



The Next Billion Online: Asia's New Opportunity



BOOKING HOLDINGS

THE NEXT BILLION

Driving Asia's Next Digital Revolution

Over the last decade, much has been said about Asia's apparently unstoppable economic growth, now averaging an enviable 5.5% annually¹. But this growth has been accompanied, and often fueled, by a less remarked-upon phenomenon: the digital transformation of an entire continent.

In 2018 alone, 112 million Asians logged onto the Internet for the first time. Between 2019 and 2022, another 365 million new Internet users — in countries ranging from Korea to India — will join them². As Internet penetration rates climb to match those found in Western markets, another one billion people will come online.

This explosion of connectivity is changing how Asians relate to each other, their governments and the world, re-shaping everything from economic aspirations to gender norms. At Booking Holdings, we've watched that transformation firsthand. Working with partners and clients in Asia over the last decade, we've seen how connectivity has empowered and enriched individuals, communities and nations. It's been an inspiring journey. And one that shows no sign of slowing down.

Which begs the question: what's coming next? We wanted to find out. That's why we commissioned a unique survey of digital leaders and experts in Asia's three most populous countries: China, India and Indonesia. We asked them about their expectations, their aspirations and their fears for the digital future of their countries and their communities.

The result is the report you're reading now: "The Next Billion Online". Often, the things we uncovered were surprising. Who could have predicted ten years ago that many Asians would now see connectivity as a basic human right? Who could have foreseen the way in which the region's women would, with one bound, throw off many of the restrictions placed upon them by traditional societies and take their place among the next generation of leaders and entrepreneurs?

But that doesn't mean that we can sit back and let events take their course. Our research also identified the barriers that, unless we act now to tear them down, could stop Asia's next billion Internet users from making the most of their new digital lives. The biggest potential barrier, surprisingly, is language; three quarters of our respondents said that the online dominance of English prevented their countrymen and women from fully participating in digital economic, cultural and social life. In fact, more respondents cited language as a limiting factor than affordable devices or lack of infrastructure.

But the good thing is, having identified a problem, we have an opportunity to fix it. The value of effective localization has long been recognized. What's more, this challenge is also an opportunity, primarily for Asians themselves. The demand for high-quality localized content is here and it is going to grow massively over the next decade. Who better than Asian businesses, translators, writers and content creators to meet that demand?

Much the same is true for the other barriers to adoption identified in our research. Each must be overcome if Asia is to unlock its full digital potential. In each case, this unlocking will itself release even more growth, for Asia and for the world economy.

So join us as we uncover how Asia's next billion digital inhabitants will shape their own future and ours. It's a story of aspiration, opportunity, talent and hard work. We at Booking Holdings are excited to be part of it. We think you will be too.

METHODOLOGY

Investigating the Next Billion

To understand Asia's Next Billion Internet users, we surveyed people operating in the three most populous Asian markets: China, India and Indonesia. From 31 July to 22 August 2018, Booking Holdings ran an online quantitative survey in all three markets.

We targeted two demographics: tech experts and tech leaders; the latter defined as those who follow the tech press. We chose these groups because they understand both the potential of technology and have on-the-ground insights about how their fellow citizens will use the Internet.



3 MARKETS

We surveyed respondents in three markets: China, India and Indonesia.



2 AUDIENCES

We surveyed Tech Experts and Tech Leaders in each market.

Tech Experts are tech industry workers who regularly follow tech news. They provide the most accurate lens into the state of Internet adoption in each market.

Tech Leaders are educated leaders who regularly follow news regarding tech, business and policy, and are regarded as tech influencers in their social circles. They provide influential opinions on the impact of the Next Billion on society, politics and culture.



1,202 RESPONDENTS

In each market, we recruited approximately 200 respondents in each of the two categories: tech experts and tech leaders.

In two cases — tech experts in India and China — an extra suitable volunteer came forward, bringing the segment size to 201 and the whole-study sample size to 1,202.

WHY ASIA? WHY NOW?

Ready for the Next Wave of Growth

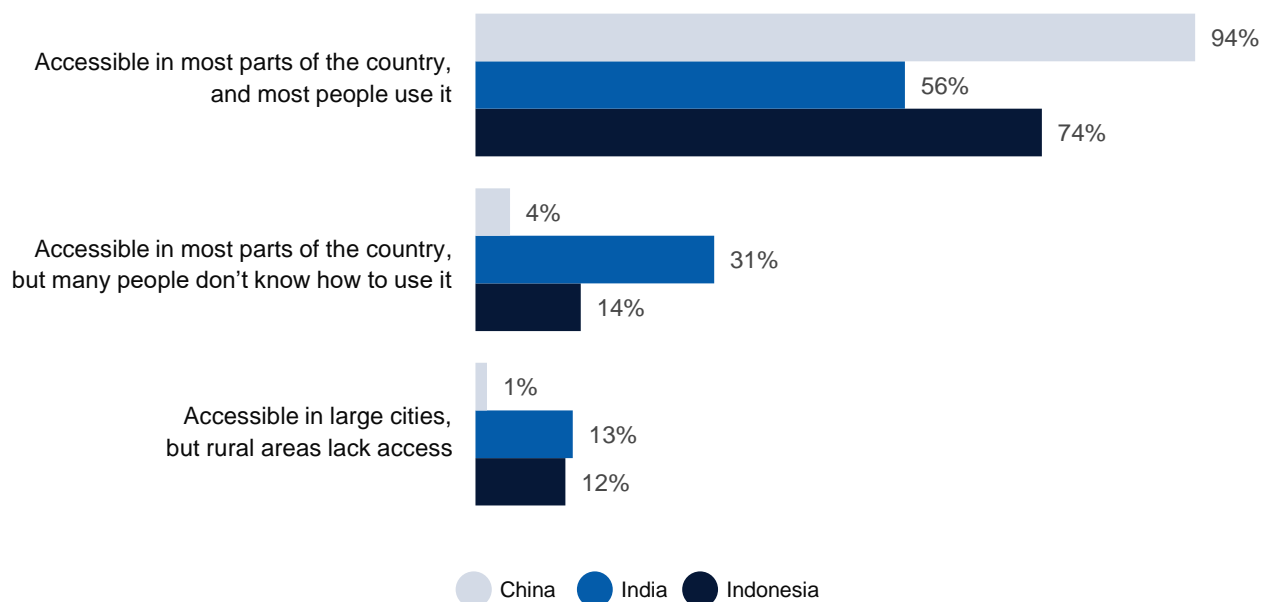
One of the encouraging things to come out in our research is that the overwhelming majority of tech leaders in both China (94%) and Indonesia (74%) say that the Internet is accessible, and well used, in most parts of their country. In India, 56% of tech leaders agreed with the same statement: a slim majority, but still a majority.

