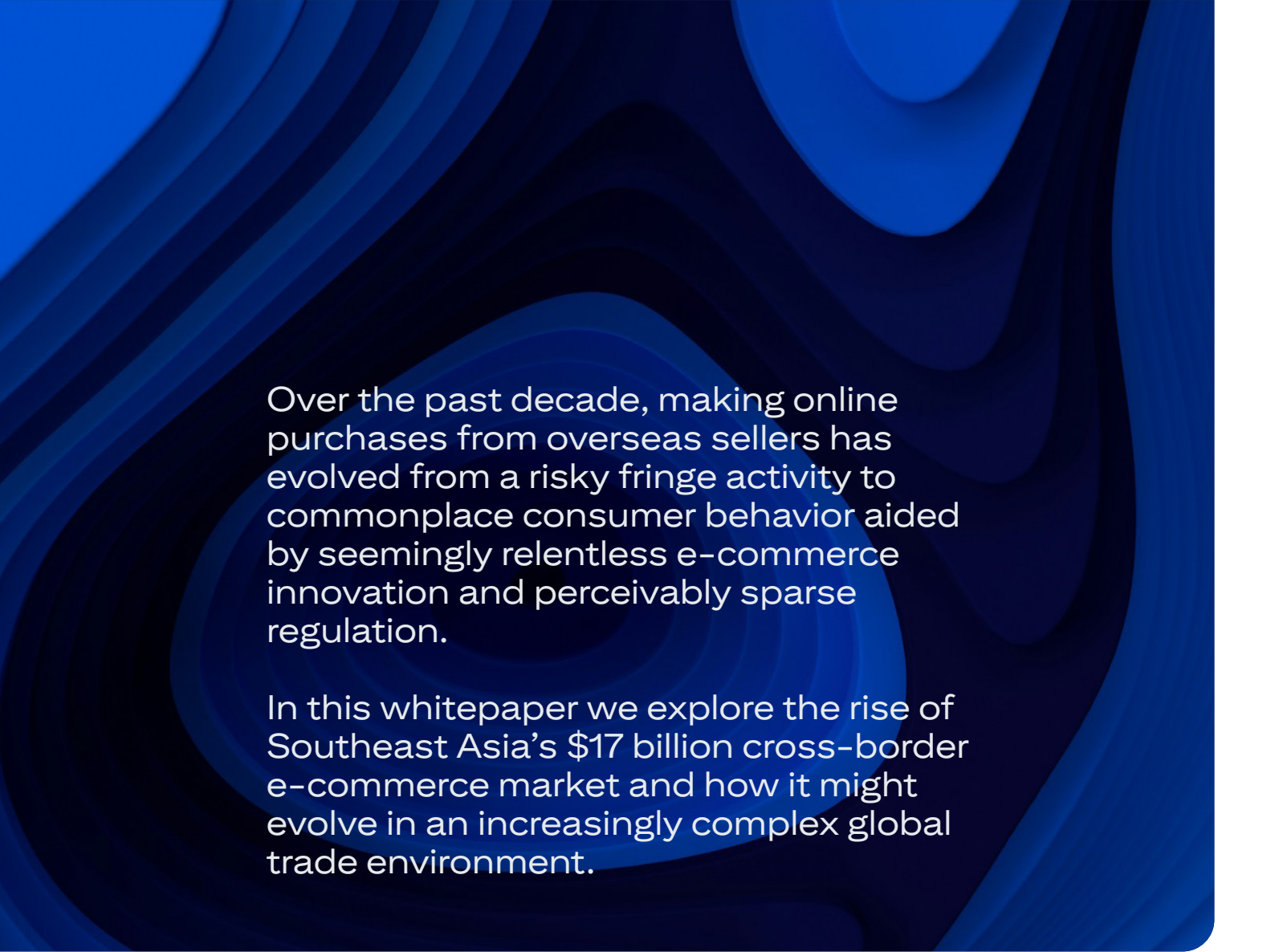


Profitable Pathways:
Rethinking Growth Strategies in E-commerce

The rise of *Cross-border E-commerce* in Southeast Asia, and what's next





Over the past decade, making online purchases from overseas sellers has evolved from a risky fringe activity to commonplace consumer behavior aided by seemingly relentless e-commerce innovation and perceivably sparse regulation.

