

THREE THINGS THAT WILL DRIVE THE INTERNET ECONOMY IN 2018

Southeast Asia is on the verge of becoming a huge market and force in the digital economy, says Catcha Group co-founder Patrick Grove.

Catcha Group co-founder Patrick Grove is a diehard entrepreneur who thrives on building internet businesses in emerging and developing markets.

He cut his teeth in the region building big internet businesses such as the iProperty Group, which listed in Australia and was eventually sold to Rupert Murdoch's REA Group at a valuation of US\$534 million.

Grove is also behind growing start-ups such as video-on-demand platform iflix, automotive portal iCar Asia Ltd and Frontier Digital Ventures, which invests in emerging market online classifieds.

From Grove's vantage point, Southeast Asia is on the cusp of becoming a massive online market, one that can rival that of the US in terms of size. This fact has not gone unnoticed by large corporations and governments.

Grove talks to Turning Points on the three things that will continue to drive the internet economy in 2018.

Turning Points: What are the key turning points that you observe in your sphere?

Patrick Grove: We see three big things. Firstly, the internet economy, which I have been part of for 17 years now, has largely gone unnoticed by governments. In the last 12 months, the interest of governments in the internet economy has been huge and thankfully, it has been extremely positive.

In Malaysia, you see things like the Digital Free Trade Zone launched and the Kuala Lumpur Internet City announced. Three or four years ago, you wouldn't have seen the government being interested to work with the internet sector.

This is not just the Malaysian government. We're seeing similar things in countries like Singapore, Indonesia and Vietnam. Governments are now really embracing and supporting the tech economy, which is great.

TURNING POINT

Southeast Asia is shaping up to be a larger and more promising market than the US but the terrain is anything but simple

The second turning point is that we're now seeing so much interest from Chinese companies in Southeast Asian internet firms.

In the past, most of the investors in great Southeast Asian internet companies tended to be from the US. Although there is still American interest, what we've seen in the last 12 months is that there is more and more Chinese interest.

China's internet giants like Alibaba and Tencent are investing large amounts of money in Southeast Asia, which is good for the ecosystem.

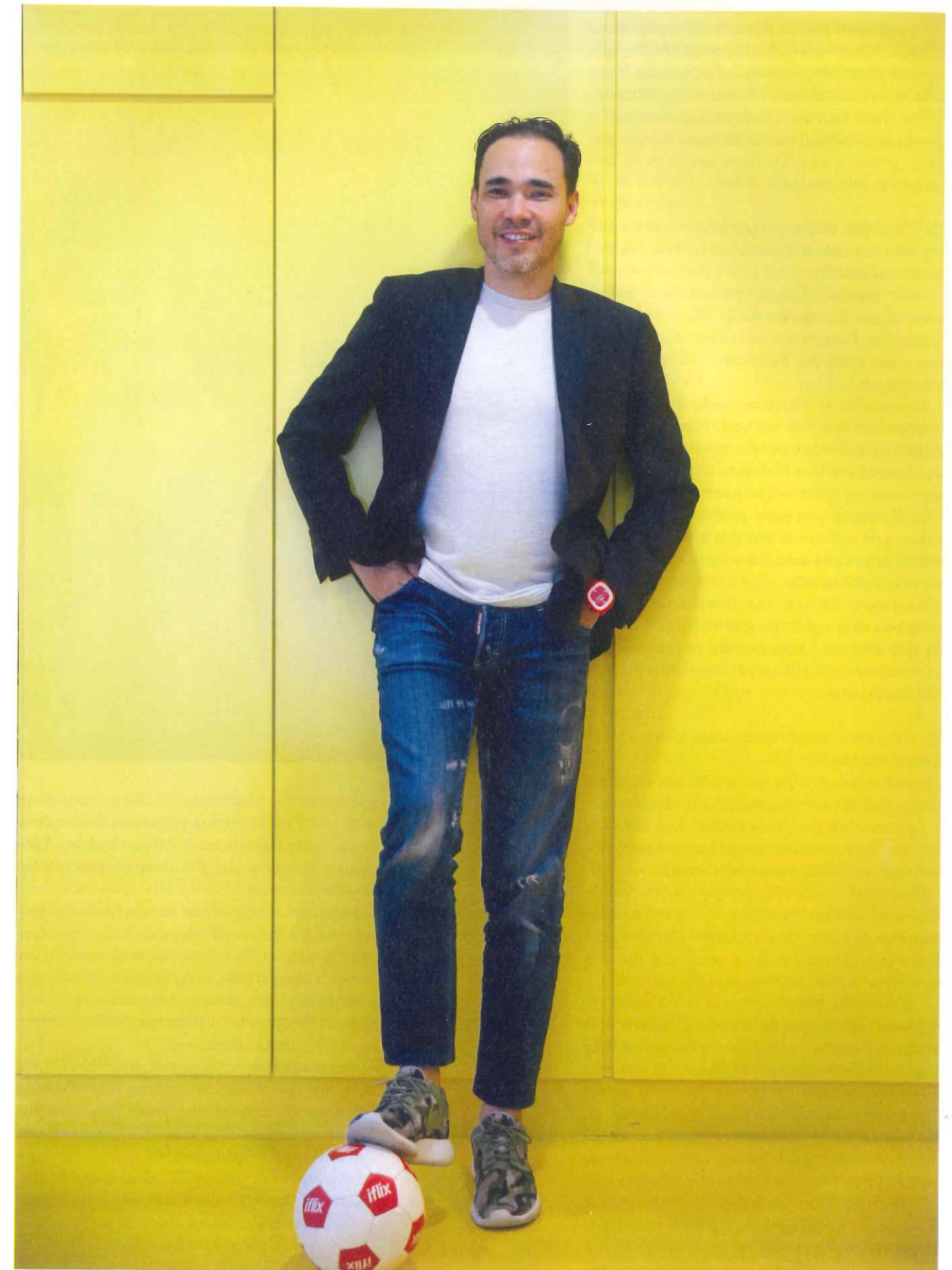
The third thing is that Southeast Asia is now shaping up to be a larger market than the whole of the US. The US population size is just over 320 million people versus Southeast Asia, which has over 640 million people.