At first glance, this seems counterintuitive. According to the World Bank, Internet penetration rates in these countries are 30% in India, 32% in Indonesia and 54% in China³. But these figures are aging. In the case of India, they have not been updated since 2016. In that time, the percentage of Indians with a cell phone subscription has increased to 87%⁴. In 2018 alone, the number of smartphone users in India was estimated to have grown by 16% — the fastest growth rate in the world⁵.

The situation is similar in the other two countries. By the middle of 2018, the number of Chinese Internet users had surged to 802 million⁶, rising 30 million in just the first six months of the year. This period of growth alone puts the country on an Internet penetration rate of 58% — 4% higher than the official World Bank figures. In Indonesia, the mismatch between official statistics and facts on the ground may be even starker. A recent survey by the Indonesian Internet Service Providers Association (APJII) found that nearly 55% of the country's population is connected to the Internet in some way, usually via a mobile connection⁷.

In this context, the optimism of our respondents, who are on the ground in these countries, is not surprising at all. The pace at which the digital landscape in these key Asian markets is changing is so fast, that the perceptions of international opinion formers are often significantly out of step with reality. The next wave of digital growth in Asia is already underway.

WHAT BEST DESCRIBES THE STATE OF THE INTERNET IN YOUR COUNTRY?



ATTITUDES & EXPECTATIONS

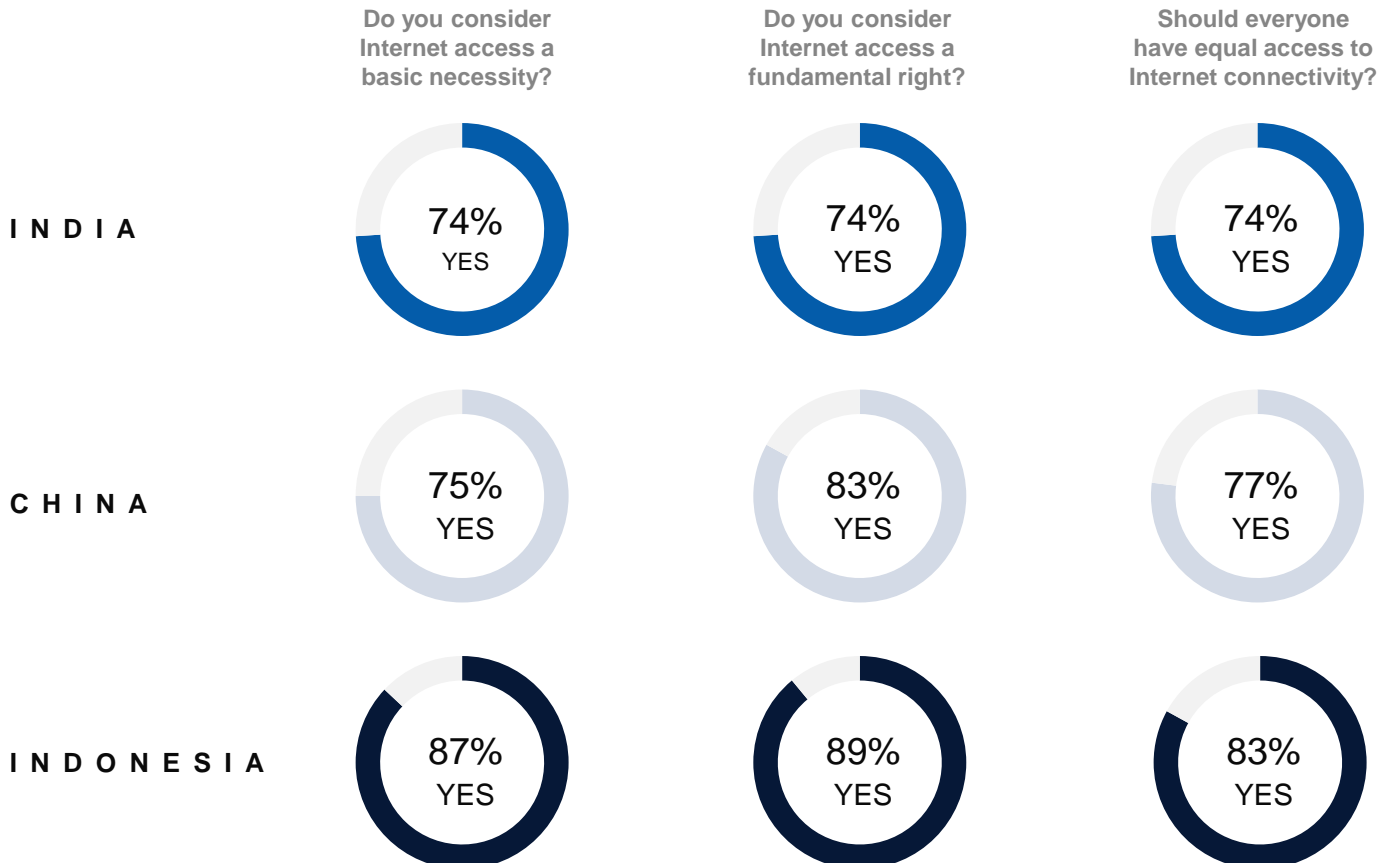
The Internet as a Human Right

The rapid growth of Internet use and the clear link between connectivity and opportunity has caused a change in attitudes similar to that seen in Western markets a decade ago. People have stopped regarding the Internet as a luxury and come instead to regard it as a basic human right.

Of the respondents to our survey, 79% consider the Internet a basic necessity and 82% of people go further than that to call Internet access “a fundamental right”. 9 in 10 respondents in these countries believe that increased Internet access will advance their social standing and provide economic gains in their society.

A majority — 78% across all three markets — believe all citizens should have equal access to Internet connectivity. This is significant for three markets which are characterized by high levels of income inequality (India has a Gini Coefficient of 51.4⁸, China of 46.7⁹ and Indonesia of 38.9¹⁰). Leaders in all three countries have come to appreciate the importance of connectivity to their future economic fortunes, but also to the robustness of the social contract in their countries.