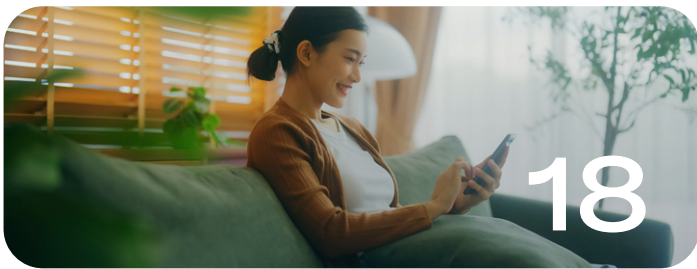
In this whitepaper we explore the rise of Southeast Asia's \$17 billion cross-border e-commerce market and how it might evolve in an increasingly complex global trade environment.

When Southeast Asia's more than 400 million consumers shop online, they are not only choosing which brand and product to buy, but increasingly also whether to purchase it from a seller in their own country or one based overseas. For most, that decision will hinge on a web of factors, including considerations about price, product availability, delivery time (logistics), trust and availability of preferred payment methods.

The phenomenon of cross-border e-commerce, where consumers order online directly from sellers outside their own country, has long been present in Southeast Asia, but has risen to a new scale and prominence in recent years on the back of several important 'unlocks'.

The year 2024 marked a significant milestone for cross-border e-commerce in Southeast Asia as the market reached an estimated sales value of \$17 billion – equivalent to more than 11% of total online sales in the region. What happens next will likely depend heavily on regulatory and macroeconomic developments.

The insights in this article are based on a new survey of 600 cross-border shoppers across Singapore, Indonesia, and Thailand conducted in March 2025, as well as Cube's Southeast Asia e-commerce market data and interviews with industry leaders.



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By the numbers: *Defining and sizing* cross-border e-commerce

Cross-border e-commerce covers all types of online transactions where a consumer purchases directly from a seller based outside their own country and where the parcel is shipped from another country.

Some of the most direct examples of this would be a consumer in Southeast Asia placing an order on an overseas e-commerce platform, but it also includes more 'indirect' cross-border orders placed with overseas sellers on domestic e-commerce platforms and online marketplaces.

Figure 1:

Cross-border e-commerce covers all consumer purchases directly from overseas sellers



This type of e-commerce has become increasingly popular in recent years, aided by several tailwinds:

- Consumers have become more familiar with – and confident in – shopping online
- E-commerce logistics supply chains have improved, shortening delivery times on overseas orders
- Payment infrastructure has improved, aiding cross-border consumers to use their preferred payment methods
- Popular regional e-commerce platforms have integrated overseas merchandise more natively into their interfaces
- Know your Customer (KYC) verification, essential in foreign merchant onboarding by platforms, has become stronger over time, and is now aided by AI technology, leading to lower rates of fraud and higher trust in the ecosystem

As a result, many online shoppers in Southeast Asia now regularly make cross-border purchases. In Thailand and Singapore, for example, Cube estimates that more than 70% of online shoppers make such purchases. In these markets, approximately 15-17% of online sales are estimated to come from cross-border transactions.

The notable exception to this regional trend is Indonesia, which has adopted a protectionist e-commerce regulatory stance. Whereas other markets are generally open for consumers to purchase from overseas sellers, Indonesia has all but banned cross-border purchases under approximately \$100. Consequentially, less than 30% of Indonesian online shoppers make cross-border purchases and such purchases drive only around 6% of the country’s online sales volume.

In aggregate, we estimate Southeast Asia cross-border e-commerce sales to be a \$17-18bn market in 2024. Thailand is the region’s largest cross-border market while Indonesia, buoyed by its large absolute e-commerce market size, holds the second spot despite its strict import trade barriers.



Cross-border e-commerce sales by market, 2024 estimate

	Indonesia	Malaysia	Philippines	Singapore	Thailand	Vietnam
Share of e-commerce	6%	15%	11%	19%	15%	17%
Sales value, USD bn	\$3.9bn	\$2.2bn	\$2.1bn	\$1.8bn	\$4.0bn	\$3.6bn

Source: Cube analysis

What may happen next is more challenging to assess. Over the past few years, cross-border e-commerce has generally grown in line with, or faster than overall e-commerce in markets with limited import restrictions. Therefore, future

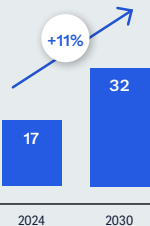
growth seemingly hinges on how the region’s regulatory landscape develops – which in turn is often highly dependent on shifts in global trade policy and macroeconomic factors, as well as domestic political considerations in the regional markets.

