions, are used by e-commerce businesses. Decreasing paperwork, transaction expenses, and labor costs changed commercial processing. E-commerce processing is easier to use and takes less time than manual processing. Electronic commerce allows a company to broaden its market reach. The electronic payment mechanism carries a particular risk.

## Indonesia Ecommerce Market Trends

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

- The government is working on the National Digital Economy Framework to encourage collaboration and synergy among all relevant stakeholders, to ensure the priority of Indonesia's digital economy foundation, to maximize various efforts to improve the digital economy and to ensure inclusiveness and sustainability. To achieve this goal, the government created the Indonesia Digital Roadmap for 2021-2024, which included 100 significant initiatives to accelerate digital infrastructure development in ten priority sectors, as a strategic guide to kickstart Indonesia's digital transformation process.

- According to the World Economic Forum's network readiness index, Indonesia is ranked 105th out of 139 nations in terms of infrastructure and digital content. Furthermore, the Indonesian government created several internet-boosting initiatives, including the Palapa Ring broadband network and a USD 1.5 billion satellite project. This project will be completed by 2023 and provide 4G internet access in 149,000 places, primarily outside Java. Maintaining consumer loyalty is another difficulty for the Indonesian e-commerce business. Customers can quickly move to platforms offering cheaper price levels and additional perks due to the presence of various e-commerce service providers.

- E-commerce platforms' impact on the community rises in tandem with the digital economy. Practical and cost-effective access would allow for a more effective transition toward digital transformation, resulting in a mutually beneficial relationship that benefits both the seller and the e-commerce platform. Because significant corporations and MSMEs confront various issues, it is critical for e-commerce platforms in Indonesia to design their approach and features for large corporations differently than those for MSMEs. Using the appropriate method will attract the most vendors, build the platforms, and benefit the sellers in the long run.

- According to a recent Lazada report, accelerating Indonesia's Digital Economy through eCommerce, a substantial percentage of Micro, Small, and Medium Enterprises (MSMEs) have yet to participate fully and benefit from Indonesia's fast-increasing digital economy. While 90% of large firms have switched from analog to digital systems, just 13% of MSMEs have begun integrating technology into their operations.

- According to Worldpay, In 2021, digital or mobile wallets were the most prevalent e-commerce payment mode in Indonesia. That year, it accounted for over 40% of all e-commerce payments. In Indonesia, the value of e-commerce payments is predicted to rise in the future years. Such huge trends toward the digital economy are expected to drive the studied market.

Fashion is Expected to hold a major share

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- Fashion is always an essential part of Indonesian culture, and while it is well-known worldwide, it is also one of the country's mainstays of e-commerce. French people are price-sensitive. Businesses can benefit significantly from offers, discounts, and bargains. It is true regardless of whether the brand is a high-end or low-cost retailer. It is primarily because customers can discover enormous selections of brands online, whereas the discount store was only profitable as a physical location. Small and large brands have benefited from the ease of shipping.
- The increase in technology developments and deployment of those technologies in e-commerce will give users a better user experience. For instance, augmented reality (AR) is one of the significant drivers of e-commerce. This type of technology allows shoppers to see what they are looking for up close, which aids in their purchasing decision. In certain areas, such as fashion and home decor, AR significantly impacts the shopping experience since customers may get a better feel for an item without seeing it in person.
- According to iPrice Group, With about 16.18 million monthly online views in the second quarter of the last year, Orami was the most frequented B2C e-commerce website for fashion. It was followed by Zalora, which received approximately 2.9 million monthly site views. The country's COVID-19 pandemic contributed to the surge in the popularity of B2C fashion e-commerce.
- Further, looking at the rising demand for online shopping, influential organizations are coming together to boost the fashion industry in the Indonesian market. For instance, in April last year, Bibli and Tidek.com announced the launch of a single sign-in platform that will allow users to access both platforms easily.
- Similarly, in April 2021, the Indonesian E-commerce platform Sirlo announced the Orami acquisition, an e-commerce parenting company. This acquisition will further enable Orami to boost its capabilities in e-commerce and technology infrastructure with the help of Sirlo's strong position in the studied market.

## Indonesia Ecommerce Industry Overview

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. These significant players dominate Indonesia's e-commerce market in market share. However, with increasing innovations in e-commerce, many companies are increasing their market presence by securing new contracts and tapping new markets.

- September 2022 - Lazada came together with leading brands, including HP Inc. and BMW, to announce the launch of Southeast Asia's first eCommerce anti-counterfeiting consortium. It is also known as the SeCA working group, rapidly evolving issues of counterfeit trade in online retail and supporting each other (participating platforms on the one hand and brand owners on the other) in their intellectual property rights (IPR) and consumer protection efforts in the eCommerce environment.
- July 2022 - Tokopedia launched the 'Belanja Bersama' feature on the Tokopedia app for iOS users. This feature allows users to shop online with family and friends by connecting and discussing with their shopping partners in real-time while browsing and selecting items on the Tokopedia app.

## Additional Benefits:

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

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