WHAT WE ASKED

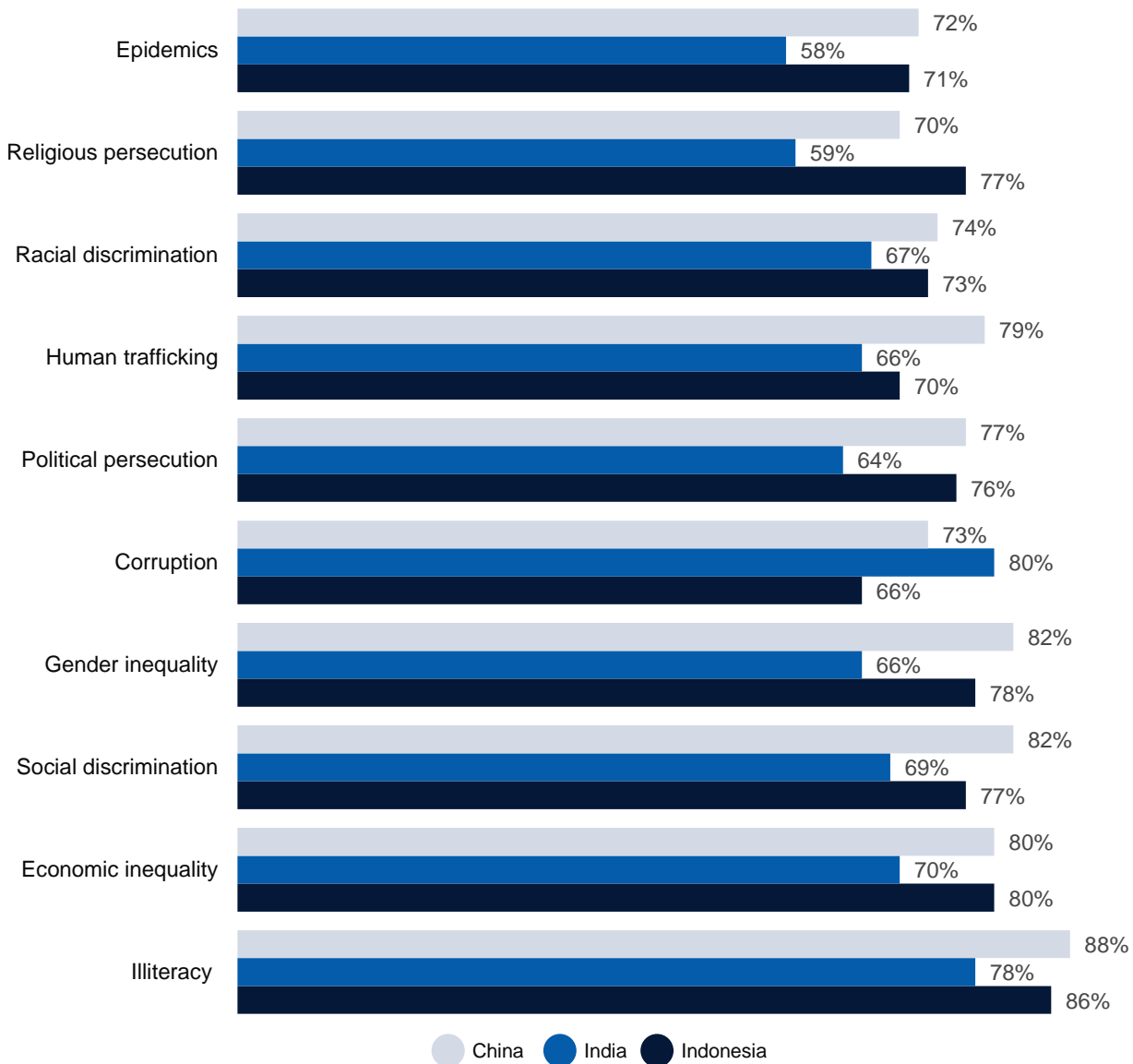


What Asians Expect the Internet to Do for Their Country

The importance of digital inclusion for these markets becomes clear when considering how high the expectations are in all three countries. We asked our respondents whether the connection of the next billion Internet users would alleviate, worsen or make no impact on a range of social problems. By overwhelming majorities, they said that increased connectivity would alleviate the ills in question. None of the three countries in question can afford to dash these hopes.

WILL THESE SOCIAL PROBLEMS BE ALLEVIATED WHEN THE NEXT BILLION GAINS ACCESS TO INTERNET?

(% who selected "yes")



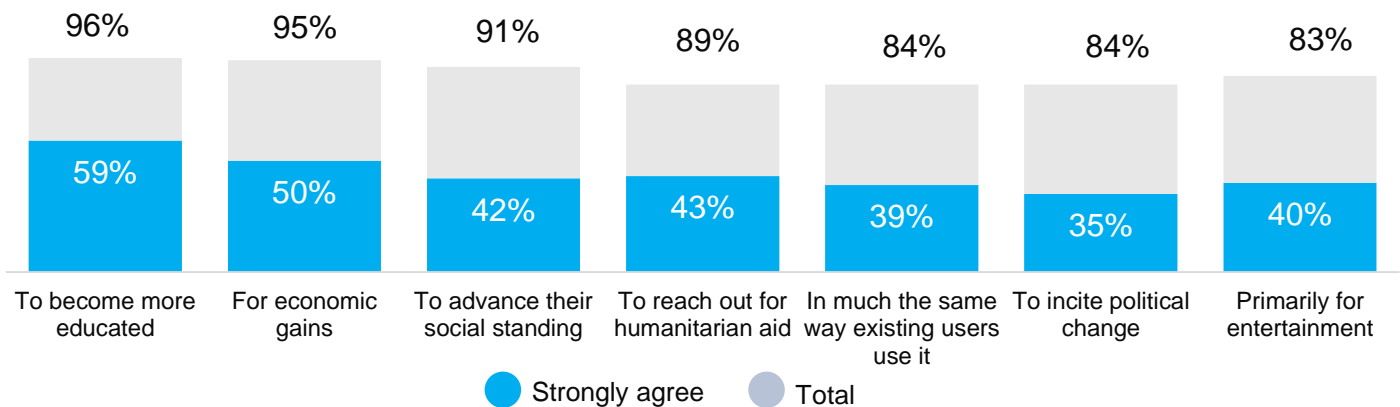
ATTITUDES & EXPECTATIONS

What Asians Expect the Internet to Do for Them

As well as having high hopes for their collective future, our respondents thought the Next Billion would use Internet connectivity to improve their personal fortunes. By large majorities, they expected their countrymen and women to benefit from digital inclusion in ways that would help them become more educated and more prosperous — allowing the connected to rise up the social ladder. This aspirational edge to the gathering digital transformation of all three countries reveals a growing individualistic and entrepreneurial culture that would not be out of place in Silicon Valley.

HOW THE NEXT BILLION WILL USE THE INTERNET

(% selected somewhat/strongly agree)



Glenn Fogel
CEO
Booking Holdings

THE RISE OF ASIA'S DIGITAL ENTREPRENEURS

In the second quarter of 2018 (the latest period for which data was available), Asian start-ups had a total of \$29 billion in funds at their disposal¹¹. That's a 102% increase on the previous year and more than either of the start-up funds available in the USA or Europe.

Much of this explosion of commerce and entrepreneurship is due to the growing availability and ease of Internet connectivity. Between 2017 and 2022, the value of Indonesia's e-commerce market is expected to grow from \$8 billion to at least \$55 billion¹².

In China, the e-commerce market is worth more than \$1 trillion¹³, over 40% of the total global value of online trade¹⁴. In India, the e-commerce market is expected to quadruple in size between 2017 and 2022 to a value of \$150 billion¹⁵. With newfound wealth in their pockets — wages in some Chinese cities are now on par with those in parts of the EU¹⁶ — Asians are going online to sell and to shop.

