MOBILE COMMERCE IN EMERGING ASIA
This Ericsson ConsumerLab report delves into the possibilities of widespread m-commerce adoption in Emerging Asia. We explored household finances and consumption among different types of consumers and merchants. As part of the study we measured the level of awareness, usage and interest in m-commerce services.

The report looks at mobile technology as a means of managing finances. The use of mobile phones has become widespread and they are the primary screen for users.

We explore the conditions for mobile financial services by focusing on:

> The need to save money
> The ability to pay for bills, goods and services
> The need to send and receive money

**Quantitative**

The target group for this study is mobile phone users in urban and sub-rural areas spread across the countries, aged 15–59 years. 6,000 consumers and 900 merchants in total were chosen, representative of approximately 6 million people in Bangladesh, 24 million in Indonesia and 12 million in Vietnam.

**Qualitative**

In-depth, at-home interviews with a total of 30 consumers and 15 merchants in Bangladesh, Indonesia and Vietnam. The sample consisted of both banked and unbanked consumers as well as users and non-users of m-commerce.

**Expert interviews**

Interviews were conducted with experts from the regulatory, service provider and banking sectors.

The Ericsson ConsumerLab has close to 20 years’ experience of studying people’s behaviors and values, including the way they act and think about ICT products and services. Ericsson ConsumerLab provides unique insights on market and consumer trends.

Ericsson ConsumerLab gains its knowledge through a global consumer research program based on interviews with 100,000 individuals each year, in more than 40 countries and 15 megacities – statistically representing the views of 1.1 billion people.

Both quantitative and qualitative methods are used, and hundreds of hours are spent with consumers from different cultures.

To be close to the market and consumers, Ericsson ConsumerLab has analysts in all regions where Ericsson is present, which gives a thorough global understanding of the ICT market and business models.

All reports can be found at: www.ericsson.com/consumerlab
Urbanization is rapidly taking place in Emerging Asia, including in Indonesia, Bangladesh and Vietnam. According to the United Nations, in Indonesia 52 percent of the population lives in urban areas, while in Bangladesh and Vietnam the proportion is 29 percent and 32 percent, respectively. However, there is still a large portion of consumers in these countries that live in rural areas.

Even though some family members move to different areas, they continue to be dependent on one another, especially for financial matters. In the three countries that we cover in this report, it is common for financial responsibilities to be shared with the extended household. The sharing of financial responsibilities within the extended household, coupled with rapid ongoing urbanization in the region, means that there is a need to send money quickly and efficiently.

Sending money is fairly widespread in all three markets. As shown in Figure 1, sending and receiving money is most common in Indonesia. This could be because of a higher level of urbanization in Indonesia as well as the fact that a larger proportion of the surveyed population has a bank account and credit/debit cards, which makes sending and receiving money easier. In Vietnam money is usually sent through a friend or a family member.

In Bangladesh, the most common way to send money is to use a mobile money transfer service with the help of an agent, typically bKash. bKash has become one of the world’s fastest growing mobile money transfer services, reaching more than 10 million users in Bangladesh.

Figure 1: Percentage of consumers who have sent or received money

<table>
<thead>
<tr>
<th>Country</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td>34%</td>
</tr>
<tr>
<td>Indonesia</td>
<td>54%</td>
</tr>
<tr>
<td>Vietnam</td>
<td>45%</td>
</tr>
</tbody>
</table>

Source: Ericsson ConsumerLab, Mobile commerce in Emerging Asia, 2014
Base: Mobile phone users in Bangladesh, Indonesia and Vietnam.

1 Source: Percentage of Population Residing in Urban Areas by Major Area, Region and Country, 1950-2050, United Nations, Department of Economic and Social Affairs, Population Division World Urbanization Prospects: The 2011 Revision
Consumers in Bangladesh, Indonesia and Vietnam were interviewed to represent a spectrum of markets in terms of financial services and the usage of technology. The high degree of heterogeneity is also valid within each country.

**Bangladesh**
Although Bangladesh is the least developed market in the study, interest in technology is very high. Consumers use basic voice and SMS services more than mobile data services. Smartphones are less common in Bangladesh, but 20 percent of respondents intend to buy a smartphone within the next 6 months. Some 42 percent have a bank account but only 11 percent hold a debit or credit card.

**Indonesia**
Indonesia is the most advanced country in the study. It has a high penetration of smartphones. The use of mobile data and social media is also widespread, giving way to a high interest in mobile services. When looking at the use of financial services, 61 percent have access to a bank account and 45 percent have a debit or credit card.

**Vietnam**
In recent years Vietnam has witnessed a significant shift towards a more market-oriented economy, which has been growing steadily. In terms of technology, the use of mobile devices is on the rise. However, only 7 percent of people in Vietnam have a debit or credit card but 45 percent have a bank account.
Mobile exchange

When it comes to mobile money transfer services, awareness, interest and usage are low in Indonesia and Vietnam. Bangladesh is unique in that it shows extremely high awareness and interest levels, as shown in Figure 3. This is largely due to the popularity of mobile money services such as bKash, as described previously. However a majority of consumers use bKash through an agent and only 4 percent of the respondents use it themselves using their mobile phones.

