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# NAVIGATING INDONESIA'S E-COMMERCE:

## COVID-19 IMPACT & THE RISE OF SOCIAL COMMERCE

2020

# About SIRCLO

Founded in 2013, SIRCLO is a leading e-commerce enabler in Indonesia that helps businesses sell online. The company provides four categories of solutions; Software-as-a-Service (SIRCLO Store, SIRCLO Connexi, and SIRCLO Chat), Platform-as-a-Service (Swift by SIRCLO), consulting service for customized omnichannel solutions (ICUBE by SIRCLO), and end-to-end e-commerce solutions (SIRCLO Commerce).

Overall, SIRCLO has created over 100,000 websites and helped 1,000 paying users to build their brands and grow their business online. SIRCLO has moreover been trusted by 50 principal clients that cover more than 200 enterprise brands. Located at BSD - Serpong, today the company has 500 employees and representatives based in Bandung, Yogyakarta, and Surabaya.

**See more:** www.sirclo.com

# About Ravenry

Ravenry takes you away from missing out on things. We help you save your valuable time and money to get insights that matter. We deliver concise and easy-to-read insights as quick as 48 hours.

Ravenry has produced thousands of insights helping our global clients save hundreds of thousands of dollars and countless hours spent on browsing information to accelerate business growth.

**See more:** www.theravenry.com

# Reference

“Navigating Indonesia's E-Commerce: COVID-19 Impact and The Rise of Social Commerce” is the second e-commerce report produced by SIRCLO, in collaboration with Ravenry. The findings leverage SIRCLO’s internal data and market research to map out the current e-commerce landscape in Indonesia, including an in-depth discussion on Indonesia’s e-commerce industry within the rise of social commerce, as well as the effective strategy for businesses to move forward. The information contained in this publication is quoted as “SIRCLO & Ravenry, Navigating Indonesia's E-Commerce: COVID-19 Impact and The Rise of Social Commerce, 2020” unless otherwise noted.

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# Content

Navigating Indonesia's E-Commerce:

# COVID-19 Impact & The Rise of Social Commerce



## Executive Summary

**Through the global recession amidst the black swan event, Indonesia's digital economy persists to be one of the most prominently growing markets worldwide.** By means of continuous infrastructure development, Indonesia's digital economy is set to reach US$ 133 billion by 2025. The e-commerce industry stands at the center of the nation's digital economy, contributing half of the overall industry's value in 2019.

**Indonesia's e-commerce is expected to accelerate by 91% this year compared to 54% as previously projected, due to the COVID-19 global pandemic.** This is mainly driven by the forceful shift of trading activities towards digital channels and further accelerated by the growing number of middle-affluent customers. The change appears to be unceasing, as approximately 12 million customers have adopted online shopping habits following the pandemic and intend to continue shopping online in the longer term.

**A new trend of social commerce seems to have furthermore penetrated the Indonesian e-commerce landscape and will make up around 40% of the total e-commerce market by 2022.** A dominant human interaction element that social commerce provides becomes a key driver in customers' purchasing decisions, attracting both merchants and customers to enter the ecosystem. WhatsApp, Instagram, and Facebook are the top three social media platforms utilized by Indonesian merchants to sell their goods online.

**94% of Indonesian customers reported that conversational-type of interaction greatly influences their purchase decisions.** Conversational commerce (increasingly termed "chat commerce") as a core element of social commerce will become essential for brands in acquiring new customers. Major brands had integrated chat commerce approaches to reach more customers, bringing a seamless omnichannel brand experience for their customers.

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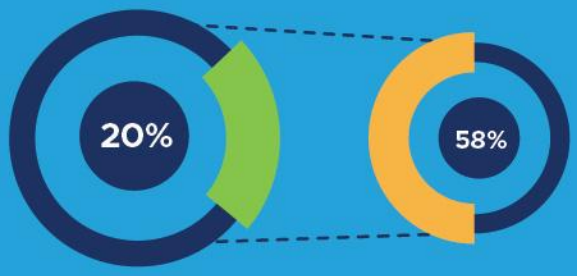
# Understanding Indonesia's Consumer Behaviour Amid Rise of Social Commerce

*Survey of 2,987 respondents, June 2020.*

**20%** of our respondents shop online more than 9 times per month. Women represent **58%** of these highly-frequent shoppers.





**95%** of our respondents shop online using smartphones.

**99%** have shopped via online marketplaces, **51%** via websites, and **44%** via social media.


**Level of trust towards sellers and product quality:**


- **97%** towards marketplaces
- **91%** towards websites
- **82%** towards social media

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**28%** of our respondents are frequent shoppers. They shop online more than 6 times per month and the majority **(49%)** of them are working professionals.

## TOP CATEGORIES:

**Male professionals**

1. **Electronics and its accessories**
1. **Beauty and body care**
2. **Food and beverage**
3. **Household goods**

**Female professionals**

**Social commerce** (shopping via social media) **is becoming a new trend.**

Most social media shoppers (**31%**) purchased goods via the platform for the first time in 2019.

Comparatively, for websites and online marketplaces shoppers, most (**31%** and **27%**, respectively) started in 2018.

**57%** of working women have engaged in social commerce, compared to only **29%** of men.

**70%** of working women rely more heavily on social media to get promo info.

Only **56%** of working men use social media to get promo info.

**Based on SIRCLO's survey of 2,987 respondents, June 2020.**

# 01

# INDONESIA'S DIGITAL ECONOMY OUTLOOK

2020

# Indonesia's Digital Economy Outlook

**The digital economy encompasses every part of the economic activities that leverage digital technology.[1] Indonesia's digital economy has grown almost fivefold from US$ 8 billion in 2015 to US$ 40 billion in 2019, according to an estimate by Google and Bain.**

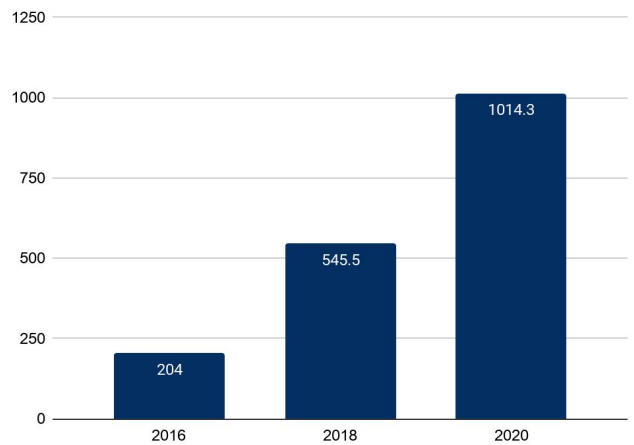
**Indonesia's digital economy is forecasted to reach US$ 133 billion by 2025.[2] Coupled with continuous development in digital infrastructure as well as the increasing rate of digital penetration throughout the archipelago, Indonesia has the potential to become a new epicenter of digitalization.**

## A. Development of Digital Infrastructure

Between 2016 to 2020, the Indonesian government's spending on Information and Communication Technology (ICT) infrastructure has continued to increase. The amount was reported to be US$ 204 million in 2016, increased twofold in 2018 before reaching US$ 1 billion in 2020. This year, the money is mainly intended to continue funding the Palapa Ring project. The project aims at building 36,000 kilometers of optical fiber across Indonesia, enabling 4G network coverage across the archipelago. The agenda of this year is primarily to expand the connection and implement additional fiber optic networks in the Eastern regions of Indonesia with an allocated budget of US$ 385 million.

Throughout its 4-year development, the project has positively improved the nation's network system. The accomplished Palapa Ring Projects in both Western and Central Indonesia regions have been fully operating since 2018,[3] bringing internet connection for 5.8 million people in rural areas. As a result, the percentage of people accessing the internet in Riau and Sulawesi-Maluku regions increased by 5% and 8% in 2018, respectively.[4]

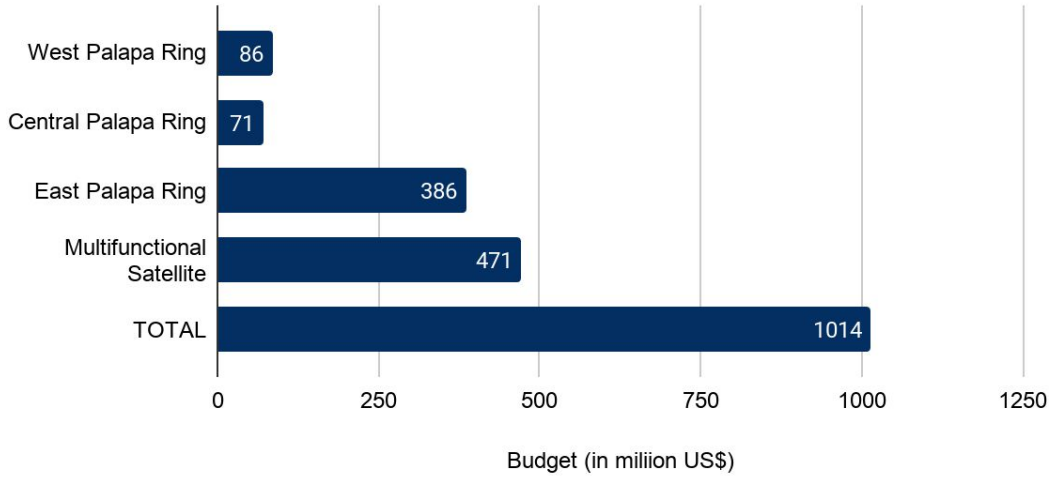
**Figure 1. Indonesian government's spending on ICT infrastructure 2016 - 2020 (in US$ million)[5 6 7]**




[1] https://www.techopedia.com/definition/32989/digital-economy
[2] https://www.blog.google/documents/47/SEA_Internet_Economy_Report_2019.pdf
[3] https://kppip.go.id/wpfb-file/laporan-kppip-semester-2-tahun-2019-revisi_compressed-pdf/
[4] https://www.bps.go.id/publication/2019/12/02/6799f23db22e9bdcf52c8e03/statistik-telekomunikasi-indonesia-2018.html
[5] https://databank.worldbank.org/source/wdi-database-archives-(beta)
[6] https://insights.sirclo.com/blog/2019/11/navigating-market-opportunities-in-indonesias-e-commerce
[7] https://www.kemenkeu.go.id/media/13730/informasi-apbn-2020.pdf

Besides the Palapa Ring project, a large portion of the 2020 ICT infrastructure budget is also allocated towards the Satria project. Satria is a multifunctional satellite that is designed to create broadband internet access throughout the country. The satellite is expected to start its operation in 2022, supporting 150,000 remote locations that are currently unreachable by an optical fiber network.[8]

**Figure 2. Network infrastructure upgrade budget 2020 (Indonesian Ministry of Finance, 2020)[9]**




## B. Digital Penetration

While staying connected to the internet through non-versatile desktop PCs is common, the advancement of mobile technologies have allowed for more mobile connections in recent years. Between 2014 and 2018, Indonesia's mobile phone adoption rate has increased from 51.5% to 62.4% of the total population.[10] This is likely attributed to the adoption of smartphones, as almost half of the mobile phone users started owning smartphones in 2018.[11] According to GSMA Intelligence, the adoption of smartphones in Indonesia is expected to reach 90% by 2025. Consequently, the number of mobile internet users is predicted to reach a 77% penetration rate by the end of 2025.[12]

[8] https://techno.okezone.com/read/2020/02/06/207/2164410/satelit-indonesia-raya-ratakan-akses-internet-ke-seluruh-indonesia#:~:text=Satelit%20Indonesia%20Raya%20(Satria)%20merupakan,tidak%20dapat%20akses%20internet%20cepat.