DRIVERS & BARRIERS

How to Bridge the Digital Divide

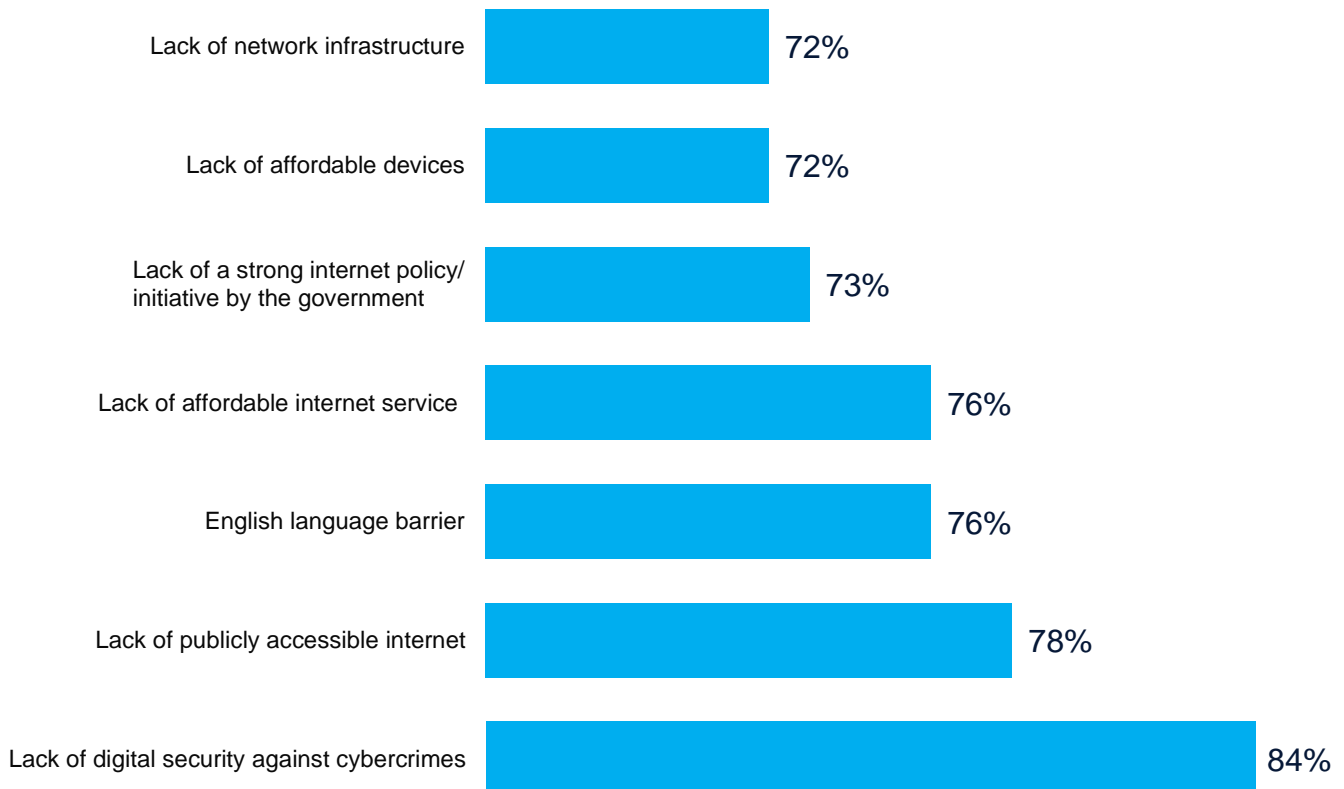
Despite the formidable social and commercial momentum already gathering behind the next wave of digitization, it would be a mistake to think there is nothing left for businesses, policymakers or civil-society organizations to do. In fact, our respondents identified a range of barriers to digital participation which must be removed if the next generation of Asian Internet users is to gain maximum benefit from going online.

Significantly, one of the main barriers was not technical but human — too much content is in English, which only a minority of the region’s citizens can read. Along with language difficulties, respondents cited a lack of online security (84%), concerns about government censorship (71%), a lack of useful local content (68%) and fear of new technology (57%) as potential disincentives to mass online participation.

All of these barriers, though they have different causes, are essentially matters of confidence; to maximize digital participation and the benefit that flows from it, governments and other relevant organizations must create an Internet in which citizens feel they can participate without exposing themselves to undue risk, and they must help citizens acquire the skills they need to flourish in that environment.

BARRIERS TO INTERNET ADOPTION

(% selected somewhat/strongly agree)



DRIVERS & BARRIERS

Overcoming the Language Barrier

When we analyzed the major barriers to Internet access, a surprising culprit emerged: language. Three quarters of respondents (76%) believe that one of the biggest barriers to Internet adoption is the lack of understanding of the English language. This is true across all three countries surveyed. For comparison, 76% of respondents cite a lack of affordable Internet service as a major barrier and 72% cite lack of affordable devices.

