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THE PULSE

Monthly Insights 



Indonesia celebrates Gandrung Sewu Festival in October, one of the newer festivals started in 2012 that celebrates the country's rich ancient culture and folklore.

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ASEAN'S NEO BANKS NEED VIABLE MODELS

Southeast's digital-first banking entities may need a long-term vision.



For the 440 million Southeast Asians who are online, going digital has made banking simpler. Traditional banks didn't cater to the needs of the new class of spenders and savers. And that's where neobanks stepped in. With a mobile-first, digital-only approach, neobanks are more accessible and cheaper.

The regulatory regime in ASEAN has also been conducive to the growth of neobanks. The 290 million unbanked population now has payment solutions at their doorsteps. However, profitability for the standalone entities looks elusive.

Funding for ventures is drying up in most of Asia. Neobanks will need to diversify to handle temporary blips of falling disposable income.

MAKING STEADY HEADWAY

In markets such as Indonesia, the Philippines, Singapore, and Vietnam, there has been rapid growth in neobanks. With more than a dozen neobanks in the region, there was about 50% growth on a year-on-year basis in 2021.

Conducive regulations have helped the proliferation of neo banks. Indonesia, for instance, has seen the entry of Bank Neo Commerce. Regulations allow these new-age banks to be fully online and branchless, just with the requirement to have regional headquarters within the country. Traditional banks can also convert to digital. Apart from retail, SME-focused neobanks such as KoinWorks have also raised funds for expansion. Thailand, too, has allowed digital banking, as long as customer data is protected.

In Vietnam, early movers such as Timo have attracted funding to expand services to the unbanked. However, neobanks need to partner with traditional banks and insurers to offer their services.

With neobanks emerging as the alternative, mainstream banks are also eager to partner with these entities. In the Philippines, for example, the first licensed digital-only neobank called Tonik has received funding from Mizuho Bank.

DO THE NUMBERS ADD UP?

A majority of the existing neobanks in ASEAN are between two to three years old. With Covid eating away a lot of potential revenue, none of the neobank entities in the region have declared profits yet.

Meanwhile, experts believe that diversifying the offerings to become super-apps could enable a profitable business model. For instance, Gojek has taken a neobank-like avatar by integrating Indonesia-based Bank Jago's services on its mobile application. Similarly, Thai startup Salary Hero is adding neobanking to its list of services.

However, sustainability is not a concern unique to Southeast Asia's neobanks alone. Globally, less than 5% of the 400 existing neobanks are profitable. Ventures such as Octo in the Philippines and Beat Banking in Thailand are relatively safer because traditional financial institutions back them.

For the rest of the industry, achieving a break-even could be a challenge. With low ticket sizes and close to meagre fee income, scaling neobanks could eventually become a constraint. Neobanks that can quickly move on from just banking are likely to be the winners.

WITH “10 NEW BALIS”, INDONESIA HAS IT ALL COVERED FOR TOURISTS

Indonesia ramps up investment into its tourism industry, with the aim to make it a pillar of the economy



