

STARTUPS / ASEAN

## The rise of the ASEAN superapps

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Superapps are trendy these days, with many popular apps harbouring the ambition to become a Superapp, not only in one country but across the region. By offering a multitude of services under one umbrella, Superapps aim to generate higher revenues and profits.

One implicit assumption in this thinking is that customers value the convenience of having multiple services (e.g., transportation, financial services, shopping, etc.) under one umbrella, versus accessing different services from different apps. The exemplary in the Superapp space is WeChat in China from Tencent, which has been able to attain leadership (and high profits and market valuation) in China.

GoJek is already close to a Superapp in Indonesia and given its and Grab's regional ambitions, it is quite likely that both of them (and possibly other apps) will aim to become Superapps in the ASEAN region. So, what are the prospects of becoming a dominant Superapp in ASEAN countries?

The first relevant factor is the maturity of the market. High Smartphone usage and fast internet speeds form the foundations of a mature market. But, market maturity is also dependent on the degree of competition and established players in the market, which may be possibly offering specialised apps. The more mature the market, especially concerning the established players, the harder it will be for a company that is not already a Superapp, to become a credible Superapp along the lines of WeChat in China.

Let us consider the Singapore market. While Singapore has high Smartphone usage and fast internet speeds, many apps are offering varied services and many Singaporeans may be using these apps—e.g., PayLah for payments, Lazada for e-commerce, banks for remittances (e.g., FAST or Paynow). It may be a challenge to convince users to ditch the apps they are using and switch to a Superapp. Singapore's high market maturity may be one reason Grab is adopting a partnership model where it can try to get leading providers to be included under its Superapp. While the partnership model is more feasible because of lower skills and resource requirements (partners develop the service and the technology platform), it is also less profitable because the bulk of the profits will accrue to the provider of the service and not the Superapp.

Indonesia provides a contrasting example. The Smartphone usage is high (but penetration is low/medium), and there are several gaps in the market (e.g., in transport and banking/ payments). Before GoJek's arrival, there were few (if any) established players. That made GoJek's aspirations of becoming a Superapp realistic and its strategy of providing the services itself (rather than through partners) feasible. I guess that Grab will bleed a lot of red ink in trying to compete with GoJek in Indonesia.

Frontier markets like Myanmar, Laos and Cambodia present a third scenario. In the near term, smartphone penetration and internet speeds pose a constraint. But, these markets have attractive features as well. First, these markets have several gaps, including infrastructural inadequacies such as poor roads; weak or non-existent services such as public transport; and lack of (or a weak coverage of) a formal finance sector, specifically banking services. These markets may be attractive in the long term because of two factors: a Superapp provider may be able to plug many of the gaps (e.g., by providing shared rides or financial services to the many that are not served by the formal financial sector) and there are few entrenched competitors. Once a Superapp can establish itself in such a market, it may be difficult for later entrants to dislodge it.

#### **So what might be a good ASEAN strategy for an aspiring Superapp?**

The Superapp must choose its battles (where to compete in terms of geographies and the range of services) carefully. Context is a crucial factor influencing the success of specific strategies. Each country context is different and might require a tailored approach to becoming a popular app. Payments services in Singapore for instance, is a crowded field where a deep-pocketed rival (DBS with its Paylah) is seeking market share aggressively, making it difficult (and expensive) for other competitors to attain a credible position. Payments may be quite attractive in the frontier markets, however.

Don't chase buzzwords like Superapp. Becoming a Superapp is a means to an end (sustained competitive position and profitability) and not an end in itself.

Find an "anchor service" (similar to an anchor tenant of a mall) that will provide you significant revenues and profits. In the case of WeChat, online video games are the anchor service that gives it a strong base of revenues. In the case of frontier markets like Laos and Myanmar, payments and transportation may be suitable as an anchor service. If an aspiring Superapp cannot find an anchor service, it may be futile to try to become a Superapp.

Don't chase market share, which again is a means to an end and not an end in itself. While the availability of easy money from venture capitalists may blind an aspiring Superapp to achieving profitability, it is an important consideration. As the IPOs of Uber and Lyft have shown, venture capitalists are not always correct about the valuation or the prospects of a business. First mover advantage is not still durable and sacrificing today's profits in pursuit of market share has to be a carefully considered decision.

To conclude, I am reminded of what Abraham Lincoln's character said in the eponymous movie: "A compass, (will) point you True North from where you're standing, but it's got no advice about the swamps and deserts and chasms that you'll encounter along the way. If in pursuit of your destination, you plunge ahead, heedless of obstacles, and achieve nothing more than to sink in a swamp... What's the use of knowing True North?" In this case, even assuming that becoming a Superapp is the True North, there are many swamps and chasms for an aspiring regional Superapp to overcome and that calls for carefully considered strategies and strong execution.

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