We forecast compound annual growth rates of 11-19% through 2030 across low, base, and high case scenarios.

Figure 2: Outlook scenarios for cross-border e-commerce in Southeast Asia
Annual sales in USD bn

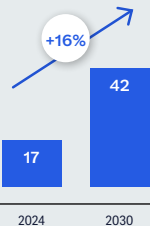
Low case

More markets adopt protectionist regulations similar to Indonesia, restricting growth



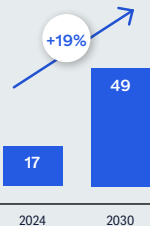
Base case

Regulatory picture remains as-is; cross-border continues to grow ahead of overall e-commerce



High case

Regulations facilitate more intra-Asia trade, including imports from China





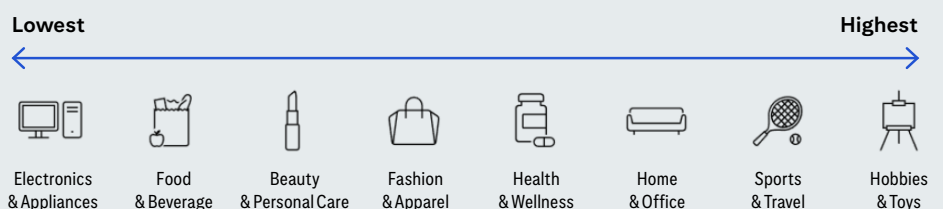
The *drivers* of cross-border e-commerce

What motivates consumers to purchase products from overseas sellers? Our research indicates that most cross-border transactions are impacted by one or several of the following three key drivers:

- **Price:** In some instances, purchasing from overseas sellers can allow for meaningful savings versus comparable products sold locally.
- **Product assortment:** Cross-border e-commerce can also give consumers access to products that are not available locally.
- **Preferred payment method availability:** Consumers seek to make purchases using their familiar and trusted payment methods. Meanwhile, especially in cross-border e-commerce, some consumers may be cut out of the market if they don't have access to payment instruments preferred by foreign merchants or platforms, such as credit cards. This is particularly relevant in Southeast Asia's developing economies.

Unsurprisingly, these factors do not apply equally to all types of products, and the cross-border product mix therefore differs greatly from overall e-commerce in the region. Some product categories have much higher concentration of cross-border transactions, as illustrated in Figure 3 below:

Figure 3: Share of online purchases that are from overseas sellers



Among the least popular cross-border categories, we find product types that have wide local distribution, such as electronics and beauty products.

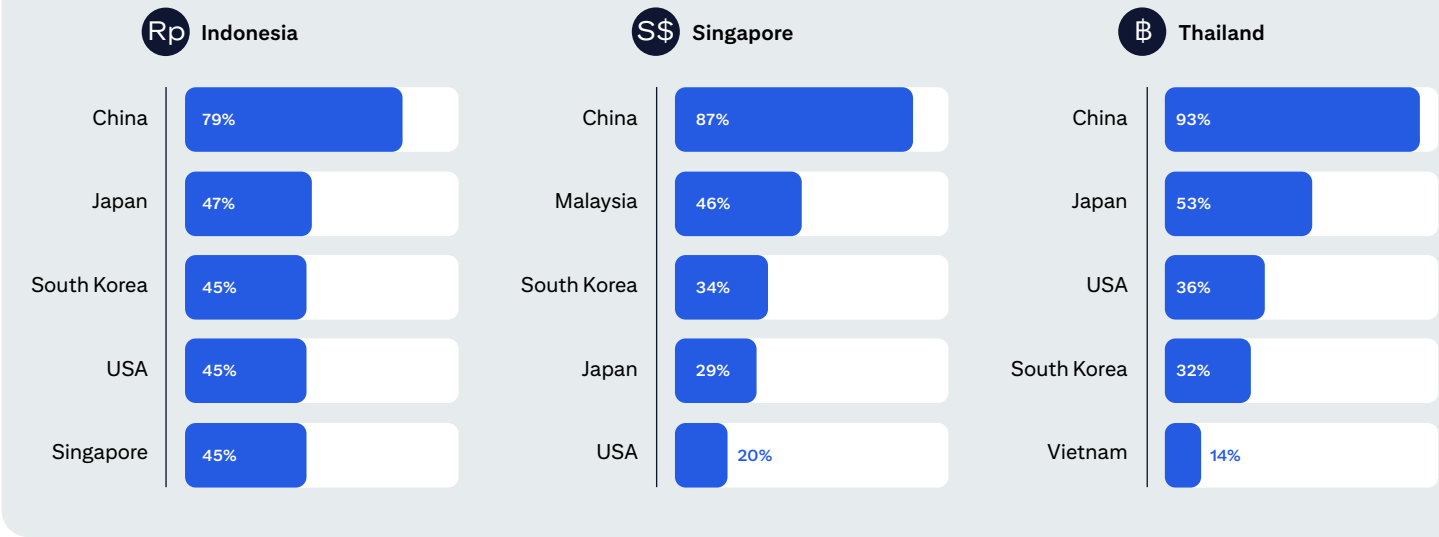
At the other end of the spectrum, there are several categories, where cross-border e-commerce accounts for a large share of total online sales. Most of these tend to be medium-to-low-value consumer durables, where price matters more than brand considerations.