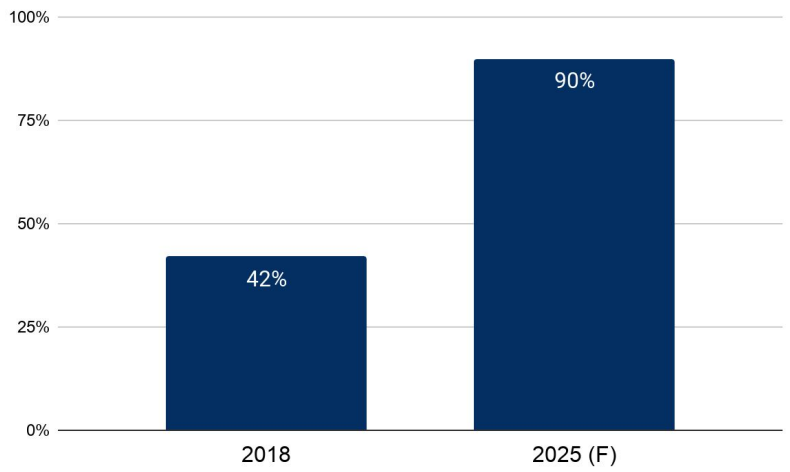
[9] https://kppip.go.id/wpfb-file/laporan-kppip-semester-2-tahun-2019-revisi_compressed-pdf/

[10] https://www.bps.go.id/publication/2019/12/02/6799f23db22e9bdcf52c8e03/Statistik-telekomunikasi-indonesia-2018.html

[11] https://www.pewresearch.org/global/2019/02/05/smartphone-ownership-is-growing-rapidly-around-the-world-but-not-always-equally/

[12] https://www.4yfn.com/wp-content/uploads/2018/12/2018-09-27-Accelerating-Indonesia%E2%80%99s-digital-economy.pdf

**Figure 3. Indonesia's smartphone adoption rate (GSMA, 2018; PEW Research, 2018)**




## Lower smartphone price points lure buyers

According to a PewResearch study back in 2018, 29% of Indonesians did not own mobile phones while 28% of respondents were reported to own feature phones.[13] [14] This represents a huge potential for Indonesians to adopt more smartphones with two driving factors; a lesser percentage of the destitute population[15] and Indonesians' increasing disposable income.[16] In conjunction, the global smartphone industry has reached maturity and has caused intense competition among smartphone manufacturers. Given the circumstances, it is increasingly more critical for manufacturers to win markets that have not reached saturated points; markets akin to Indonesia. As a result, smartphone makers have been introducing low-end products that come with new pieces of technology. For example, 4G smartphones can be grabbed as low as $70-$140. Such affordable price points are likely to lure Indonesians with feature phones to shift and finally grab a smartphone.

As Indonesians gradually become more connected, the internet has slowly grasped every corner of society. People connectivity has been altering the ways of social interactions, obtaining information, and consuming products and services. Given the substantial support from the government, Indonesia's digital economy is set to take off in the coming years, growing three-fold between 2019 and 2025.

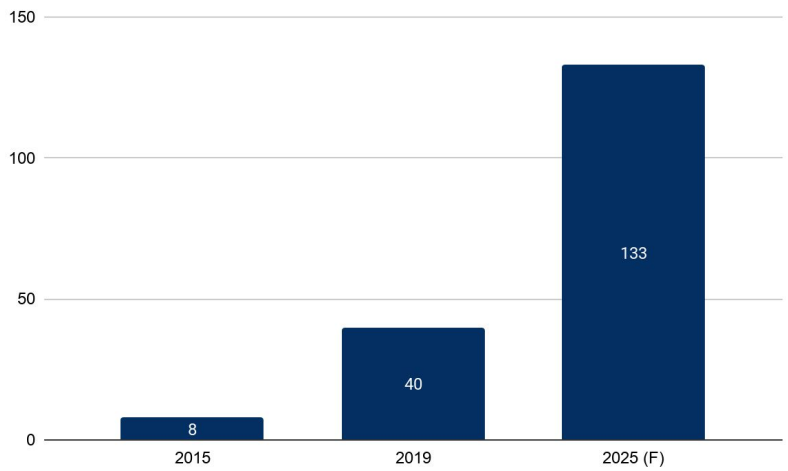
[13] https://www.pewresearch.org/global/2019/02/05/smartphone-ownership-is-growing-rapidly-around-the-world-but-not-always-equally/

[14] Feature phones are mobile phones equipped with basic features (i.e. text messaging and voice calling), but lack the ability to perform complex computing tasks typically found in modern smartphones (e.g. high-speed internet connectivity, graphic-heavy tasks such as gaming, photo editing, etc.).

[15] https://www.cnbcindonesia.com/news/20200115115355-4-130127/terbaru-jumlah-penduduk-miskin-ri-di-2019-capai-2479-juta

[16] https://katadata.co.id/berita/2020/02/05/rata-rata-pendapatan-penduduk-indonesia-setahun-rp-59-juta

**Figure 4. Indonesia's digital market size (in billion US$)**

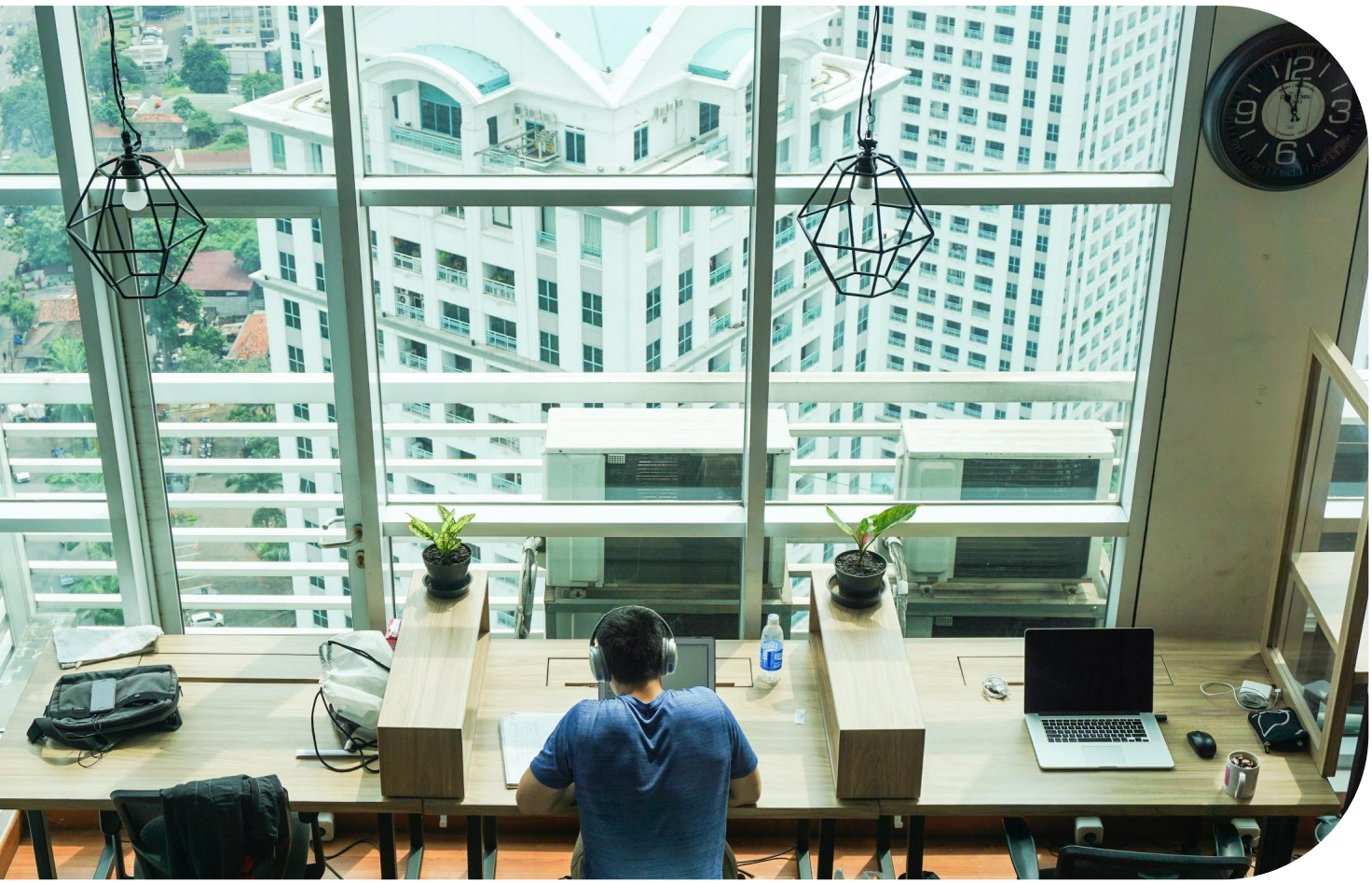



One of the key sectors of a digital economy that is rapidly growing in size is e-commerce.[17] [18] It has been a popular alternative for Indonesian people to search and purchase products. In 2020, a vast majority of Indonesian internet users reportedly have sought (93%) and bought (88%) a product online.[19] Indonesia's digital economy is mainly propelled by Indonesian digital natives (born after 1990) who are actively adopting digital technologies and spending more time on the internet.[20] This is made possible by Indonesia's mobile data cost being among the most affordable globally.[21]