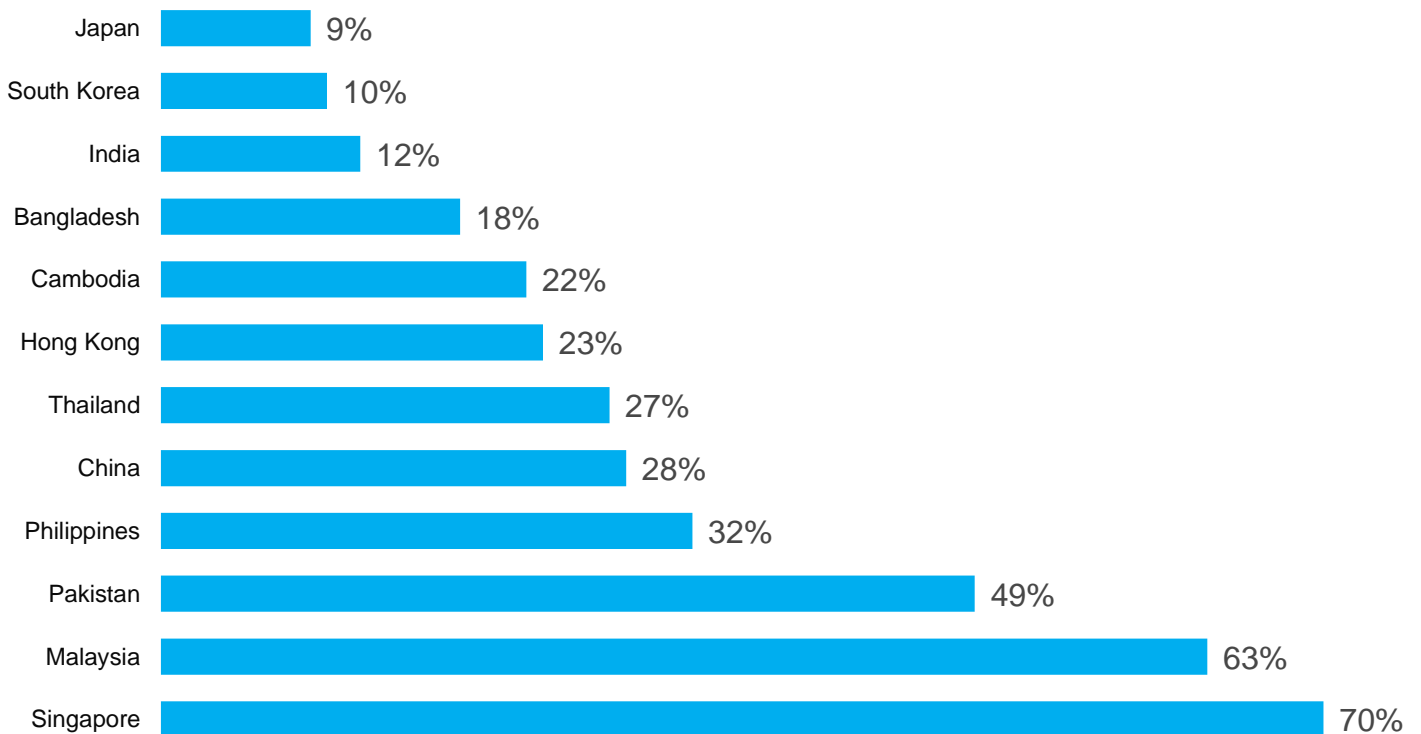
According to a Statista study, English is the most popular language online, representing 25.4% of worldwide Internet users¹⁷. Additionally, English accounts for 52.9% of the top 10 million websites¹⁸. And according to language-teaching service Babbel, only 20% of the world's population speaks English¹⁹.

These findings together point to a paradox of the Internet: connectivity provides the potential to access information and education (including language skills), but if new Internet users do not already speak a commonly used language, then the potential benefits of the Internet remain out of reach.

The chart below shows the percentage of those in key Asian markets with at least some proficiency in English. Some of the numbers may seem surprisingly high. However, it's worth bearing in mind that the number of people in these countries with no English proficiency is over 2 billion.

% ENGLISH SPEAKERS IN KEY APAC MARKETS

(% of the population with at least some English proficiency)