Some of the examples are:

- **Home & Office**, where direct import of home accessories and even furniture from Chinese suppliers has helped consumers save money
- **Hobbies & Toys**, where Southeast Asian consumers look for deals on collectibles overseas, or scour foreign e-commerce platforms (including in North Asia) for products that are not available domestically

These dynamics also shape the geographical corridors where Southeast Asia’s consumers make cross-border purchases. This topic was covered in our cross-border shopper survey, as visible in Figure 4 below:

Figure 4:
Most popular source countries for cross-border e-commerce
% of respondents, n=600



While the source country mix of each surveyed market differs, some trends cut across them all:

- **China** towers above all other markets as the clear number one source country, which is not surprising given China’s manufacturing prowess and the country’s mature e-commerce sector and well-known cross-border platforms.
- **Japan and South Korea** are also among the top source countries for all surveyed markets. Here, consumers access a wide range of trending products that have limited availability in Southeast Asia.
- There are also some signs of **intra-Southeast Asia trade**, although not everywhere. Singapore’s neighbor Malaysia ranks as its second-most popular source country, while Indonesia and Thailand each rank regional neighbors as only their fifth-most popular source market.

Common factors for all these markets are that they provide Southeast Asian consumers with an appealing mix of savings and/or variety – at least in certain product categories. Importantly, the chart above shows the share of users who buy from different markets, and not their share of cross-border spending, which would tend to be more skewed towards China.

China towers above all other markets as the clear number one source country.