[17] https://www.temasek.com.sg/en/news-and-views/subscribe/google-temasek-e-conomy-sea-2019.html
[18] E-commerce is defined as the transactions of physical goods through the use of online channels.
[19] https://www.slideshare.net/DataReportal/digital-2020-indonesia-january-2020-v01
[20] https://alvara-strategic.com/wp-content/uploads/2019/07/PRESS-CON-ENGLISH-E-COMMERCE-REPORT.pdf
[21] https://www.mckinsey.com/~/media/McKinsey/Locations/Asia/Indonesia/Our%20Insights/Unlocking%20Indonesias%20digital%20opportunity/Unlocking_Indonesias_digital_opportunity.ashx

## E-Commerce's contribution to the digital economy

E-Commerce contributed US$ 21 billion to Indonesia's digital economy in 2019, accounting for more than half (52%) of the digital economy in Indonesia.[22] Apart from being a major driver in the country's retail sector, Indonesia's e-commerce sector is also one of the fastest-growing markets in the world and is projected to expand at an annualized rate of 36.1%, according to Google's 2019 report.[23] [24] By 2022, a quarter of Indonesia's retail spending will be attributed to e-commerce transactions.



[22] https://www.blog.google/documents/47/SEA_Internet_Economy_Report_2019.pdf

[23] https://www.jpmorgan.com/merchant-services/insights/reports/indonesia

[24] https://merchantmachine.co.uk/saturated-sectors/

**Table 1. Projected CAGR of 2018-2022**

| Year | Indonesia's GDP[25] (US$ million) | Digital Economy (US$ million)[26] | E-Commerce (US$ million) [27] | E-Commerce contribution to overall retail market[28] |
|---|---|---|---|---|
| 2018 | 1,042,000 | 32,000 | 16,175 | 8.2% |
| 2019 | 1,119,000 | 40,000 | 21,000 | 10.4% |
| 2020 (F) | 1,098,000 | 52,167 | 31,167 | 14.0% |
| 2021 (F) | 1,200,000 | 64,333 | 43,333 | 18.4% |
| 2022 (F) | 1,322,000 | 76,500 | 55,500 | 24.1% |
| **CAGR 2018-2022** | **6.13%** | **24.34%** | **36.1%** | **N/A** |

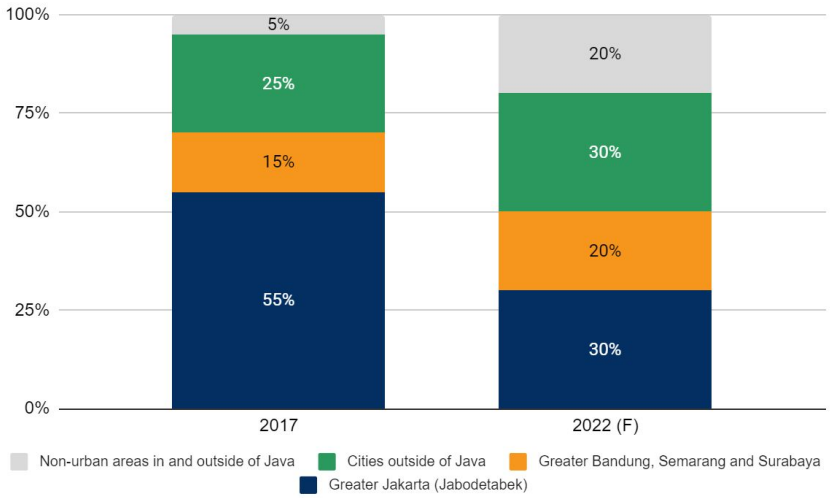
## A. Emerging Middle-Class Beyond Metro Areas Is a Central Force Behind E-Commerce Development

Alongside government initiatives in enhancing network infrastructure in rural areas, coupled with the growing number of smartphone penetration, more Indonesians have been connected digitally beyond metropolitan areas. Given that facilities like warehousing and supply chain have not been established, there is a potential market open to be capitalized by e-commerce players. Major players, such as Tokopedia, have admitted new services (i.e., TokoCabang) and government partnerships (i.e., digital village program) to acquire customers beyond Indonesia's major cities.[29] [30]

In 2017, customers in Java areas (i.e., Greater Jakarta, Bandung, Surabaya and Semarang) contributed about 70% of Indonesia's e-commerce spending, while other Indonesian cities (outside of Java) and the rest of Indonesia (non-urban regions both in and outside of Java) contributed 30%.[31] By 2022, e-commerce spending in Indonesia is predicted to be equally distributed between Java cities and other Indonesian regions.

[25] https://www.bi.go.id/id/ruang-media/siaran-pers/Documents/Press-Release-SP-Revises-Outlook-April-2020.PDF
[26] Extrapolated from Google E-conomy SEA 2019 projection, https://www.blog.google/documents/47/SEA_Internet_Economy_Report_2019.pdf
[27] Extrapolated from Google E-conomy SEA 2019 projection, https://www.blog.google/documents/47/SEA_Internet_Economy_Report_2019.pdf
[28] SIRCLO, 2019
[29] https://www.blog.google/documents/47/SEA_Internet_Economy_Report_2019.pdf
[30] SIRCLO & Ravenry, 2019
[31] https://www.mckinsey.com/

**Figure 5. E-Commerce spending proportion by city tier (% of total e-commerce spending)**




Specifically, Indonesia's growing middle-affluent class (MAC) — currently making up about 51% of Indonesian population[32] — contributes to the forecasted strong growth of e-commerce. The Indonesian MAC consumption has increased 12% annually since 2002, now comprising half of the country's household consumption.[33] On average, 19.31% of MAC household consumption was spent on e-commerce purchases in 2020.[34]

## B. New Governmental Regulation: Opportunity and Threat

In late 2019, the Indonesian government issued e-commerce regulations through Government Regulation No. 80 of 2019 on Trading Through Electronic Systems ("GR 80"). The law aims to address the taxation of online stores and provide guidelines on online consumer protection.[35] Indonesia's leading e-commerce companies, including Tokopedia and Bukalapak, demurred to the new regulation.[36] The newly implemented law may potentially discourage small and medium enterprises from starting their businesses online.[37] Nevertheless, the nation's legal provisions on the e-commerce market will likely attract more foreign investment to the industry.[38]

[32] https://image-src.bcg.com/Images/Asias_Next_Big_Opportunity_Mar_2013_tcm9-96710.pdf
[33] https://www.worldbank.org/en/country/indonesia/publication/aspiring-indonesia-expanding-the-middle-class
[34] SIRCLO & Ravenry, 2020
[35] https://www.makarim.com/en/news/detail/legal-advisory/748/new-regulation-on-e-commerce
[36] https://katadata.co.id/berita/2019/12/04/bukalapak-dan-tokopedia-sebut-pp-e-commerce-jadi-tantangan-umkm
[37] https://www.cnbcindonesia.com/news/20191211090422-4-122079/pp-e-commerce-mau-dukung-atau-susahkan-umkm-sih
[38] https://www.aseanbriefing.com/news/indonesias-law-on-e-commerce-clear-guidelines-and-compliance-by-november-2021/

# 02

# THE IMPACT OF COVID-19

2020

# The State of E-Commerce Amidst COVID-19

## A. Accelerated Growth in Transactions and Number of Users

Preventive measures taken by the Indonesian government due to the COVID-19 outbreak have taken its toll on the e-commerce industry. The Indonesian Central Bank saw a notable increase in the number of e-commerce transactions in March 2020, alongside the onset of physical distancing rules implemented by the government. E-Commerce purchases increased by 18.1% to 98.3 million transactions, and the total transaction value increased by 9.9% to US$ 1.4 billion.[39]

An estimated 12 million new e-commerce users are expected to onboard during the pandemic, based on a research by RedSeer.[40] Under normal circumstances, this massive growth could have taken 1.5 to 2 years. With the pandemic circumstances constraining people from going out to avoid the threat of the infection, people have been engaging in e-commerce as a safer alternative to fulfill their needs. At the same time, 40% of new users mentioned that they would keep using e-commerce even after the pandemic is over.[41] Before the pandemic hit, the projection for Indonesia's e-commerce market size in 2020 was estimated to grow by 54%. The pandemic is expected to boost this growth by up to 91% instead.

**Table 2. Projected e-commerce market size before and after COVID-19 hit Indonesia (Statista, 2020)[42]**

| Year | 2017 | 2018 | 2019 | 2020 (F) | 2021 (F) | 2022 (F) |
|---|---|---|---|---|---|---|
| Before COVID-19 (in US$ billion) | 5 | 8 | 11 | 17 | 26 | 40 |
| After COVID-19 hits (in US$ billion) | 5 | 8 | 11 | 21 | 34 | 55 |

***COVID-19 has driven e-commerce to become a necessity, not just an option.***

[39] https://nasional.kontan.co.id/news/bi-catat-jumlah-transaksi-e-commerce-selama-wabah-corona-tumbuh-signifikan
[40] https://redseer.com/reports/indonesia-ecommerce-metamorphosis-in-a-post-covid-world/
[41] https://www.thejakartapost.com/news/2020/05/20/covid-19-helps-create-new-normal-in-online-shopping-survey.html
[42] SIRCLO & Ravenry, 2020

## B. Shifting to E-Commerce Becomes Critical to Keep Businesses Afloat

During COVID-19 pandemic, *partial lockdown*[43] measures taken by the government have forced non-essential brick-and-mortar stores to close temporarily. To survive, many have turned to e-commerce platforms as their alternative channels for generating revenues. According to Blibli, one of Indonesia's leading e-commerce marketplaces, the number of registered merchants increased by 90% in April 2020 compared to the previous month.[44] In the case of Tokopedia, a significant increase in newly registered merchants was observed, especially merchants specializing in healthcare-related products. The number multiplied 2.5 times in April as compared to the average of previous months. [45]

Several government initiatives also encouraged *MSMEs*[46] to shift business activities through online means during the pandemic. For instance, the Mayor of the Yogyakarta region supports traditional market merchants to sell their products online through the Gojek application. This initiative resulted in 6 out of 30 traditional markets in Yogyakarta having been registered in the app. Indonesia's capital city seconded the motion, as The Financial Bureau of Jakarta also partnered up with Gojek to sell *MSMEs* products online.[47]

### THIS IS APRIL

*This Is April is a local ladies' fashion brand that operates in both offline and online platforms. Started as an online store in 2012, they now have outlets across the nation including Indonesia's neighbouring country, Malaysia. Their products aim to provide women with a wide range of comfortable yet high quality clothing.*

*Official website: thisisapril.com*

*Due to the pandemic, This Is April had to put their offline store activities to a halt in April 2020. They in turn focused all their promotional strategies to their online channels. They have also invested in more online distribution channels to make the shopping experience easier for customers.*

[43] COVID-19 outbreak epicentres imposed extensive "*Pembatasan Sosial Berskala Besar*" (PSBB) that requires activities within the non-critical sectors to shut down.