Culture-defined roles

In all countries there is a clear gender perspective to household spending and consumption. Women are usually expected to manage the household budget, but men are responsible for making major financial decisions. In Bangladesh, men generally tend to transfer money more than women. Interestingly, housewives with a planning mindset show an interest in mobile money transfer services. In the same market, women are not responsible for household purchases or sending money, whereas in Vietnam and Indonesia women are more likely to be in charge of household finances. However, when looking at consumers who are interested in other mobile payment services, it is largely younger male professionals with a university degree.
A defining feature of all three markets is that they can all be considered cashonomies, meaning cash is still king in the daily lives of consumers in these countries. Almost all merchants in all three markets accept cash as payment and the large majority do not offer any other payment options. However, a clear majority of merchants think that offering a mobile payment or other digital money service would be beneficial as they would not need to handle as much cash or run the risk of counterfeit money.

In all three markets there is a strong savings culture. In Bangladesh 80 percent of respondents save on a regular basis. In Indonesia and Vietnam the figures are 92 percent and 75 percent, respectively.

Savings are typically kept at home, usually in a money box, penny bank or clay pot. As shown in the figure above, 50 percent of consumers in Vietnam save money at home. The same is true for 40 percent of users in Bangladesh and 35 percent in Indonesia. However, most would prefer to save in a more formal way rather than keeping money at home, since it is not considered completely safe. The ability to use a mobile device to deposit, withdraw and save money is of interest to consumers because it is perceived as safer than handling cash.

Circles of trust
Economies in the region are characterized by circles of trust, i.e. friends, family and colleagues who lend money to each other or save in different forms of social saving schemes. In Indonesia, an informal rotating savings systems among friends known as an arisan is widespread. These circles of trust play a significant role when it comes to loans, savings and expenses. This can be seen in Figure 2 which shows that informal loans are significantly more common than formal loans.
In all three markets, shopping is often a highly social activity. In Indonesia and Vietnam, shopping online through social media is common. The relationship between consumers and merchants is informal in nature, so interpersonal trust is very important in many financial transactions. For example, informal credit systems based on trust are common and are often vital to people in less developed areas that do not have the option of securing a bank loan. In Bangladesh some 20 percent of merchants accept personal credits.

**Fragmented economies**

In Emerging Asia, small informal businesses dominate and many people aspire to own a business. Due to the informal economies in the markets studied, it is easy for people to start and own a business, such as setting up a small shop or selling items on the street, but financing may be an issue.

Figure 5 shows that consumers tend to buy groceries frequently. One reason for this is that street vendors and corner shops are common and tend to specialize in one item, for example rice, fish or fabrics, which contributes to consumers’ fragmented shopping behavior. Public transport in Bangladesh is a very common way to get around, and consumers pay for it on a daily basis. For these small but frequent purchases, the convenience of mobile money transfer services opens up the chance to replace cash. But only if the transaction fee for each purchase does not become too expensive.

There are also benefits to using mobile payment services for larger expenses. For example, it is more secure compared to carrying large amounts of money to a merchant, which can be risky.
The cash-based society described in this report is associated with a number of safety concerns for both consumers and merchants. Although a low number of consumers report having been victims of crime, other issues regarding security and simplicity when paying are notable. For instance, it is common for a consumer to receive the wrong amount of change from a purchase, and both merchants and consumers need to be aware of counterfeit money. Having to carry the right amount of change is also perceived as a hassle. This is especially true in Indonesia and Vietnam.

Consumers consider carrying cash when they send or receive money to be risky. They stated that money transfers are often in locations that are considered unsafe and in some cases there is a lack of trust in the agents. In Bangladesh, carrying large amounts of cash on buses and in public spaces is also a major concern. In Indonesia, consumers are worried about their safety when using ATMs.

Convenience is another issue with a cash-based society. Going to a specific location and the need to make payments during opening hours is inconvenient. For a lot of consumers it is easy to miss the time when the bill collector comes and therefore the last date of payment.

Speed is also a very important factor for consumers as they may often need to send money urgently, for example to help relatives or pay bills. Existing transfer services can take days, and this can cause issues when payments need to be made immediately.

Respondents in the three countries are interested in switching to mobile financial services if they are safe, convenient and fast. Figure 6 shows that there is an interest in all three countries in using mobile financial services to pay for bills, goods and services. Mobile financial services that address current consumer issues with cash will drive change towards a more cashless society.