But what's important and very exciting is that the number of people in Southeast Asia who are connected to the internet via their smartphones on a daily basis is now bigger than the whole of America. There are about 340 million people in Southeast Asia who are connected to the internet.

The American internet population is already flat at around 290 million whereas the Southeast Asian internet population keeps growing. Every day, more and more people in the region are getting connected or getting a smartphone. These aren't just people in the urban areas but also people from the rural areas ... the older generation all getting connected.

Q: Southeast Asia is a very attractive market for all these reasons, yet it is an intensely difficult market. What are the challenges?

Yeah, very difficult. Hugely difficult! Southeast Asia has got different countries, different languages, different cultures all in one. There is a huge amount of diversity, like Thailand is completely different from Vietnam and Indonesia itself has different regions.



SAM FONG/THE EDGE

If you look at the US, it is a more homogenous market. Almost everyone there speaks English. Look at China, everyone speaks Chinese. If you look at Southeast Asia, it's incredibly different.

See, there are seven or eight key countries in Asean and they all speak different languages. Even within a country, there are cultural and language differences.

Q: When you talk to people who are not familiar with Southeast Asia, what is their biggest misconception?

A: The biggest misconception is that Singapore equals Southeast Asia. When you go to Singapore, everyone speaks English, everyone has money, all the buildings look pretty and everything is clean.

I meet a lot of Westerners who come to Singapore and say "Oh my god, I love Southeast Asia". I think what people need to recognise is, somewhere like Malaysia is a lot closer to representing the true Southeast Asia.

In Malaysia, you have people who are very urban and educated, but you also have those who live in rural areas, are less educated and don't speak English.

Southeast Asia is that great beautiful mix of urban and rural, people with money and people who don't have money, people who are educated or not educated. Southeast Asia is not Singapore!

Q: What are Chinese companies looking for in Southeast Asia?

Southeast Asia is a big market. It's not a homogenous market, but we are certainly a big market.

I guess when the China market is so competitive and so innovative, it's natural that you want to bring it to other parts of the world.

Southeast Asia is often the priority market for Chinese markets. The Chinese don't focus on America or India, they focus on places where there is a growing middle class and there is enough of a base for their brands.