[44] https://katadata.co.id/berita/2020/04/29/penjual-di-blibli-tokopedia-dan-lazada-meningkat-efek-pandemi-corona

[45] https://inet.detik.com/business/d-4993324/penjual-baru-di-tokopedia-melonjak-di-tengah-pandemi-coron

[46] Micro, Small and Medium Enterprises

[47] https://uclg-aspac.org/en/digital-economic-opportunity-in-indonesia-amid-covid-19-pandemic/

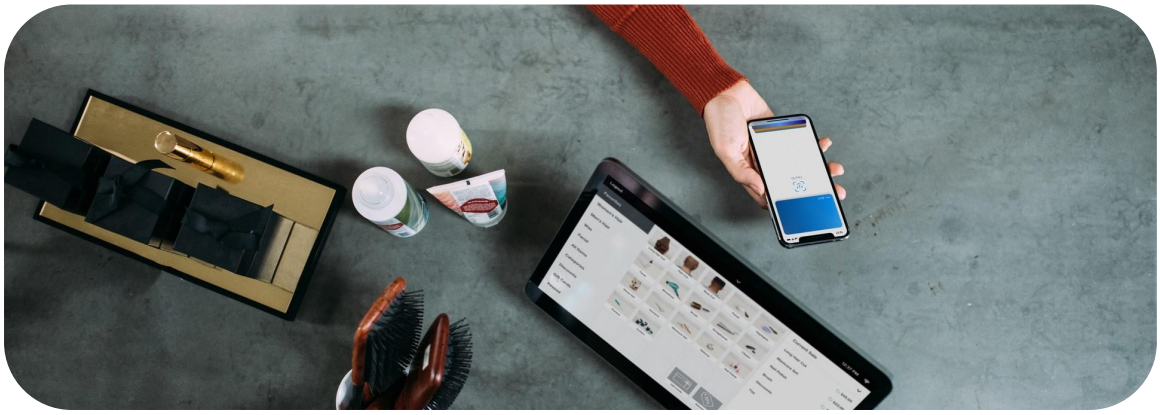
**Big companies** such as L'Oréal Indonesia and NIVEA Indonesia have been shifting their focus on online customer experience following the slowed offline sales.[48] These brands amplified their online presence through rigorous social media campaigns paired with faces of famous key opinion leaders (KOLs). L'Oréal Paris Indonesia, specifically, has altered the customers' online experience through bringing the multi-sensory experience that is typically found in its offline stores to the official website. Customers are provided with an augmented reality (AR) try-on feature, utilizing users' device cameras, to virtually test L'Oréal Paris' products.[49]

[48] https://insights.sirclo.com/blog/2020/05/feeling-beautiful-at-home-the-adaptability-of-indonesias-beauty-industry-amidst-pandemic

[49] https://www.loreal-paris.co.id/products/make-up/eye/mascara

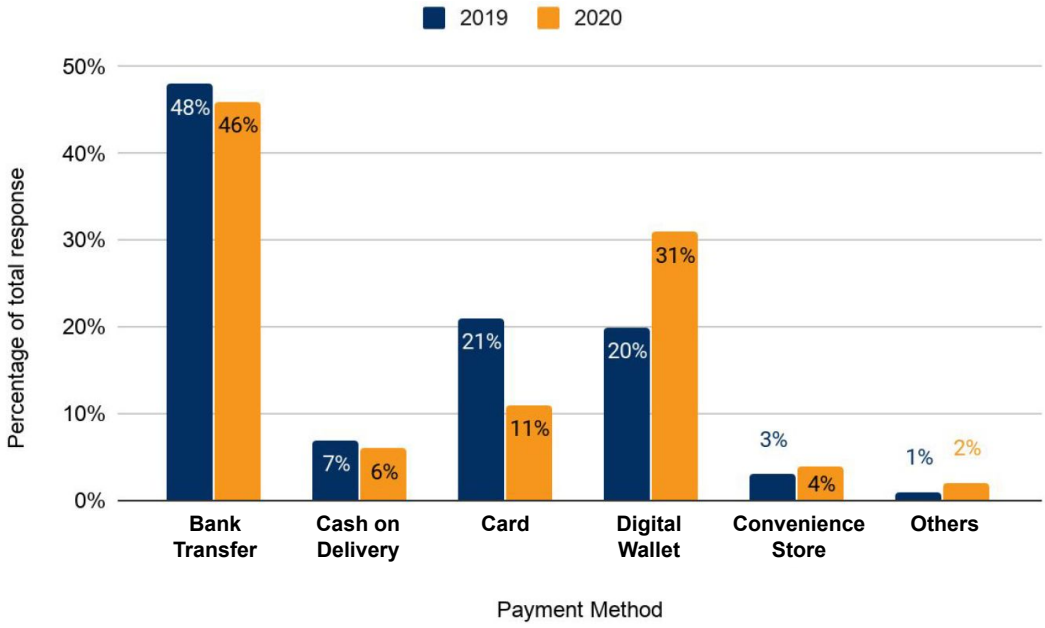
# Changes in Consumer Behaviour

## A. Payment Model: Rise in Digital Money Usage, Drop in Traditional Banking Payment and Cash-on-Delivery Method



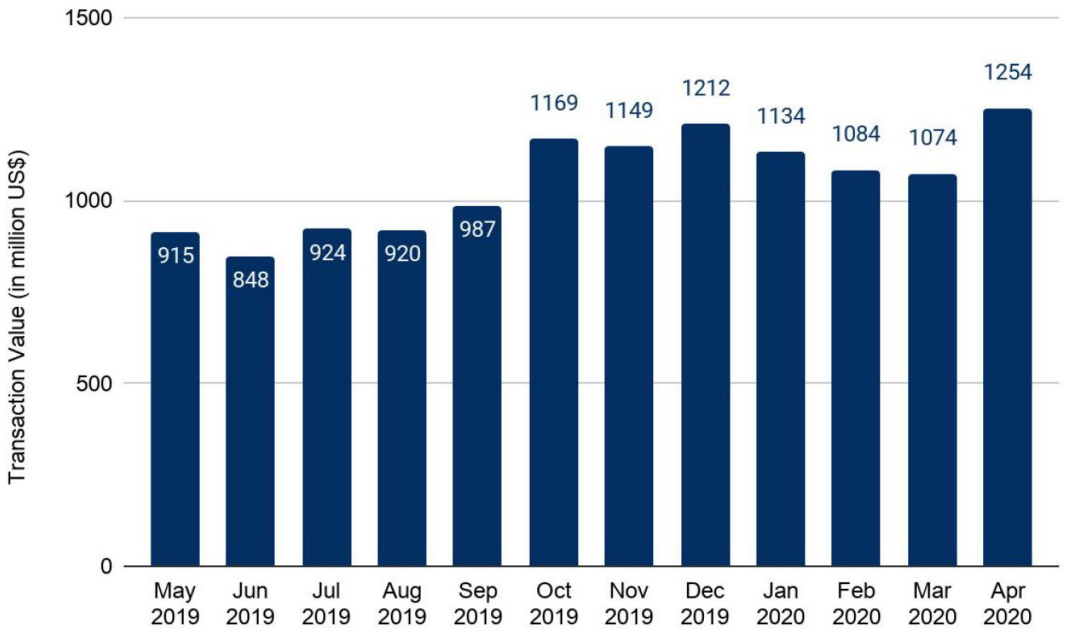
SIRCLO conducted a survey to assess the e-commerce customer sentiments in two distinctive phases, before and during the COVID-19 pandemic. The results indicate that digital wallets (e.g., OVO and GoPay) are gaining popularity as the top payment method among Indonesian online shoppers who participated in the survey. In contrast, the more conventional mode of payments, such as debit or credit card, are plunging considerably.