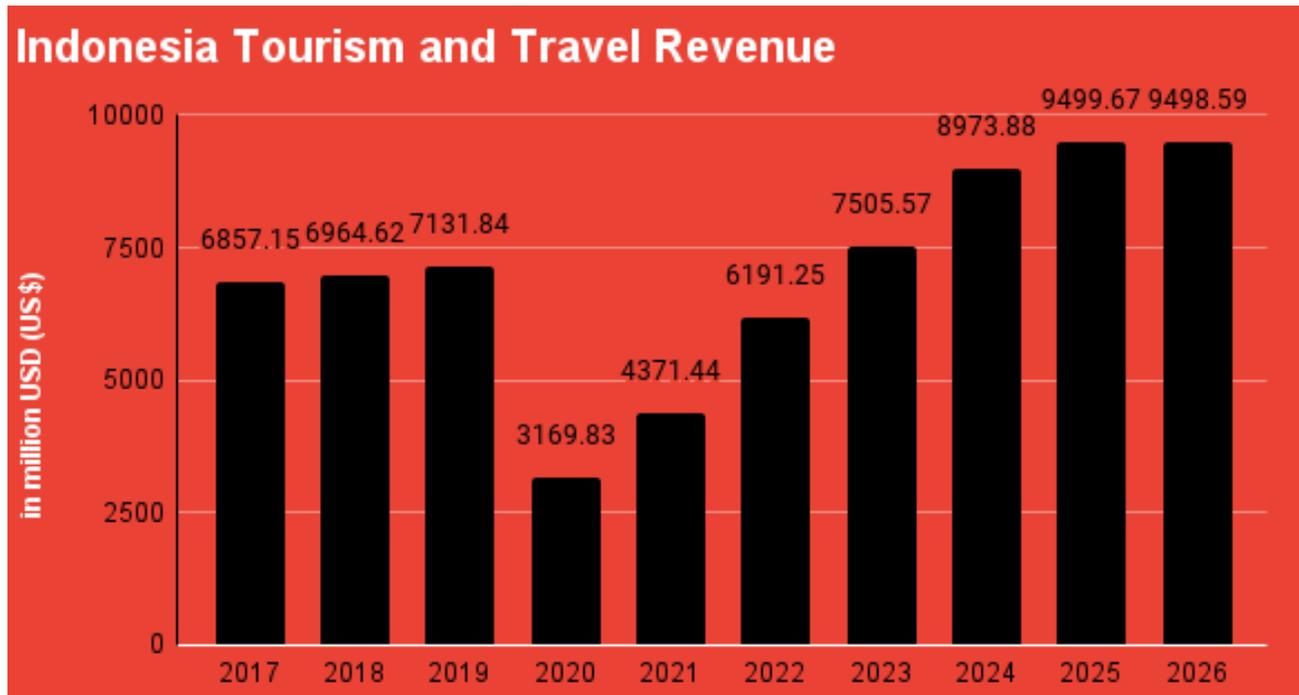
Bali is to Indonesia what Goa is to India, Paris is to France and Las Vegas is to the USA. Bali had always absorbed a huge chunk of total foreign tourists in Indonesia until 2019, making it a key driver of Indonesia's large tourism economy. It is no surprise that Indonesia is looking to replicate Bali's success even as tourism picks up to pre-pandemic levels with its new “10 new Bali's initiative”.

The “10 New Balis” project to be set up across different parts of Indonesia has caught the fancy of organizations outside the country. Qatar Investment Authority in September 2022 announced that it would invest more than US\$500 million in this project. Organizations from Australia, Singapore and Hong Kong are amongst the other investors as the project requires a total funding of more than US\$20Billion.

Tourism is one of the priority sectors for the Indonesian government. Indonesia's tourism minister had set an aim of welcoming 1.5 million overseas tourists to the country in 2022 indicating that the government intends to focus on tourism in the coming decade. Undoubtedly, the “10 New Balis” project will only contribute to Indonesia's long-term economic growth and development and will certainly have a transformative impact on local service-led communities.

In May 2022, the Tourism and Creative Economy Minister Sandiaga Uno announced that Indonesia ranked 32nd in the Travel and Tourism Competitiveness Index (TTCI) among the 117 countries that participated in 2021. The country had improved by 12 places despite facing major losses during the COVID-19 pandemic. This indicates that Indonesia is still a sought-after destination for tourists.

Post pandemic, the government set milestones keeping in mind the necessary protocols for foreign travel and tourism. The "10 New Balis" project resumed in 2021 and is expected to be completed by 2026. The project is being implemented in phases with priority destinations – Lake Toba in North Sumatra, Borobudur in Central Java, Labuan Bajo in East Nusa Tenggara, Mandalika in West Nusa Tenggara–being the focal points of development



Source: Statista

Putting words to numbers, the tourism and hotel revenue in Indonesia is expected to more than double from 2021 to 2026, with an accelerated CAGR of 12.59%. Up to 169 countries enjoy visa free travel to the nation since 2016. And with these new destinations, the country estimated to increase its foreign tourist arrivals to 20 million from a peak of 7 million tourists pre-pandemic. Currently, tourist footfalls are mainly from Singapore, Malaysia, China, Australia and Japan and with the recent relaxations to entry restrictions, Indonesia is expected to find favour from other countries as well.