Q: Let's take a step back and talk about government support for the internet economy. Why was there a new interest and how will this play out in the future?

The prime minister came to our Wild Digital conference in Kuala Lumpur two years ago as our surprise guest. I think that was his first exposure to the internet economy in the country. He came and realised "Wow, the internet economy is big and the companies are doing well, and this is important to the youth!"

Historically, Malaysia was about supporting

industries like plantations, oil and gas and property, which is fine and great because that's where the country came from. But if you look at where the country is going, it's about embracing the digital economy.

Malaysia does not just have a budding ecosystem; it's thriving! Malaysia's tech ecosystem is No 1 in Southeast Asia. We built some of the region's biggest internet companies. Grab comes from Malaysia. JobStreet comes from Malaysia. iProperty comes from Malaysia. We're building great regional companies.

So, the prime minister came to Wild Digital and saw that there's something here. So, now we have the Digital Free Trade Zone and the government is going to put more money into venture capital investments.

We now work with MDEC (Malaysian Digital Economy Corp). The person in the street doesn't realise that entrepreneurs such as ourselves are working with the government to really push the internet economy to be a priority.

Q: When you advise the government on the digital economy, what do you tell them?

What we said to the government is that if you want us to be a small digital economy, we don't need your help. The ecosystem can do it itself.

But if you want to be one of the best digital economies in Southeast Asia, then we do need help from a government that has the vision and appetite to be part of something great.

As the government, you don't need to do much. The private sector will do a lot of it. The entrepreneurs will do, the investors will do. But if it gives us a bit of support, we can make it so much better.

So, we said No 1, you need to be very pro-e-commerce because e-commerce is about to explode.

If you accept that e-commerce is going to be important and you have the ambition to be important in the e-commerce industry, then we need to have a Digital Free Trade Zone. So, we need to bring on board one of the biggest e-commerce

Prime Minister Datuk Seri Najib Razak and Alibaba Group founder Jack Ma (third from right) launching the first phase of the Digital Free Trade Zone in Malaysia

companies in the world, and to MDEC's credit, it went and brought in Alibaba.

The result is that Alibaba is building its regional logistics hub near KLIA and we will build the Kuala Lumpur Internet City downtown where all the tech companies can be together.

Q: In the year ahead, what are the risks and opportunities?

I see government interest getting stronger. Now that the Malaysian government has prioritised the internet economy, I don't see it pulling away.

There will be even more Chinese interest. I think they're just starting to come to this region.

In 2018, there will be even more mobile users, like 400 million users. We're getting to a point where the Southeast Asian market will be double the size of the US market.

Some people wonder "How did Grab get so big?" Well, it's because there are so many people here with smartphones! Those three factors will continue to grow tremendously.

The risks I'd look out for are ... Donald Trump! We cannot control politics.

This is the beginning of a massive shift between the influence and power of the US versus the influence and power of China.

For the last 50 years, the US was the biggest, baddest and richest country in the world. Now, there's a shift where the US is no longer that. I think Trump is the beginning of America's downfall.

Q: People often wonder if there is a tech bubble forming. You were around in the dot-com boom and bust. Is there a bubble forming this time around?

I don't think so. Companies have real revenue now. Companies like Grab are doing millions of rides a day and that's revenue. iflix has over five million paying customers every month. These are real businesses.

Q: Are there still opportunities in Southeast Asia? Or is the internet sector getting saturated?

There are still massive opportunities in the digital sector. Internet businesses are some of the fastest-growing companies in Southeast Asia, which is one of the fastest-growing regions in the world.

I think it's still very early days for e-commerce. It's not saturated. Do you know where to go online to buy pet food? Do you know where to go to buy art online? Or sports tickets? No, right?

There are so many opportunities. Lazada is not the answer to every question! (laughs) **TP**

By Chua Sue-Ann



FOTO:BERNAMA (DUGU) HAK CIPTA TERPELIHARA

THE **EDGE**™ | The New York Times News Service
& Syndicate

Turning Points

Global Agenda 2018



**DISRUPTION,
DISRUPTORS
& THE DISRUPTED**