**Figure 6. Payment method preference of Indonesian e-commerce customers, n=2,987 (SIRCLO's Survey, 2019-2020)**



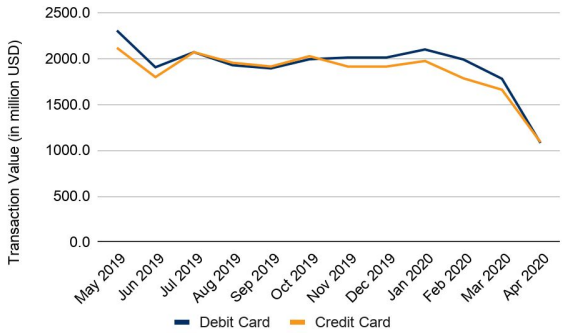
According to the Indonesian Central Bank data, the transaction value of digital money (both online and offline transactions) was 16.7% higher in April 2020 compared to the previous month, in which the government started to enforce the large-scale social restrictions.[50] Correspondingly, other payment methods, especially traditional banking payment methods (bank transfer and debit/credit cards), experienced a decline in transaction value. Specifically, debit/credit cards' transaction value plummeted by 37% in April 2020, while bank transfers' transaction value dropped by 12.6% in April 2020 compared to March 2020.[51]

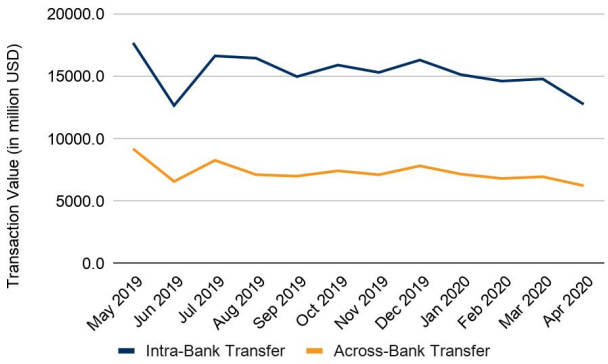
**Figure 7. Transaction value of e-money (The Indonesian Central Bank, 2020)**




[50] https://www.bi.go.id/id/statistik/sistem-pembayaran/uang-elektronik/contents/transaksi.aspx
[51] https://www.bi.go.id/id/statistik/sistem-pembayaran/apmk/contents/transaksi.aspx

**Figure 8. Transaction value via debit/credit cards and bank transfer (The Indonesian Central Bank, 2020)**




Similar trends can also be observed in e-commerce payments, as most e-commerce platforms have notable digital wallet services synchronized to their platforms. Based on SIRCLO's survey, the preference for digital wallets surged 11%, while card and bank transfer's liking dropped 10% and 2%, respectively. During the pandemic, e-commerce platforms have specifically been encouraging users to use digital wallets through various cashback schemes.[52] [53] OVO, for instance, provided up to 50% cashback in April for purchases via 37 Indonesian online marketplaces, alongside the "shopping from home" campaign to support physical distancing measures due to the pandemic.[54]

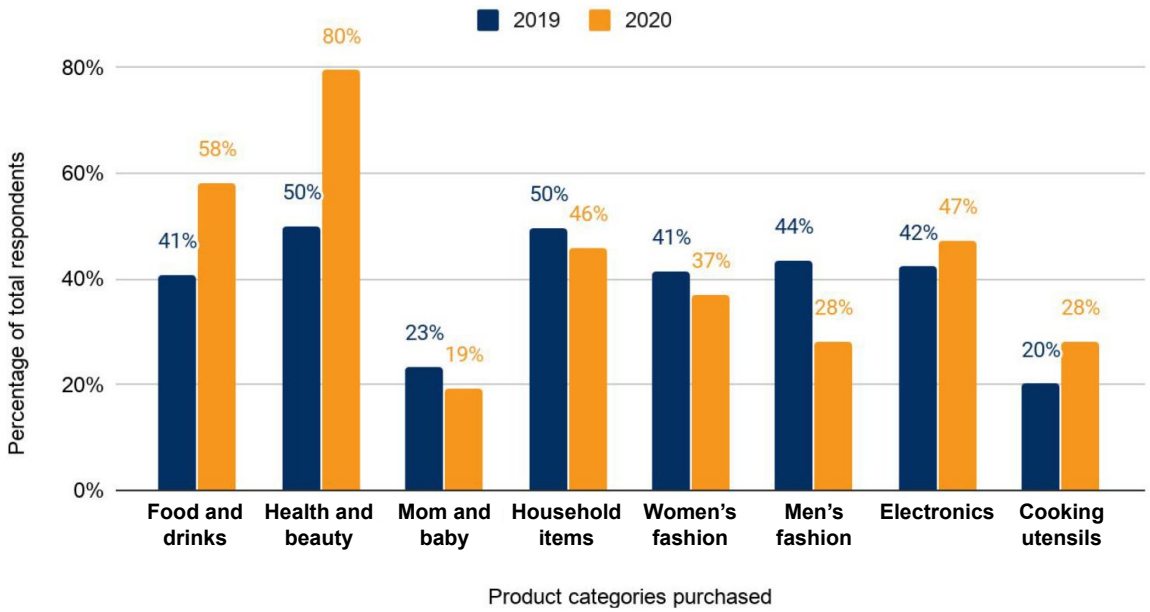
Cash-on-delivery payment method preference decreased slightly during the pandemic, among the people surveyed by SIRCLO and further supported by RedSeer's study. Prior to the pandemic, cash-on-delivery payments reportedly rose due to the new wave of first-time e-commerce customers who preferred cash payments. However, the preference for a safer payment method may have promoted the switch of cash payments to digital wallets. Previously, the World Health Organization (WHO) has also mentioned that cash exchange can contribute to the spread of COVID-19 virus since the virus can last several days on the surface.[55] In light of this, several tech companies have also taken measures to prevent the spread by encouraging users to use digital wallets instead of paying in cash, such as Gojek with Gopay and Grab with OVO. [56]

[52] https://cyberthreat.id/read/5828/Wabah-Covid-19-Sebabkan-Transaksi-Beralih-ke-Digital
[53] https://redseer.com/reports/indonesia-ecommerce-metamorphosis-in-a-post-covid-world/
[54] https://pointsgeek.id/ovo-sos-april-2020/
[55] https://see.news/who-cash-could-spread-coronavirus/
[56] https://cyberthreat.id/read/5828/Wabah-Covid-19-Sebabkan-Transaksi-Beralih-ke-Digital

## B. Product Categories: Demand Increase for Basic Needs, Seemingly Temporary Decrease on Tertiary Desires

According to SIRCLO's survey, which compared consumer purchasing habits before and during the pandemic, e-commerce customers are purchasing different categories of goods. Purchases on basic needs (e.g. F&B and health & beauty) have seen a considerable increase. In contrast, shopping on tertiary products (e.g., fashion and household items) have decreased. Customers seem to be prioritizing their purchase decisions towards staying healthy and sane during the stay-at-home period. With many forced to stay at home, customers may find merit in adopting new indoor activities such as cooking and gaming. Thus, a slight increase in electronics and cooking utensils purchases have also occurred.

**Figure 9. Purchases by categories before and during the pandemic (SIRCLO's Survey, 2019-2020)**




From a wider perspective, both e-commerce and brick-and-mortar stores' customers defer purchases to ensure personal financial stability. It seems that Indonesian customers deterred their plans of tertiary spending following the global economic recession, which hit in Q1 of 2020. The majority of the surveyed considered canceling or postponing their purchase of bigger-ticket items, such as automotive vehicles and luxury items.[57]

[57] https://www.mckinsey.com/industries/retail/our-insights/survey-discretionary-spending-in-indonesia-amid-and-after-the-covid-19-pandemic

Several product categories, such as fashion and household items, are also experiencing a decrease during the first half of 2020. However, unlike prestigious cars and expensive watches, the slowdown of lower-ticket items seems temporary, as many expressed intentions in purchasing these products later in the year. This is further reflected in McKinsey's survey conducted during Q2 2020,[58] indicating that a vast majority of Indonesians, accounting for 86% of Indonesian consumers, were still optimistic about the recovery of their income and savings lost during the pandemic within the year.

### Categories on the rise

Due to the COVID-19 pandemic, customers have been relying heavily on e-commerce to supply their basic needs. Data from the Indonesian Central Bank indicated an increasing demand in March as compared to previous months for primary needs; such as food (+59%), school supplies (+34%), and personal care products (+29%) via e-commerce websites.[59] According to SIRCLO's survey, the Health and Beauty category reported the highest increase of 30%, followed by the Food and Drinks category, with a 17% increase compared to the previous year.

Right after the first reported COVID-19 case in Indonesia, the demand for healthcare products essential for preventing the virus spread experienced the highest increase in March 2020. Research by iPrice reported a 5,585% surge of demand in hand sanitizers, 1,986% soar in demand of Vitamin C, 1,395% rise in demand of disinfecting products, 1,007% expansion in demand of thermometers, and 167% increase in demand of medical masks.[60]

SIRCLO's survey results also indicate that electronics purchases have risen by 5% during the pandemic. A reason behind this would be the *work-from-home* policy being implemented by many Indonesian companies since the beginning of April 2020 due to the rise of COVID-19 cases. The shift of on-site work to the home-office environment resulted in a high intensity of online meetings and video conferences. New home-office setups became the norm and drove a surge of demand in electronic goods, such as webcams that saw a 1,572% increase in demand.[61]

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58 https://www.mckinsey.com/industries/retail/our-insights/survey-discretionary-spending-in-indonesia-amid-and-after-the-covid-19-pandemic

59 https://nasional.kontan.co.id/news/bi-catat-jumlah-transaksi-e-commerce-selama-wabah-corona-tumbuh-signifikan

60 61 https://iprice.co.id/trend/insights/tren-belanja-online-orang-indonesia-saat-musim-corona/

With shopping malls, recreational and commercial spaces being shut, customers have been finding other ways to stay active and productive. One observable activity being picked up by many is cooking in the kitchen. During the pandemic, cooking utensils have also experienced growth. Based on Nielsen's survey, 49% of the total respondents are more likely to cook at home.[62] Aside from cooking, baking is also among the top activities that customers do to kill time during the work-from-home period.[63] Another alternative activity being picked up is playing games, as Nintendo game consoles experienced 156% surge in demand.[64]

While some are taking their time to prep meals in their kitchens, others have been making the most of food deliveries. The physical distancing measures implemented by the government prohibit food and beverage tenants from serving dine-in, making online food delivery platforms flourish. GrabFood, a subsidiary of Grab Indonesia, which serves food delivery service, experienced an increase in their number of transactions of 7.4% during the partial lockdown period.[65] GoFood, food delivery service of Gojek, reported a rise of 10% in their number of transactions.[66]

### Struggling categories

Demand for tertiary needs, including smartphones, automotive vehicles, clothing, and holiday tickets, plummeted significantly. The decline owed much to the uncertainty stemmed by economic downturn and health concerns, which led to consumers reducing unnecessary consumption.[67] On top of work-from-home situations, it also seems that customers are reluctant to purchase fashion goods. SIRCLO's survey reported a noticeable reduction in women's and men's fashion goods purchases, with 4% and 16% decrease in transactions respectively.