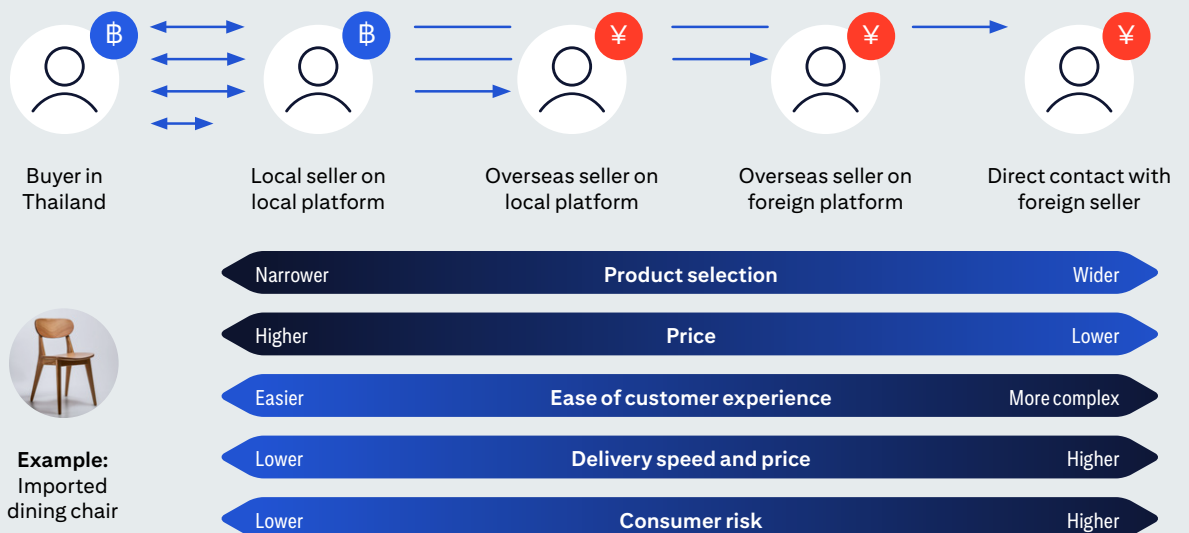
How consumers make overseas purchases

In the past, consumers who sought to make an overseas online purchase would often face a complex customer journey with hurdles all the way from product discovery to payment, delivery, and customer service. It took expertise and some risk to engage in cross-border e-commerce, with the pay-off being either a lower price, access to a wider assortment, or both.

While some of these challenges are still present today, the cross-border e-commerce landscape in Southeast Asia has evolved significantly, making it easier for consumers to engage. Today, consumers who seek to make an overseas purchase will be able to choose between several different ways of doing so, as illustrated in Figure 5 below:

Figure 5:

There are several different ways for consumers to buy from overseas sellers – with different trade-offs



In the above example, a consumer in Thailand is seeking to purchase an imported dining chair and can choose several different ways of shopping:

- Buy on a locally known platform from a seller/reseller in Thailand with local stock
- Buy on the same platform but from an overseas seller with overseas stock
- Buy on a well-known foreign e-commerce platform
- Contact a manufacturer in the source country and place an order with them

Crucially, each of these ways of shopping presents its own risks and challenges, as well as advantages. So, what do consumers choose?

Matt Lucas, Vice President, Cross Border Trade, PayPal, says: “In 2024, nearly \$700bn was lost by consumers in Asia to digital scams. Consumers rightfully have concerns about the security of their transactions and the legitimacy of the merchant. As a consumer purchasing directly from a seller or via a marketplace, the online checkout experience coupled with the post purchase experience are equally important in building consumer brand loyalty. A key benefit offered by PayPal, the Buyer and Seller Protection and Package tracking, offers a layer of security against fraudulent practices. Consumers should seek similar considerations when making a purchase online.”

Based on our research, most Southeast Asian consumers place the highest emphasis on trust, considering price, assortment, and other benefits for an order only after passing this ‘filter’. There is a strong drive to avoid scams and fraud, and the presence of a known, trusted platform is particularly helpful in alleviating these concerns.

This sentiment is echoed by Angad Dhindsa, Vice President of Southeast Asia of Razorpay, who notes: “One of the key issues is solving for trust. That is what makes e-commerce

happen. Large online marketplaces can build trust through branding, while social commerce sellers can build it directly by engaging with their audience. But trust is crucial.”

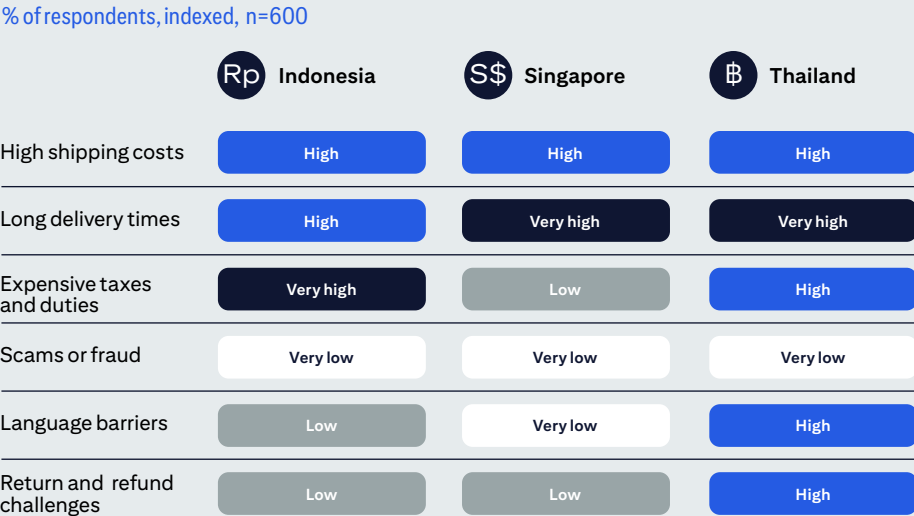
One nuance to this pattern is the emerging group of ‘prosumer’ buyers who invest significant effort in uncovering the best cross-border deals directly from overseas platforms and directly from overseas sellers. These buyers take pride in uncovering the best deals and savings but also accept that some purchases will not work out. This is however a small minority group.