Figure 6: Percentage of consumers interested in using mobile payments for each service

<table>
<thead>
<tr>
<th>Service Type</th>
<th>Bangladesh</th>
<th>Indonesia</th>
<th>Vietnam</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service bills (e.g. electricity, water, TV)</td>
<td>78%</td>
<td>57%</td>
<td>37%</td>
</tr>
<tr>
<td>Food and groceries</td>
<td>53%</td>
<td>28%</td>
<td>17%</td>
</tr>
<tr>
<td>Shopping online</td>
<td>45%</td>
<td>42%</td>
<td>23%</td>
</tr>
</tbody>
</table>

Source: Ericsson ConsumerLab, Mobile commerce in Emerging Asia, 2014
Base: Mobile phone users in Bangladesh, Indonesia and Vietnam.
Raising awareness
With these challenges in mind, an alternative means of using financial services could be useful, given the structure of the market in the region. Mobile transfer and payment services could prove popular considering the high penetration of mobile phones and the presence of agents. However, most consumers have a very limited knowledge of mobile payments and among low income segments it is common to be unaware about formal banking services in general.

Agents can play an important role in educating consumers about mobile money transfer services. Agents may be merchants but also post offices or pharmacies who offer such services on behalf of the service provider. Due to the social nature of commerce in Emerging Asia, consumers trust agents and have a close relationship with them. Conversely, merchants would be willing to share information with their customers and educate them about mobile financial services.

As shown in the figure above, consumers in the three markets learn about new mobile services in different ways. In Bangladesh the main method is through television, while in Indonesia and Vietnam word of mouth and contact with friends and colleagues are the most common sources of information. Consumers who want to increase their knowledge about new financial services will rely on these methods the most.

Figure 7: How consumers learn about new mobile services

Source: Ericsson ConsumerLab, Mobile commerce in Emerging Asia, 2014
Base: Mobile phone users in Bangladesh, Indonesia and Vietnam.
In all three markets the bank is the most trusted provider for mobile money transfer services, as shown in Figure 8. This is especially true for larger banks that have a wide network of branches, such as an international bank in Indonesia or a state-owned bank in Vietnam. In spite of this, banks are not considered a viable option for lower income segments. There is a perception that to save money in a bank you need to make a substantial deposit or that there are hefty fees.

Consumers in Bangladesh were highly interested in having mobile network operators provide mobile money transfer services. The main reason is because banks are perceived as being for the rich and charge high rates of commission and taxes on every transaction. Furthermore, in Bangladesh mobile operators have played an important role in society for many years, and the largest operator in the country (Grameenphone) is linked with a microfinance institution (Grameen Bank).

A main reason that consumers in Indonesia and Vietnam did not rate mobile network operators highly for providing mobile payments is that they do not associate them with financial services. There is also a mixed perception of the accuracy of prepaid payment services and postpaid billing, which may play a role in influencing consumers’ trust in operators. There is concern among users that similar reliability issues may occur when using financial services.

When it comes to different players providing mobile financial services, the role may differ depending on the regulatory environment in the respective country. In any of the cases, collaboration with the banking sector is vital for any service provider in order to ensure the success of mobile financial services in all three markets.

Trusted agents play a vital role as the primary interface for the consumer. The agents also play an important role in raising the awareness of mobile money transfer services and educating the consumers on the benefits of the services. Some money transfer service providers are focusing on trusted agents such as pharmacies or credit providers. In spite of this, there are some trust issues related to agents and some agents are known for charging extra fees.
Figure 8: Consumers' preferences when it comes to mobile money transfer and payment service providers

**Bangladesh**

- **Pay bills**: 75% (Bank), 24% (Mobile network operator), 1% (Credit/debit card provider), 1% (Others)
- **Transfer money**: 56% (Bank), 42% (Mobile network operator), 2% (Credit/debit card provider), 1% (Others)

**Indonesia**

- **Pay bills**: 63% (Bank), 17% (Mobile network operator), 11% (Credit/debit card provider), 9% (Others)
- **Transfer money**: 73% (Bank), 11% (Mobile network operator), 11% (Credit/debit card provider), 6% (Others)

**Vietnam**

- **Pay bills**: 48% (Bank), 20% (Mobile network operator), 20% (Credit/debit card provider), 12% (Others)
- **Transfer money**: 71% (Bank), 10% (Mobile network operator), 10% (Credit/debit card provider), 9% (Others)

Source: Ericsson ConsumerLab, Mobile commerce in Emerging Asia, 2014
Base: Mobile phone users in Bangladesh, Indonesia, and Vietnam.
Ericsson is the driving force behind the Networked Society – a world leader in communications technology and services. Our long-term relationships with every major telecom operator in the world allow people, businesses and societies to fulfill their potential and create a more sustainable future.

Our services, software and infrastructure – especially in mobility, broadband and the cloud – are enabling the telecom industry and other sectors to do better business, increase efficiency, improve the user experience and capture new opportunities.

With more than 110,000 professionals and customers in 180 countries, we combine global scale with technology and services leadership. We support networks that connect more than 2.5 billion subscribers. Forty percent of the world's mobile traffic is carried over Ericsson networks. And our investments in research and development ensure that our solutions – and our customers – stay in front.

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