[62] https://money.kompas.com/read/2020/05/17/120200726/dampak-covid-19-49-persen-konsumen-jadi-lebih-sering-masak-di-rumah
[63] https://ekonomi.bisnis.com/read/20200515/12/1240921/begini-pergeseran-perilaku-konsumen-baru-selama-pandemi-covid-19
[64] https://iprice.co.id/trend/insights/tren-belanja-online-orang-indonesia-saat-musim-corona/
[65] https://inet.detik.com/cyberlife/d-5005211/transaksi-grabfood-naik-selama-pandemi-corona-ini-3-menu-terlarisnya
[66] https://katadata.co.id/berita/2020/05/13/transaksi-gofood-naik-10-saat-pandemi-camilan-diminati
[67] https://www.komite.id/2020/04/20/selama-pandemi-covid-19-transaksi-e-commerce-naik/

### Shifting of product category mix

Indonesians have been re-prioritizing their spending due to the pandemic, causing a shift in purchasing different product categories (product mix). Based on the calculation of the main product mix's average revenue, the pandemic potentially causes a slight decrease (9%) of expected revenue from the new product mix. This is mainly attributed to customers' cutting down on non-essential goods like fashion, electronics, and household items. The shift consequently caused high valued products such as household items ($32) and mom and baby ($49) to experience a significant drop in the new product mix percentage. Meanwhile, purchase value on daily necessities like foods and drinks still increased slightly.

**Table 3. Comparison of average revenue of product mix before vs during COVID-19**[68]

| Categories | Basket size (US$) [69] [70] | % of product mix before COVID-19 | Typical purchase before pandemic (US$) | % of product mix during COVID-19 | Purchase during pandemic (US$) |
|---|---|---|---|---|---|
| Electronics | 53 | 17% | 9 | 16% | 8.5 |
| Household items | 32 | 20% | 6.4 | 16% | 5.1 |
| Fashion | 18 | 17% | 3 | 13% | 2.3 |
| Mom and baby | 49 | 9% | 4.4 | 7% | 3.4 |
| Health and beauty | 12 | 20% | 2.4 | 28% | 3.4 |
| Foods and drinks | 5 | 17% | 0.8 | 20% | 1 |
| **Expected revenue from product mix** | | **Before COVID-19** | **26.1** | **During COVID-19** | **23.7** |

** Percentage of product mix normalised under these 6 main categories only*

Following the resumption of work and life in China, customers have been revenge-buying on tertiary needs purchases (e.g. make-up and automotive). Adjacent to this, the demand for products that provide home comforts, such as expensive home furnishings, exercise equipment, and pet-related products; continue to grow as people are still adapting to the new normal.[71]

[68] SIRCLO & Ravenry, 2020
[69] https://www.cnnindonesia.com/gaya-hidup/20190923154400-262-433047/makanan-indonesia-kalahkan-fast-food-di-aplikasi-pesan-antar
[70] https://selular.id/2019/12/studi-belanja-orang-indonesia-meningkat-pada-harbolnas-2019-vs-2018/
[71] https://www.weforum.org/agenda/2020/06/4-new-shopping-trends-in-post-lockdown-china/

In terms of shopping platforms, the shift from offline to online for purchasing necessities products continued post-lockdown, as indicated by the rise in the number of transactions. During the annual grand promotion of JD Super, a Chinese online supermarket, the number of grocery sales increased by 140% compared to the same promotional day last year.[72] The similar trends are also occurring among American customers, in which 42% were spending more online in March 2020.[73]

*With more and more customers starting to find comfort in shopping online, it should be expected that even more merchants will establish and strengthen their online presence in the coming future.*

[72] https://www.weforum.org/agenda/2020/06/4-new-shopping-trends-in-post-lockdown-china/
[73] https://searchengineland.com/covid-consumers-pessimistic-but-spending-more-online-331519

# 03

# THE STATE OF INDONESIA'S SOCIAL COMMERCE

2020


GRAND SAHID JAYA
MERIDIEN

# The Rise of Social Commerce

Indonesian social media users are growing rapidly, having doubled up in size from a mere 79 million in 2016 to 160 million users in 2020. Alongside social media mushrooming among internet users, its usage has penetrated the e-commerce market. In addition to traditional e-commerce activities happening in online marketplaces and web stores, nowadays social media has been widely used to enable customer to customer (C2C) interactions. Given that, a more personal touch is added to e-commerce interactions in the present day.

**Table 4. Number of active social media users in Indonesia (in million)**

| | 2016[74] | 2017[75] | 2018[76] | 2019[77] | 2020[78] |
|---|---|---|---|---|---|
| **Number of active users** | 79 | 106 | 130 | 150 | 160 |
| **Social media penetration rate** | 30% | 40% | 49% | 56% | 59% |

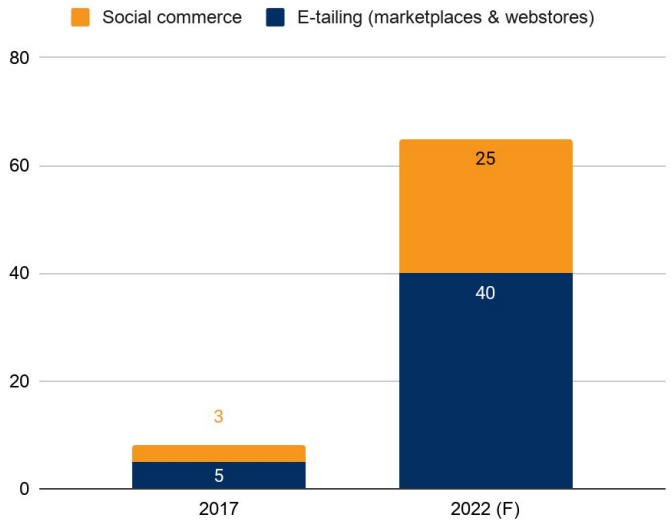
With social media's extensive capabilities in bridging sellers and customers, it is becoming even more favorable among Indonesians, specifically among the digital natives who consume the platforms daily. According to SIRCLO's survey, the frequent shoppers in Indonesia have an 82% trust level towards sellers and the quality of products sold on social media platforms, leading to numerous transactions taking place. This phenomenon is referred to as social commerce: the buying and selling of goods through social media platforms. In 2017, the social commerce sector accounted for 40% of the Indonesian e-commerce market, with a total *Gross Merchandise Volume* (GMV) of US$3 billion. Coupled with a growing number of social media users, the social commerce value is

[74] https://datareportal.com/reports/digital-2016-indonesia
[75] https://datareportal.com/reports/digital-2017-indonesia
[76] https://datareportal.com/reports/digital-2018-indonesia
[77] https://datareportal.com/reports/digital-2019-indonesia
[78] https://datareportal.com/reports/digital-2020-indonesia

expected to reach US$25 billion by 2020.[79] Key growth drivers within the social commerce sector include:

- The niche benefits of social commerce which set it apart from other e-commerce channels, such as online marketplaces and online website stores; and
- The growing number of merchant bases.

**Figure 10. Projected e-commerce market value (US$ billion) (McKinsey, 2018)**

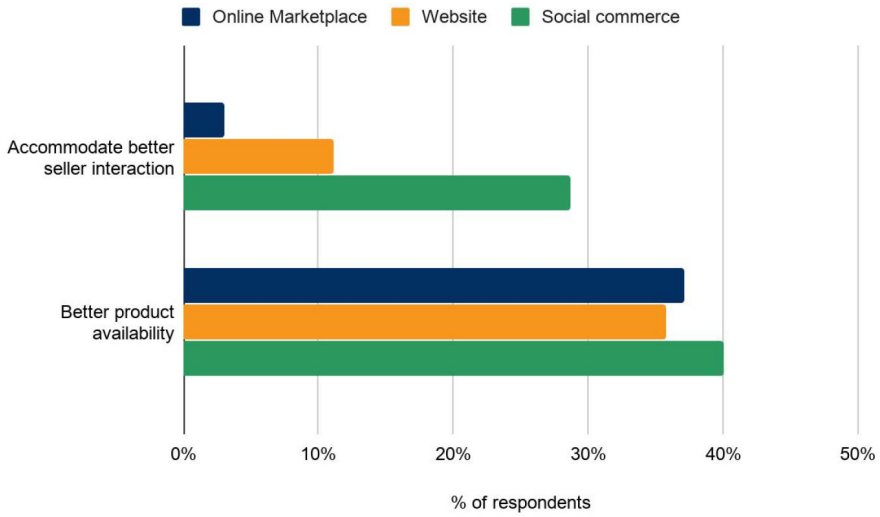



## A. Niche Advantages of Social Commerce for Customers

Compared to online marketplaces and website stores, social commerce has several niche advantages, according to a survey conducted by SIRCLO. One of the advantages is its ability to accommodate better customer-seller interaction in addition to better product availability.

[79] https://www.mckinsey.com/~/media/McKinsey/Featured%20Insights/Asia%20Pacific/The%20digital%20archipelago%20How%20online%20commerce%20is%20driving%20Indonesias%20economic%20development/FINAL_The-digital-archipelago-How-online-commerce-is-driving-Indonesias-economic-development.pdf

**Figure 11. Reason of buying via online marketplace, website, and social commerce (SIRCLO, 2020)**




Through social media platforms, customers are able to interact directly with the sellers when making their purchases. Accordingly, social commerce has the perceived benefit of accommodating better customer-merchant interaction more strongly than its counterparts. **A survey conducted by Facebook and BCG revealed that 94% of Indonesian customers claimed that they are most likely to buy products from sellers who are responsive to chats before making a purchase.**[80] This demonstrates the importance of good customer-seller interaction in the case of Indonesians' digital purchases, hence its eventual contribution to further growth of the channel in Indonesia.

Better product availability was also mentioned as a perceived benefit that is more strongly facilitated by social commerce, than in marketplaces and website stores. **Due to the ease of setting up as compared to its counterparts, social media is attractive from the supply (merchants) side for its low entry barrier.**[81] The large number from the supply side subsequently leads to more products available to be purchased.