Because most of Southeast Asia’s cross-border shoppers apply a trust-first principle to shopping, online platforms have responded to this concern over the years. As a result, today the problem of scams and fraud has become relatively limited. This is reflected in our consumer surveys with overseas buyers in Figure 6:

“In 2024, nearly \$700bn was lost by consumers in Asia to digital scams.”

Matt Lucas
Vice President, Cross Border Trade, PayPal

Figure 6:
Most common challenges faced when making overseas purchases



Across the three surveyed markets, scams and fraud are rated as ‘very low’ among challenges faced by cross-border buyers in their past purchase experiences. A few other insights stand out:

- Across all noted markets, high shipping costs and long delivery times are the most common challenges; this is not surprising as these are among the inherent trade-offs of cross-border purchases versus shopping locally
- Expensive taxes and duties are naturally a bigger challenge in highly regulated markets like Indonesia and Thailand than in the free-market haven of Singapore

Southeast Asia’s cross-border shoppers are generally a savvy group of consumers.

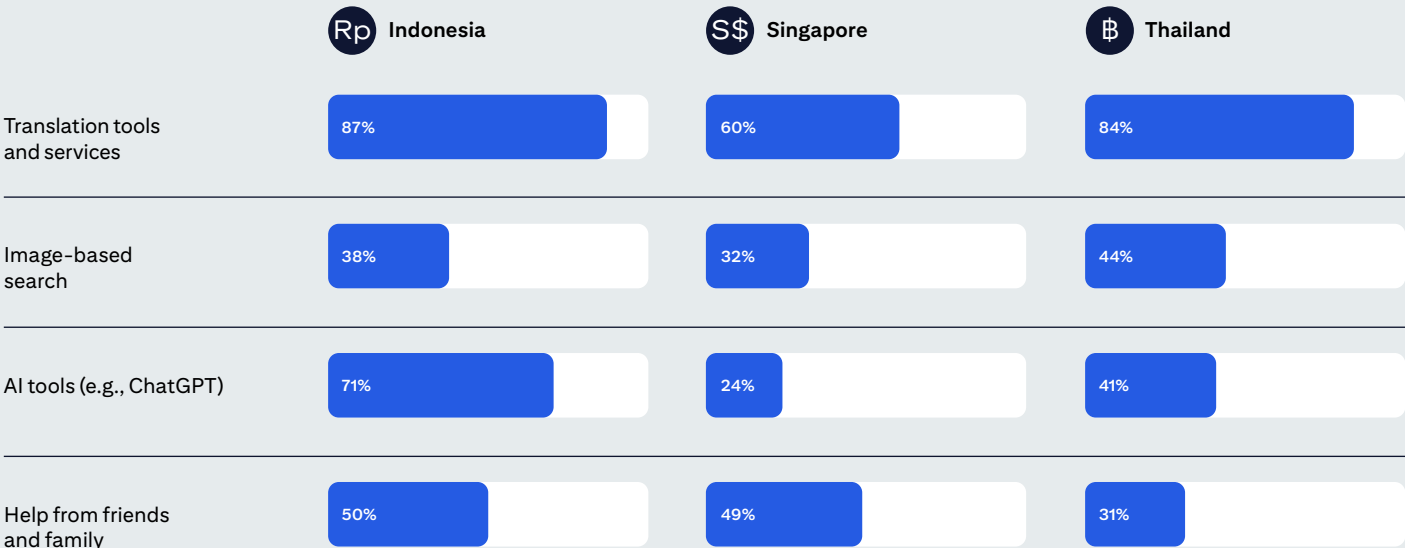
One of the reasons why customer experience issues such as scams, frauds, language barriers, and return challenges rank lower is because Southeast Asia’s cross-border shoppers are generally a savvy group. This is also reflected in consumers’ reported use of technology tools and other aids to help with their cross-border shopping, as illustrated in Figure 7:



Figure 7: Consumers are making use of technology and personal networks to make overseas purchases

“Which tools/aids have you used to shop?”