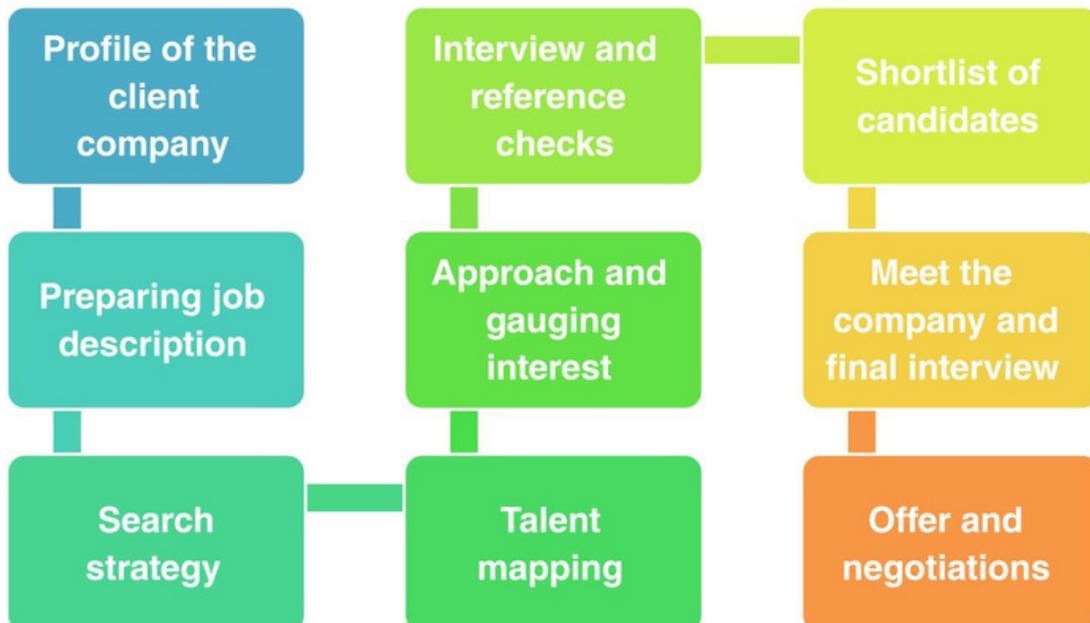
Not just "10 New Balis", tourism development in Indonesia has also included concepts such as SEZ tourism, health tourism, rural tourism and cultural heritage tourism spread across different parts of the country. Indonesia is also eyeing a Bali rebirth. It is developing the Sanur region in Bali Province as a Special Economic Zone for medical tourism. One can safely assume that Indonesia is gearing up for largescale infrastructure development at least for the next two decades.

The world's largest archipelago, Indonesia consists of over 17000 islands making it an attractive destination for tourists. Its rice terraces, historical architecture and a mix of sea and tropical rainforests define its landscape and make it a catnip for tourists across the world. Over the next few decades, Indonesia can provide a niche experience for tourists looking for an immersive holiday.

ABP SOLUTIONS: ABP'S EXECUTIVE SEARCH SERVICES IN SOUTHEAST ASIA



No one simply said that “Culture eats strategy for breakfast”. While strategy can come from resourcefulness and skills, culture needs engagement, passion, and execution. Every venture needs leaders who can take their organization into the future. How good is a firm in a foreign land, even with best-in-class executives, who have star-studded education portfolios, but little or no understanding of the organization’s values. Without a doubt, digging deeper into an applicant’s professional story is important, painstaking; nevertheless, must be done meticulously. Search processes must be organized and well documented. ASEAN Business Partners proposes a thorough process where the hiring company plays a meaningful role in selecting the candidate and, as executive search experts, we conduct the due diligence, talent mapping, referencing and follow-ups to ensure the candidate is the best possible fit for the organization.