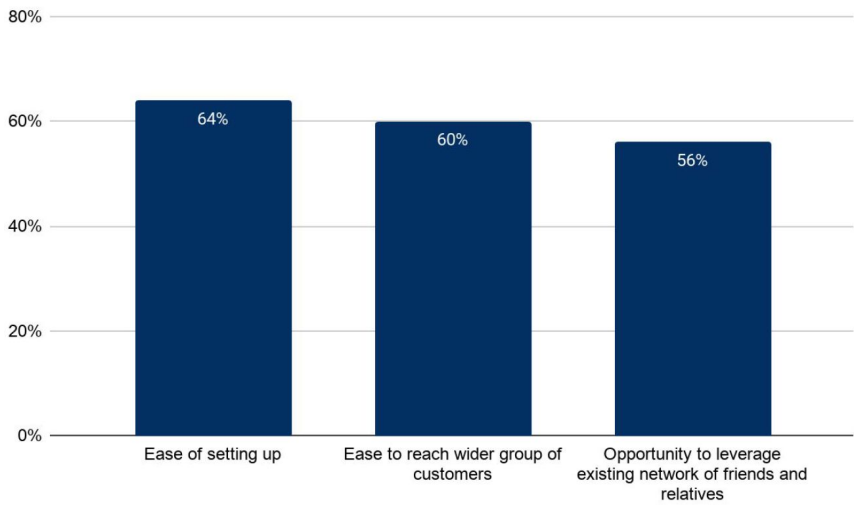
[80] https://www.indozone.id/tech/9DsW06/facebook-menganalisis-tren-conversational-commerce-ini-hasilnya/read-all
[81] https://www.paypalobjects.com/digitalassets/c/website/marketing/global/stories/images/paypal-asia-social-commerce-report.pdf

## B. Enlarging Merchants Base

Indonesian merchants see social media as a practical business platform, according to a survey by Paypal. A vast majority of Indonesian merchants that were surveyed (80%) revealed that they had sold their products via social media. Amongst the current non-users, 83% of them are interested in adopting social media/messenger platforms to sell their products in the future.[82]

The attractiveness of selling via social media compared to other means of digital commerce has been further investigated in a survey by Statista. The ease of setting up social media stores is deemed as the main reason for merchants to sell goods through social media. Moreover, it is also easier for the merchants to reach a wider group of customers through social media, while also having the opportunity to leverage their existing network of friends and relatives.[83]

**Figure 12. Reason to sell on social media in Indonesia (Statista, 2017)**




The ease of setting up online business via social media could be exceptionally advantageous to small and medium enterprises. A survey by Paxel demonstrated the popularity of social media platforms usage to sell products particularly among beginner sellers with less than one year of experience. Social commerce's low barrier of entry is also beneficial during COVID-19 for offline merchants to shift to online selling more swiftly, as compared to other digital channels.

[82] https://www.paypalobjects.com/digitalassets/c/website/marketing/global/stories/images/paypal-asia-social-commerce-report.pdf
[83] https://www.statista.com/statistics/896521/indonesia-merchants-selling-on-social-media-by-reason/

Another advantage of social commerce mentioned by an MSME owner is the faster turnaround of money compared to online marketplaces. In the case of online marketplaces, the seller needs to wait 5-8 days until customer receives the item in order to earn their money.[84]

**ROCK★NATION**

*Rock Nation is an official music merchandise store in Indonesia. The founder, Ary Budiman, started selling since the times of SMS in 2005, Blackberry Messenger in 2010, followed by WhatsApp Business 4 years ago. In early 2020, Rock Nation has utilized SIRCLO Chat (integrated with WhatsApp Business API) in facilitating their WhatsApp interactions.*

*Rock Nation's online selling activities are conducted through an e-commerce website with a built-in chat feature for customer support and order placement, as 70% of its customers place orders by means of chat. It is perceived that Indonesian consumers have the tendency to want to shop with a more personal touch; either through chat or direct engagement with the sellers at physical stores. Rock Nation utilizes WhatsApp Business to effectively monitor order placement and customer support processes, with retention in mind. In support of SIRCLO Chat's automated features, Rock Nation has been able to save various operational costs, such as manpower, in addition to improved efficiency of time and effort.*

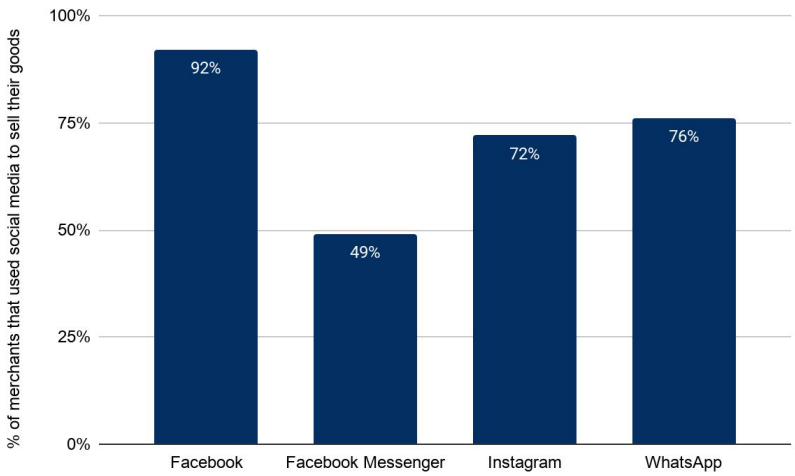
84 https://paxel.co/id/news-and-promos/detail/2020-05-05/paxel-buy-and-send-insights-ukm-lebih-suka-berjualan-di-media-sosial

# The Indonesian Social Commerce Landscape

## A. Direct vs Non-direct Social Commerce Model

Based on the flow of meeting consumers' demands, social commerce can be categorized into two categories: direct and non-direct. **Direct social commerce** can be observed in cases when the supplier meets the customer's demand without an intermediary or in other words; with the use of generic social media. For example, a customer who wants to purchase an iPhone X may scroll through their social media feed and come across friends/families posts or merchants' advertisements about an iPhone X sale.[85] Based on this information, the customer would then get in contact with the merchant through the built-in messaging features of social media platforms and directly purchase the item. This kind of direct customer-seller engagement is called direct social commerce.

**Figure 13. Social commerce platforms used by Indonesian merchants (Paypal, 2017)[86]**




In regards to platforms, WhatsApp (76%) and Instagram (72%) are among the most popular social media platforms to sell goods online. The selling of goods over social media platforms is seemingly becoming more popular as major retail brands such as Unilever

[85] https://www.trootech.com/secommerce-disruptive-social-commerce-concept/
[86] https://www.paypalobjects.com/digitalassets/c/website/marketing/global/stories/images/paypal-asia-social-commerce-report.pdf

have enabled customers to make direct purchases via Facebook and WhatsApp, following COVID-19 pandemic.[87] Furthermore, these major brands typically use third party APIs to facilitate a seamless purchase experience for customers.

**Non-direct social commerce** can be observed in cases involving the role of a third party, commonly the reseller community, that bridges transactions between customers and merchants. These reseller communities are accommodated through a social commerce platform where resellers interact with their suppliers. The platform enables transaction securities and complex processes between the suppliers, resellers, and their customers. There are several types of relationships between social commerce platforms and their reseller communities, such as partnership, dropshipper, and ambassador.

**Figure 14. Non-direct social commerce model (adapted from Trootech.com and Dohoon Kim, 2013)[88] [89]**

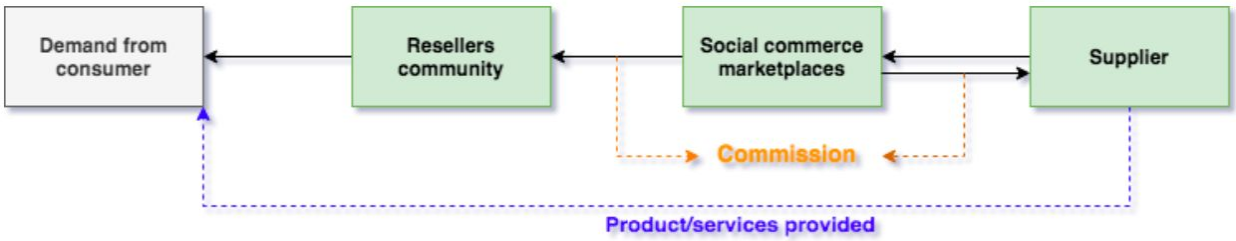



**Table 5. Types of relationships between social commerce marketplaces and their reseller communities**

| Relationship | Description | Reseller self-logistic capability needed? | Example |
|---|---|---|---|
| Partnership | The platform facilitates partners to buy products on a competitively low price from suppliers, to be promoted again as their own. | Yes | Chillibelli (https://www.chilibeli.com/) |
| Dropshipper | The platform facilitates resellers to drop-ship items listed by suppliers, to be promoted within their own social media. Resellers | No | Evermos (https://evermos.com/) |

[87] https://www.facebook.com/notes/unilever/syarat-dan-ketentuan-unilever-home-delivery/1415929855262006/
[88] https://www.sciencedirect.com/science/article/pii/S1567422312001238
[89] https://www.trootech.com/secommerce-disruptive-social-commerce-concept/

| | | | |
|---|---|---|---|
| | will get commission fee for every purchase promoted by the reseller. | | |
| Ambassador | The platform facilitates users to promote items via the platform, tagged to the link of the product. In every product sold via the link mentioned in their post, the users will earn commission fees. | No | Gibby (https://gibby.id/) |

In generating revenues, social commerce marketplaces gained commissions from either the supplier, the reseller, or both. On top of that, these marketplaces typically also earn income from advertising opportunities within their platforms. Below are several monetization models of social commerce marketplaces in Indonesia.

**Table 6. Revenue models of social commerce marketplaces [90]**

| Revenue Model | Short Description | Example |
|---|---|---|
| Advertisement | The platform gains revenue from users' or sellers' product advertisements on the platform. | Gibby<br>Woobiz |
| Revenue sharing | The platform gains revenue from the revenue sharing of every purchase from their suppliers, resellers, or both. | Super<br>Chillibeli |
| Registration fee | The platform charges registration fee upon signing up on the platform. | Evermos |

## B. Global Trend in Social Commerce: A Lesson from Asian Developed Markets

From a global perspective, Chinese, Indian, and Indonesian consumers are quite similar in their behaviour by being susceptible to messages delivered by the human factor; friends, families and social influencers as it's able to inflict their trust better.[91] [92] [93] The massive growth of social media active users in the three countries can also be observed similarly.