% of respondents, n=600



Translation tools and services are by far the most-used cross-border shopping tool, but others are emerging too. Image-based search, for instance, is used by more than

one-third of customers. Beyond technology, many consumers also make use of help from savvy friends and family members to help make cross-border purchases.

Cross-border e-commerce and *payments*

One of the most important unlocks for the recent growth of cross-border e-commerce has been the evolution of cross-border payments infrastructure. In the past, many consumers perceived such payments as risky, and even willing buyers often found completing overseas payments fraught with hassle and challenges. Returns and refunds were also often complex.

Two key developments have helped: first, the emergence of cross-border transactions on locally operated e-commerce and social commerce platforms has significantly reduced this friction point for Southeast Asian consumers. Secondly, innovation from banks, payments services providers, and Fintech companies has also made it gradually easier for consumers to make payments directly on overseas platforms or with individual overseas sellers.

In the survey, cross-border shoppers were asked which payment modes they would prefer to use if shopping on an overseas e-commerce platform or directly with an overseas merchant.

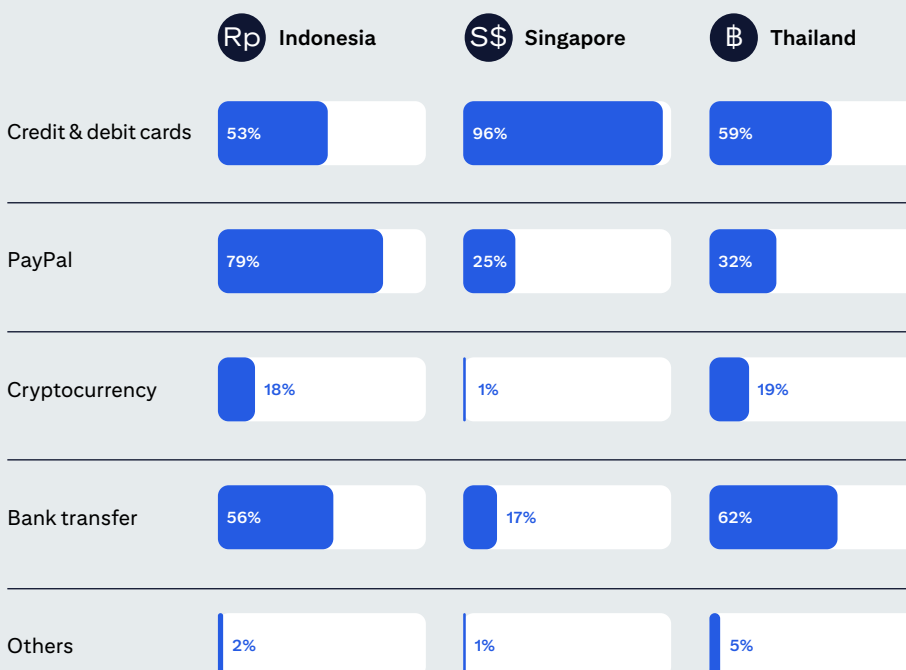
The results, shown in Figure 8 below, indicate that most consumers are seeking to use similar payment modes abroad as they do at home:

Figure 8:

Consumers seek trusted payment modes for overseas purchases

“What payment mode would you like to use on overseas platforms?”

% of respondents, n=600



While cross-border payments infrastructure has improved considerably, there are still several unsolved problems and areas for improvement that could drive more trade and better customer experiences. Among the top ones are:

- **Proliferation of ‘next-generation’ local payment modes for overseas purchases:** Payment modes such as e-wallets and account-to-account (A2A) QR schemes like PayNow and PromptPay have gained widespread local adoption in Southeast Asia, but are still not widely available for cross-border transactions.
- **Greater foreign exchange rate conversion transparency:** In a region like Southeast Asia, with considerable FX movements, many consumers pay close attention to exchange rates. According to our survey, more than 90% of cross-border shoppers in Thailand and Indonesia check FX rates at least sometimes. Providing better tools and more competitive FX rates will also benefit cross-border e-commerce growth.
- **Standardizing returns and refunds schemes:** In the past, credit cards have been best-known for offering chargeback features beyond the refunds and returns schemes offered by platforms. While an argument could be made that wider access to such features would help drive more cross-border transactions outside the largest platforms, cards are not widely available in the developing markets where QR- and e-wallet-based payments are more prominent. This leads to incremental pressure on the e-commerce platforms to enhance their fraud monitoring and malicious behavior detection measures, especially since chargeback is not available for these non-card based payment methods.