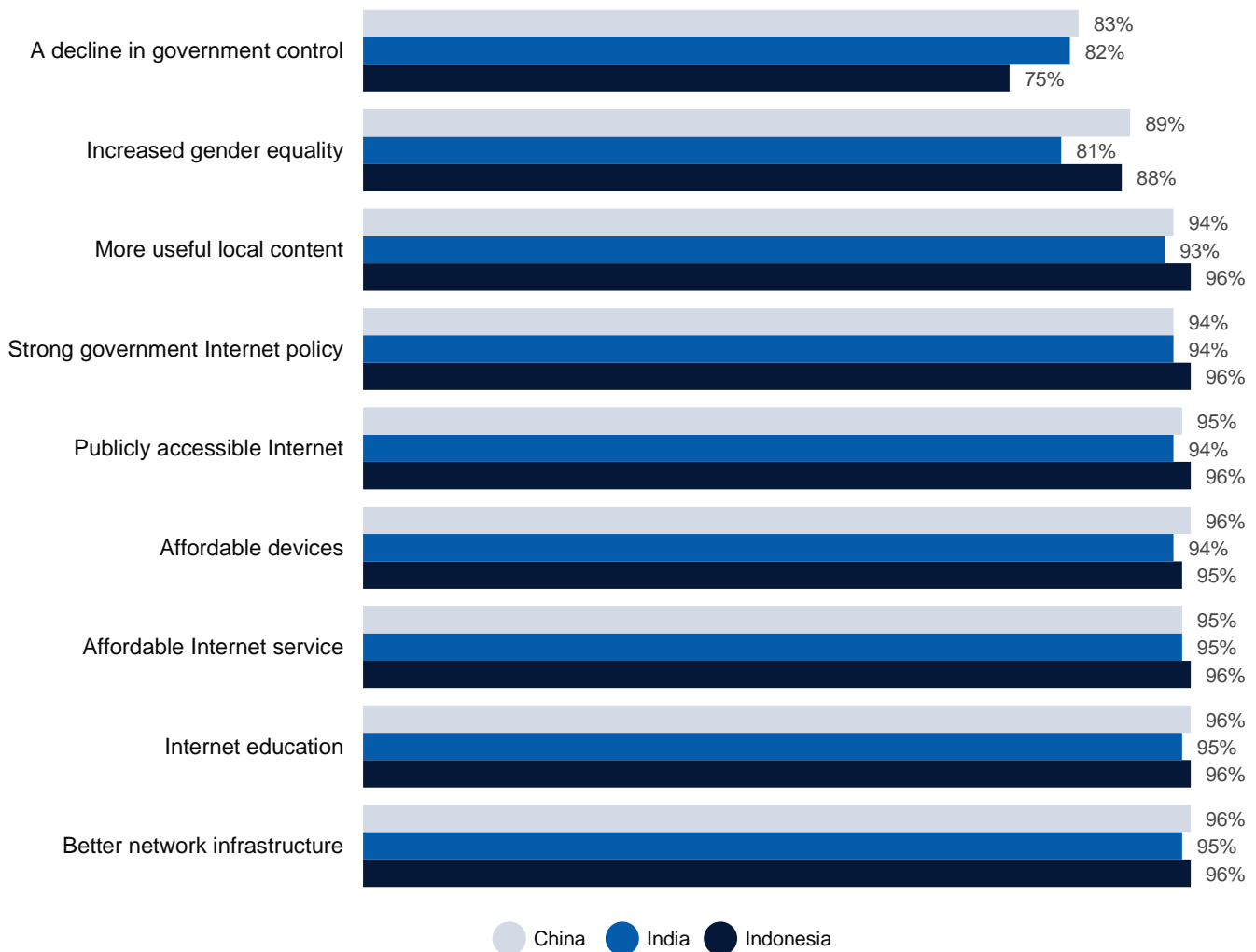
DRIVERS & BARRIERS

What Factors are Driving Adoption?

Asked which factors were driving, or were likely to drive, increased adoption in their market, our respondents tended to highlight pull factors — coming from sources other than the Next Billion themselves. Among other things, they picked out the increased availability of high-quality infrastructure, improved affordability and better public understanding of the Internet as factors that would drive increased uptake (see graph below).

This ties in neatly with the infrastructural — as opposed to the human — barriers, the removal of which our respondents identified as being key to unleashing the potential of the Next Billion. With projects such as the \$35 billion