[90] Ravenry research, 2020
[91] https://kumparan.com/kumparanstyle/konsumen-kini-lebih-percaya-influencer-dibanding-iklan-saat-belanja
[92] https://www.monigroup.com/article/social-commerce-chinas-marketing-trend-future-online-retail
[93] http://www.forbesindia.com/article/work-in-progress/how-social-commerce-is-changing-etail-in-india/56535/1

Chinese social media users almost doubled from 659 million in 2015 to 1 billion in 2020.[94 95] Indonesia is also experiencing similar growth trends, doubling its active social media users from 79 million in 2016 to 160 million in 2020.[96 97] Indian social media users base is also a significantly large number, with 400 million active social media users in 2020.[98] In relation to these identical growth trends, the social commerce GMV has been growing in the three countries for the past five years. Projected CAGR of China, India, and Indonesia are estimated 46%, 40%, and 53% respectively.

**Table 7. Social commerce GMV (in US$ billion)[99]**

| Year | China (CAGR 46%) | India (CAGR 40%) | Indonesia (CAGR 53%) |
|---|---|---|---|
| 2018 | 90.0 | 9.1 | 4.3 |
| 2019 | 189.1 | 10.1 | 6.1 |
| 2020 (F) | 296.8 | 14.7 | 8.7 |
| 2021 (F) | 411.2 | 20.2 | 12.3 |
| 2022 (F) | 601.2 | 27.9 | 25.0 |

Social media has also been leveraged by social commerce marketplaces, for instance, in the case of Pinduoduo in China. Pinduoduo is a Chinese social commerce marketplace that promotes group buying for customers to buy with a lower price. China's multi-purpose social media, WeChat, has contributed 65% to Pinduoduo transactions. This high percentage is a result of the additional payment feature in WeChat that makes it convenient to make direct purchases in addition to sharing products within friends and family.[100]

WhatsApp, the most used messaging platform in Indonesia, is currently developing a payment feature resembling WeChat's to ease monetary transactions within its ecosystem. With the feature, WhatsApp users can quickly transfer their money without the need to open other payment gateways. The payment feature connects users' Visa and Mastercard credit

94 https://datareportal.com/reports/digital-2016-china
95 http://wearesocial.cn/blog/2020/03/01/digital-2020-china-analysis/
96 https://datareportal.com/reports/digital-2016-indonesia
97 https://datareportal.com/reports/digital-2020-indonesia
98 https://wearesocial.com/blog/2020/01/digital-2020-3-8-billion-people-use-social-media
99 Ravenry research, 2020
100 https://www.linkedin.com/pulse/how-wechat-facilitating-rise-social-commerce-don-zhao

as well as debit cards to the app. The feature is also planned to be integrated with Facebook in the future.[101] Although the feature is currently still in trial, it has the potential to enhance and create a more seamless process for social commerce in the future.

## C. The State of Chat Commerce

Conversational commerce (chat commerce) stands at the core of social commerce, whereby people and businesses connect through chats (two-way conversations) before making a purchase. As mentioned early in the report, the majority of Indonesian customers favor responsive sellers in making purchase decisions. This indicates the importance of chats to drive purchases better. The reasons for chatting include acquiring product information, pricing information, product customization, price or offer negotiations, and establishing trust.[102]

With social media and messaging platforms utilized by customers to inquire about products and establish trust with the sellers,[103] a leading messaging platform in Indonesia, WhatsApp offers a business feature. The business feature enables users to set up chatbots, click to chat (URL instead of a phone number), business profile, and labeling for received messages (new customer, pending payment, new order, among others). Additionally, to facilitate integration between online stores (web stores, marketplaces, and social media) and messaging platforms, third party APIs have been made available for subscription. For instance, SIRCLO has partnered with WhatsApp API for Business to offer a chat commerce technology suitable for merchants across all industries called SIRCLO Chat. The WhatsApp API integration enables brands/merchants to provide a more responsive experience for their customers. SIRCLO chat allows brands/merchants to send in-chat product catalogs and automatic notifications to customers on their purchase status, among several other features.

[101] https://www.cnbcindonesia.com/tech/20200616060423-37-165587/whatsapp-payment-resmi-dirilis-kirim-uang-semudah-kirim-foto
[102] https://www.indozone.id/tech/9DsW06/facebook-menganalisis-tren-conversational-commerce-ini-hasilnya/read-all
[103] https://www.facebook.com/iq/insights-to-go?tags[0]=conversational-commerce&tags[1]=indonesia&ref=fbq_ccommerce#

Gazing forward, the rise in conversational commerce would potentially push companies to provide cutting-edge customer service capabilities further beyond. The rise of chatbot adoption in big corporates from different verticals such as automotive, banking, telecommunications, and FMCG have indicated the future of customer-merchant interactions via messaging platforms.[104]

## D. Moving forward: Creating A Truly Seamless Customer Experience

As Indonesia progresses with the ongoing COVID-19 pandemic, the nation enters a phase called 'adopting new habits' [105] with the purpose of restrengthening the economic sector. As per July 2020, several industries have started to operate business as usual and partial lockdown measures have been lifted. According to Kantar's COVID-19 Pulse Research, the worry to leave home still exists among the surveyed. However, it is slowly declining as anxiety levels are dropping steadily across the country. Indonesians are slowly starting to visit malls/recreation places as the recovery in mobility continues.[106] While the situation unravels further over time, e-commerce capabilities may still make it an attractive option for needs fulfillment to those who still prefer to limit outdoor interactions. On the other hand, with mobility slowly recovering, brick-and-mortar stores alongside offline transactions will also be coming back with more regularity. Despite the many uncertainties, businesses across all industries and scales need to be well-prepared in moving forward. With Indonesia's high digital penetration rate and its growing e-commerce industry, it becomes more urgent for businesses to create a truly seamless customer experience; adopting the omnichannel strategy.

[104] http://www.growingscience.com/msl/Vol10/msl_2019_353.pdf
[105] https://www.thejakartapost.com/news/2020/07/11/indonesia-shifts-from-new-normal-to-adapting-to-new-habits.html
[106] Kantar COVID-19 Pulse Research "How are Indonesians feeling?", 2020

The omnichannel strategy has been utilized by many businesses to adapt to digitally-adept customers. Essentially, the omnichannel strategy integrates various business channels (both online and offline) in interacting with the customers. Today's customers are connected to a vast network of information that continuously influences their purchase decisions. Businesses can make good use of this by maximizing all the network of information that's at the customers' disposal; putting up traditional advertisements on billboards and television to increase brand awareness, optimizing digital ads on websites and social media to introduce products, and generating revenues through web stores as well as marketplace purchases. While being omnipresent in various channels to be in constant touch with the customers is crucial; integrating these channels to create a seamless journey for the customer creates even more value. The omnichannel strategy can bring companies opportunities like higher customer retention and driving customers' purchase decisions.[107]


[107] https://www.researchgate.net/publication/321305789_ANALISIS_OMNICHANNEL_CUSTOMER_EXPERIENCE_MATURITY_DI_PT_TELEKOMUNIKASI_INDONESIA

Over the past years, various technologies and services to support a business' success in adopting the omnichannel strategy have been available and further developed. Omnichannel technologies mainly provide a fully integrated online system that manages multiple essential aspects of a business; sales, payment, logistics, fulfillment, warehousing operations, back-office, customer loyalty. When businesses utilize this technology, they can create a better customer journey that is seamless and interconnected through both the online and offline environments. With the multiple areas being covered, businesses can extend their services and level up its quality through the extensive features that the technology offers. Various brands in Indonesia suchlike Mitra10 and Hush Puppies have been utilizing an omnichannel technology over the years, specifically one that is offered by ICUBE called Swift.[108]

icube by SIRCLO

*In May 2020, SIRCLO and ICUBE, a leading e-commerce solution and a technology agency in Indonesia, combined strengths to reach a wider market with increasingly integrated e-commerce services. As a Magento Premier Solutions Partner in Indonesia since 2010, ICUBE has launched and managed more than 100 Magento-based sites as well as launched products through Swift to meet e-commerce and omnichannel needs for medium-scale businesses. Now bringing along Swift among SIRCLO's e-commerce solution products, SIRCLO takes a step forward in supporting more medium-scale businesses to be omnipresent, together with ICUBE.*

Being omnipresent plays a crucial role in helping businesses remain competitive and drive new revenues. Like Unilever and Eiger, popular brands in Indonesia[109] [110] have been refining their omnichannel approach that combines the use of offline advertisements and digital purchase channels, consisting of marketplaces, web stores and social commerce. By delivering great customer journeys on any channels that they tap in, brands can give consistent experience and value for their customers.

[108] https://www.getswift.asia/clients
[109] https://www.facebook.com/notes/unilever/syarat-dan-ketentuan-unilever-home-delivery/1415929855262006/
[110] SIRCLO, 2019

# CONCLUSION

The progressive development in digital infrastructure, increasing digital penetration beyond metro areas, and growing middle-upper class consumption in Indonesia have driven the continuous growth of Indonesia's digital economy. In recent years, Indonesia's digital economy has been increasing by almost fivefold. It is projected to continue growing further, reaching US$ 133 billion by 2025. More than half of Indonesia's digital economy is contributed by the e-commerce sector in 2019 and is expected to expand with a CAGR of 36.1% to 2022. On the base of this growth rate, Indonesia is appointed as one of the fastest-growing e-commerce markets in the world.



Since early 2020, the COVID-19 pandemic has forced physical distancing measures to be decreed by the government, leading to the closure of non-critical brick-and-mortar stores. As a result, e-commerce channels, including marketplaces, web stores, and social media, have been attractive alternative channels for offline stores to maintain survival. Online marketplaces have recorded a massive increase of newly registered merchants during the pandemic.

Selling via social media platforms, namely social commerce, has also been an increasingly popular option for MSMEs in particular, due to the ease of setting up and reaching a wider group of customers. The channel also has the advantage of a better customer-seller interaction as compared to the other digital channels, as customers are required to message the seller to make a purchase. The communication between customers and sellers before making a purchase is also known as conversational/chat commerce. The direct interaction in chat commerce gives better product and price information to the customers, in addition to establishing trust between customers and sellers. As the importance of chat interactions in driving digital purchases is becoming more urgent, an omnichannel business approach is a solution that brands need to apply in order to win customers in this digitalization era.

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# NAVIGATING INDONESIA'S E-COMMERCE:

## COVID-19 IMPACT & THE RISE OF SOCIAL COMMERCE

2020