Regional knowledge, sectoral expertise, and extensive global reach are important factors for any hiring project to be successful. Be it management, sales, operations, logistics, analysts and sectoral experts, ASEAN Business Partners is committed to recommending the most appropriate candidates. With its local presence in six big markets in Southeast Asia – Indonesia, Vietnam, Philippines, Thailand, Singapore and Malaysia, ASEAN Business Partners can assure you success in building and managing a high functional team in the region. ABP has a team of diverse leaders from several disciplines with over 200 years of cumulative professional experience in sales, marketing, finance and operations roles in FMCG, Pharmaceuticals, Personal Care, Finance, Health and Hospitality. ABP's senior management team has strong, ongoing and growing networks across the globe. We can analyse client companies' needs to find and select leaders that will ensure the company will outperform. We know it is not just about finding the right cultural and technical fit, but securing them on time. ABP looks forward to being an enabler in hiring the people who will match, understand and implement your value system. Write to us at contact@bizasean.com

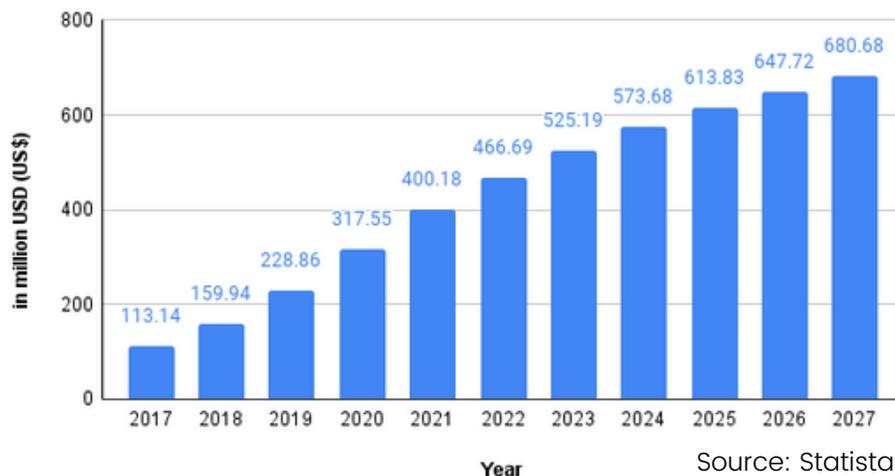
VIETNAM IS BECOMING THE WORLD'S HOTTEST BLOCKCHAIN GAMING HUB

The future of gaming is bright in Vietnam



When VNG was valued at \$1 billion in 2014, it became Vietnam's first unicorn. The Tencent backed company started as a gaming startup and turned into a tech conglomerate when it began operating its popular messaging app Zalo. VNG's superapp is a one stop destination for many purposes from listening to music to payments to gaming, making it super adaptable to new innovations (such as blockchain) as well as more favorable for consumers to use. Since VNG, Vietnam has seen a boom in its gaming industry as well created a robust support system for gaming startups and organizations. It is set to be a leader in gaming for the upcoming decade and is on the cusp of a major growth period.

Vietnam Gaming Revenue



As seen in the chart above, Vietnam's gaming industry is expected to have a revenue of 466 million US\$ by the end of 2022. While this figure might seem small compared to the bigger nations around the world, given the low population of Vietnam, the per capita revenue puts the country in the forefront of Southeast Asia.