Cheryline Fong, a leader in payment solutions provider Boku’s ASEAN team, says: “In terms of digital payments innovation, China is among the most advanced markets and a place Southeast Asia can look for

inspiration. Cash use is all but gone and payment modes like digital wallets are dominant. Schemes like e-invoicing are also fully integrated.”

Over the course of cross-border e-commerce development in Southeast Asia so far, it is the local e-commerce platforms that have brought the biggest payments experience wins to this region’s cross-border shoppers – by making a cross-border payments experience feel identical to a local transaction.

Matt Lucas, Vice President, Cross Border Trade, PayPal, adds: “From speaking with our global consumers, we know that 93% are likely to make a purchase when prices are displayed in their local currency, and 77% would abandon their cart if their preferred

payment method isn’t available. A well-optimized checkout process that includes the right payment options and local currencies can lead to higher conversion rates. Strong authorization rates ensure that more transactions are successfully processed, which is crucial for sellers entering Southeast Asia.”

In the next stage of growth, however, it is likely that new innovations from banks and Fintech companies—sometimes working in collaboration—will help further democratize cross-border payments. That will support consumers to trade on a wider range of platforms, make the market more competitive, and build new trade connections across Southeast Asia and globally.

Use Case 1:

How Citi Fixed Rate (iFX) service enhances Cross-border eCommerce

Combining a fixed FX service (fixed rate for a pre-determined period) with local payment methods can enhance cross-border e-commerce by offering price transparency, reducing friction at the checkout and building trust with consumers who prefer paying with their familiar payment method for goods and services priced in their home currency. This approach allows international merchants, selling either directly or via platforms, to localize the customer experience while maintaining control over their revenue in their pricing currency, ultimately expanding their reach and conversion rates in diverse markets.

Use Case 2:

Powering Cross-border e-commerce via Bank-Fintech partnerships.

Collaborations between banks and Fintech can also play a pivotal role in enabling cross-border e-commerce in highly regulated markets such as India, by combining regulatory compliance and adherence to the Payment Aggregator Cross Border (PA-CB) framework with innovative customer-centric payment experiences. As the wealth and purchasing power of Indian consumers continues to grow, such collaboration facilitates effortless and compliant access to global merchants by offering local payment methods (UPI), faster settlement and transparent FX rates.



What lies ahead for cross-border e-commerce in Southeast Asia?

The growth of cross-border e-commerce has been good for Southeast Asia's e-commerce sector and good for the region's consumers. It has brought more competition, more choice, and helped to speed up online shopping innovation. Left on its default track of growth, the cross-border e-commerce market should continue to evolve and improve in the years to come.

There is, however, an increasingly sound counterargument against the unbridled growth of cross-border e-commerce. This line of thinking focuses more on the negative externalities of open cross-border e-commerce, such as how it can weaken the competitiveness of local retailers and brands and how it potentially generates large cash flows out of local economies.

So far, Indonesia is the only country in Southeast Asia which has adopted a staunchly protectionist stance inspired by these ideas. Consequently, the share of total e-commerce sales coming from cross-border in Indonesia is less than half that of its neighbors.

Moreover, the resurgence of tariffs and trade tensions in 2025 – particularly between major economies – has introduced new complexities for cross-border e-commerce in Southeast Asia. While a case could be made that the region stands to benefit from supply chain diversification and nearshoring, e-commerce players must navigate rising costs and answer to the increasingly complex regulatory environment.

A balanced approach may be beneficial. On one hand, local merchants should not face unfair price competition against overseas ones from paying local taxes and duties that foreign ones are exempt from. On the other hand, some manner of cross-border eCommerce will strengthen trade ties between countries – including between neighbors in ASEAN – and bring a more diverse range of products to market across the region.

At Citi, we are committed to supporting our clients in unlocking the full potential of cross-border e-commerce by offering compliant, secure, and tailor-made payment

solutions that help address the complexities of international trade. From enabling local payments and transparent FX to navigating evolving regulatory frameworks, our vast experience and global network help empower businesses to grow confidently across borders and deliver superb experiences to customers worldwide.

Left on its default track of growth, the cross-border e-commerce market should continue to evolve and improve in the years to come.

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