investment in 4G by Indian billionaire Mukesh Ambani²⁰, China’s plans to give almost all villages broadband connections by 2020²¹ and Indonesia’s \$1.3 billion fiber-optic Palapa Ring project²², these barriers are quickly coming down.

DO YOU AGREE THAT THE FOLLOWING WOULD DRIVE INCREASED INTERNET ADOPTION YOUR COUNTRY?



How the Next Billion Will Use the Internet

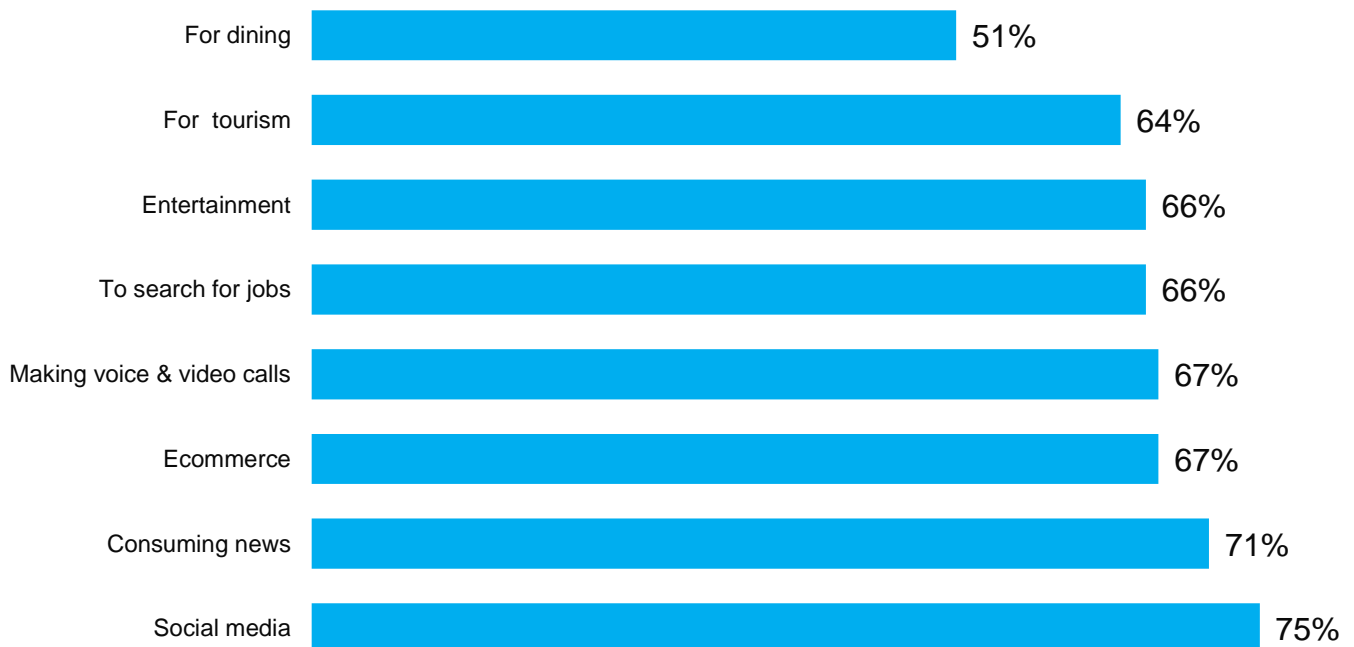
Despite the importance of improved and more affordable connectivity, pull factors alone are not the whole story. When asked what the Next Billion would use the Internet for, respondents' answers included: to use social media (75%), to consume news (71%), to buy goods and services (67%), for entertainment (66%), for job searches (66%) and for dining (51%).