The gaming market in Vietnam is growing faster than any other country in Southeast Asia, with an expected CAGR of 8% till 2027. The major drivers of this growth could be attributed to the fact that Vietnamese gaming ethos is highly influenced by Chinese culture. Players in Vietnam, like those in China, prefer games based on the Three Kingdoms, Kung Fu, and Jin Yong novels. Many of the most popular multiplayer online (MMO) and player kill (PK) games in Vietnam were created by Chinese studios⁵. The other common trend that the Vietnamese gaming industry witnessed is the birth of local mobile game publishers. There are more than 1,611 Vietnamese publishers on Google Play out of all the 178,385 game publishers. The biggest Vietnamese publishers are Zego Global Publishing, ABI Global LTD, XGame Global, TOH Games, BonBonGame.com, Great Arcade Games, Vnstart LLC, Bravestars Games, Sonatgame, Zego Studio⁵. Vietnamese gamers' interest in localized games - mainly because of language compatibility - has led to the birth of many home-grown publishers

Recently, a permanent global shift was observed that lasted beyond the pandemic. The lockdown has completely altered the way gamers play. Games have created a virtual environment in which players can compete, collaborate, and connect online. Since then, blockchain-based games of varying complexity and success have been rolling off the assembly line. The tech boom was also observed in Vietnam with the birth of Axie Infinity. Since its inception in March 2018, the Axie Infinity industry, introduced by Vietnamese company Sky Mavis, has provided a million unique crypto purses. Other than Axie Infinity, the Vietnamese blockchain market attributes Sipher, Faraland, Heroverse, Zuki Moba, My Defit Pet, MeebMaster, Theta Arena, and a lot more⁶.

Other Vietnamese blockchain games that are scheduled to release this year are: - 9D NFT, Death Road, HeroVerse, KabyArena, Thetan Arena and Phuong Nguyen. With 38 million mobile phone individuals investing an everyday standard of 3.9 hrs playing video games, Vietnam presently holds 2nd place in mobile video game downloads in Southeast Asia⁷. Given the increasing interest from gamers and the availability of local apps that promise to deliver superior gaming experiences, this segment will continue to explode in Vietnam.

INCREASING IMPORTANCE OF CYBERSECURITY IN ASEAN AS HYBRID WORK BECOMES NORMAL.

Asean companies need to prioritize email cybersecurity as digital business transformation accelerates.



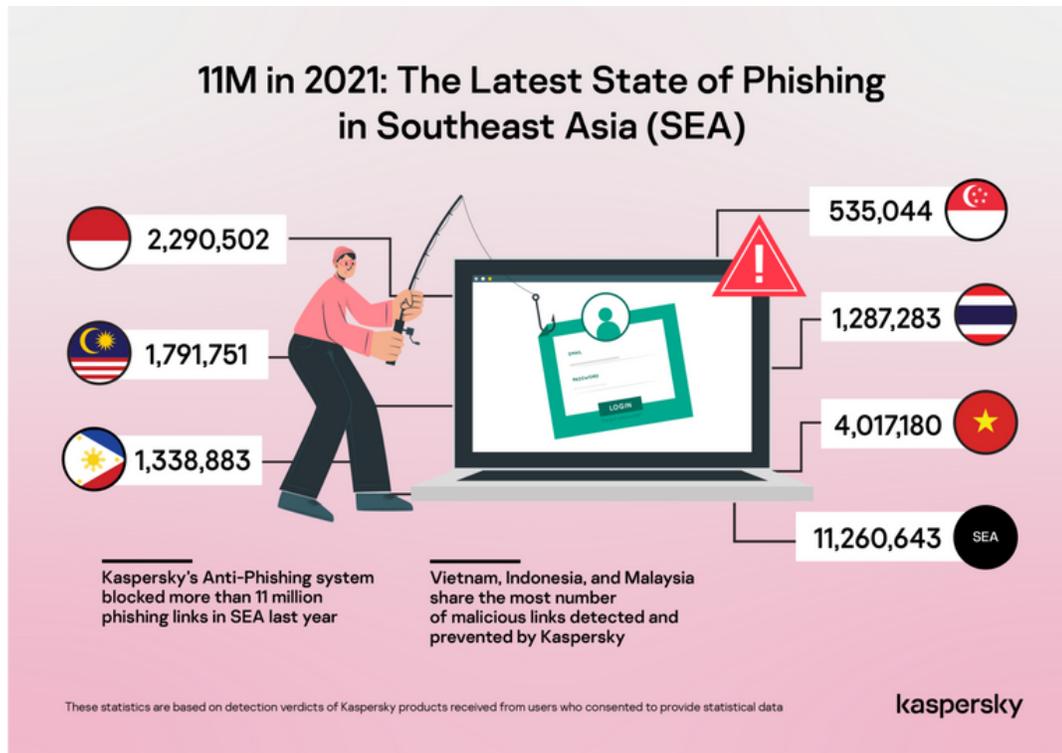
Remote desktop protocol attacks have increased by 149 % from 2019 to 2021. Confidential business information is compromised owing to work-from-home environments, especially for non-IT staff. Medium and largescale enterprises were saving on physical operating costs but compromising on data. A lot of companies gave out laptops to their remote employees. Most of these devices did not come with cyber-security features.