Even ten years ago, these responses might have seem far-fetched. But things have changed. In 1990, 62% of Asians lived in extreme poverty. Today, that number is just 2%²³. At the same time, greater numbers of consumers than ever before are joining the middle classes. According to research by the Brookings Institute, the Asian middle class has grown from less than half a billion in the year 2000 to around 1.5 billion today²⁴.

Many of the Next Billion already have disposable incomes that allow them to shop for consumer goods and services that would simply have been out of reach for their parents. To take just one example, a recent study by Bain forecasts that Chinese household consumption will grow by 6% annually every year over the next decade to reach \$8.2 trillion²⁵.

Looking at the ways in which our respondents anticipate the Next Billion using the Internet, a picture emerges not just of pent-up consumer demand but also of aspiration waiting to be unleashed. When these consumers are finally connected to the Internet, it is likely to accelerate a whole range of areas including the retail market, the job market and the leisure and entertainment landscape.

HOW THE NEXT BILLION WILL USE THE INTERNET



Women and the Next Billion

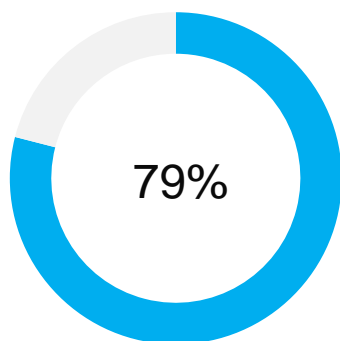
One of the most heartening and economically significant impacts of the expansion of connectivity in Asia has been the corresponding improvement in the lives of women and girls. This is very much reflected in the answers given by the respondents to the Booking Holdings survey. 79% of respondents said that gender was not a barrier to Internet adoption in their country. 86% said that increased gender equality would drive adoption and 91% said greater digital participation would also improve gender equality in their country.

This is very much in keeping with the evidence already available. A recent study in Indonesia found that 30% of entrepreneurs in the 18-to-44 age bracket are women²⁶. In China, women own 31% of all businesses but 55% of tech start-ups are led by women²⁷. In India, according to one recent report, almost half of tech entrepreneurs are women²⁸.

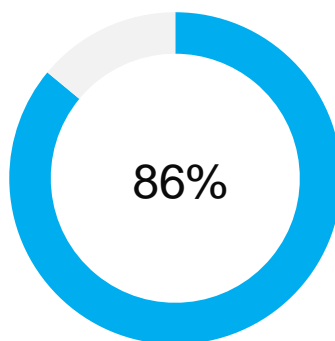
Nor is the unfettering of women's digital potential merely a matter of fairness; it also has significant economic implications for the countries involved. A recent report by McKinsey & Company estimated that by improving their gender equality scores and better allowing women to fulfil their potential, the countries of the Asia-Pacific region could add \$4.5 trillion to their collective annual GDP in 2025²⁹.

DIGITAL INCLUSION AND GENDER EQUALITY

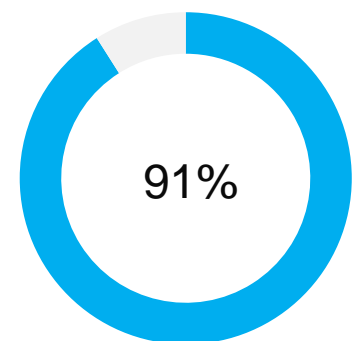
How will increased connectivity impact the lives of women in your country?



Neither gender nor ethnicity are a barrier to Internet adoption



Increased gender equality will drive adoption



Internet adoption will improve gender equality

THE IMPACT OF CONNECTIVITY

Are You Ready for the Next Billion?

What emerged from our survey of Asian tech leaders and experts was a picture of a region gearing up for the next wave of its digital transformation. A growing affluence has lifted over a billion people out of poverty, creating a new middle class — in many countries for the first time — and driving a growth in consumer demand. As people come online for the first time, they are eager to buy goods, to experience new entertainment and to use services which were previously out of reach, either economically or geographically.

But that's not all that's happening. As well as pent-up economic demand, the region is experiencing a social transformation that is equally significant. Citizens who were previously reliant on local job markets will soon be able to use online job sites to search nationally and even internationally for better work. Women will be able to shop, trade and invest online — among other things, using the region's many successful e-commerce merchant platforms — accessing opportunities that may not be as readily available to them offline. Across the region, populations which were previously economically marginalized will soon be able to participate in the global economy.

The Next Billion are waiting in the wings. But they won't be there for long. Very soon, they'll begin connecting to the digital world for the first time. And when they do, they'll transform their world — and ours.

ABOUT BOOKING HOLDINGS AND THE NEXT BILLION

With more than two decades of experience operating online, Booking Holdings has seen more than one iteration of the Internet. When the company started in 1997, the experience of being online was drastically different than it is today.

Websites were mostly text-based and served as places to order computer equipment. Only a few news outlets, like the New York Times, offered their content online, but most sites were simple databases with quick facts about popular topics like music, local events or computers.

This was a time before Google when about 70 million people—1.7% of the world's population— had access to the Internet, and their choices for browsing included only 100,000 websites.

As the Next Billion people come online, we near a record 5 billion Internet users —all able to contribute to, experience and influence the power of the Internet to transform lives and economies. These new users will be literate, young and educated. They will be aspirational. And what they do in their new digital lives will change our world.

THE NEXT BILLION

Footnotes

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