Even as COVID-19 protocols are being relaxed, people are preferring work-from-home. Rightly so, ASEAN Desk for Cybercrime Operations Interpol has listed "Business E-mail Compromise" as the leading category (77% of cases) among cyberthreats categories. The shift towards mass remote work has brought on new cybersecurity challenges, and the need for investments.

Phishing attacks and ransomware attacks were not far behind at 75% and 73%. This is relevant for Asian economies where sources of quick finance are being extended by digital online services offered by telecom, energy, e-commerce and even gaming. The first-generation entrants to the digital services in emerging economies are far more vulnerable to digital scams.

Philippines, which is said to have the highest average time spent online among all ASEAN countries, was faced with 17.3% of the ASEAN phishing threat. Phishing is on the rise in South Asia, given the region has a high concentration of digital services users.

There is increased awareness and fear among people who are active users of digital services. Yet there is little they are able to do – the bare minimum is to download anti-virus software or related mobile services. These services are only affordable by the middle-class and not the lower-middle-class segment which contributes to the mass customer base. It might appear as if customer fraud appetite has increased owing to practicality of convenience.



Source: Kaspersky

Kaspersky, a leading global cyber security provider, blocked more than 11 million phishing links in Southeast Asia during 2021 alone. And this is just one service provider. Over 77% of SEA respondents to a Kaspersky survey for senior non-IT management – such as CEOs, VPs Director level and business owners, or partners at global companies – said that they had encountered attacks through business emails.

The need for cyber-security is the anti-thesis of the internet – free access to information – which is people's non-capability to see through credible and authentic information. One can safely say that the cyber-attacks are double pronged, for there is value in both professional and personal information. Hackers are able to impersonate companies and recruiters and set up job scams leading to data breach and trafficking.

Governments and IT Companies, which provide affordable platforms and cloud integration services for leading brands, are hosting cyber-security skilling programs for non-IT graduates.

Having billions of dollars to lose in a fast-emerging digital market, businesses entering Southeast Asia must focus on strengthening their cybersecurity systems in the coming years. The promise of volume in business will only come true with trust – and one way to achieve this is to take adequate measures to address and mitigate threats to people.

ABOUT US



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We are a team of top-class professionals with expertise in different industries. Our executives have worked as CEOs, CFOs and in other senior positions in top multi-national companies and represent the best talent available globally. Our founder, Sumit Dutta, is an ex-HSBC CEO who has worked in Indonesia, Vietnam, Hong Kong, India, and the US. A majority of our team and country experts are former senior-level executives from multinational corporations.

We are passionate about the ASEAN region, one of the highest growth markets in the world, and believe it will be the market of choice for all forward-looking international companies. We seek to create value for our clients and their customers in ASEAN, and so contribute to the prosperity of ASEAN nations and their people.

Please take a moment to review our website. If there is any way we can assist you, please reach out to us.

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