

# **Southeast Asia's B2B Digitization Leap:**

Seizing Opportunities  
in a Growing Region



## Foreword

We are optimistic about the future of the B2B business model in Southeast Asia (SEA), particularly in uncovering new opportunities. Our proven track record validated by the success with clients such as Inteluck and Buymed reinforces our confidence in the resilience and potential of B2B models. We believe that challenging economic conditions often drive innovation and efficiency, driving businesses to adopt robust and scalable solutions.

We specialize in growth-stage capital-raising services, steering companies to navigate the complexities of securing funding that aligns the interests of both businesses and investors. Our approach fosters a win-win situation, where companies receive the necessary capital to scale and innovate, while investors find promising opportunities with reasonable valuations and for long-term growth potential.

This report offers valuable insights for entrepreneurs navigating growth-stage fundraising in SEA. We remain firmly committed to supporting the B2B ecosystem and nurturing the next generation of B2B leaders in the region, driving impactful contributions to the market.

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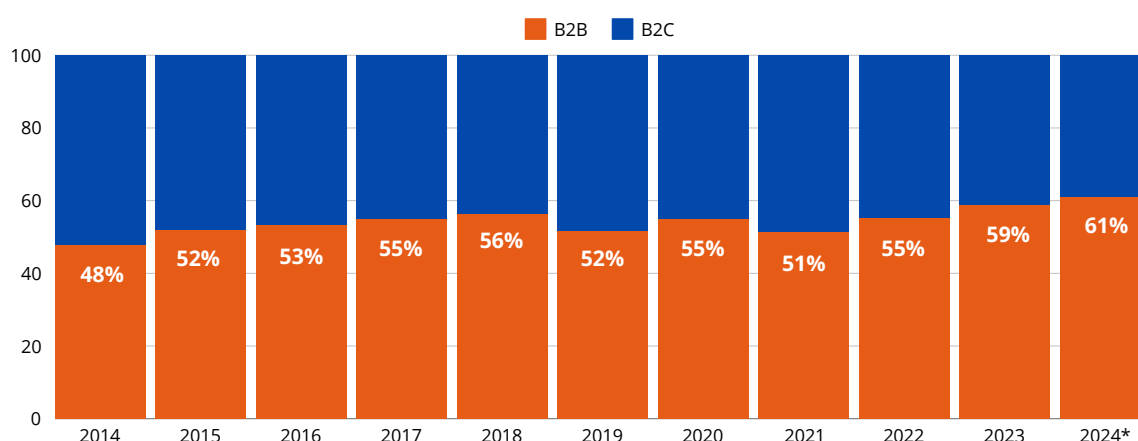
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# Navigating Southeast Asia's B2B Growth: Global and Local Firms Adapting to the Changing Landscape

Amidst significant global economic changes, Southeast Asia emerges as a beacon of potential, with enterprise services undergoing a dynamic digital transformation. This shift is driven by market imperatives and cutting-edge technologies, creating fertile ground for innovation and growth. From 2014 to H1 2024, there has been a notable increase in B2B funding, as these enterprises, with their predictable revenue streams, have become increasingly attractive to investors in the current market environment.

## Exhibit 1.

### Share (%) of Number of Deals by Business Focus, 2014 – H1 2024



\*Numbers reflect up to June 2024

Global tech companies are strategically investing in Southeast Asia to augment technological capabilities, thereby enhancing the region's appeal for global businesses and entrepreneurs seeking expansion or diversification.

The region's burgeoning digital penetration offers ample opportunities for innovative software providers, as organizations across the Asia-Pacific increasingly embrace digital agility. The adoption of SaaS, AI, and machine learning technologies have surged, reflecting a growing prioritization of digital initiatives. According to the International Data Corporation (IDC), Southeast Asia's spending on AI systems is projected to reach US\$6 billion by 2024, underscoring the region's strategic importance for global tech giants.

This trend is reinforced by substantial investments in local players, cloud systems, and AI infrastructure from leading tech enterprises like SAP, Microsoft, and Amazon. For instance, Microsoft has launched Azure regions in Indonesia and Malaysia, and Amazon Web Services (AWS) is enhancing its cloud infrastructure in Singapore. Furthermore, Bain & Company projects Southeast Asia's digital economy could reach US\$300 billion by 2025, fueled by these advancements.

These new technologies are being implemented across sectors such as logistics, healthcare, fintech, manufacturing, and education, driving efficiency and enhancing core business offerings. This ongoing digital transformation in Southeast Asia offers plentiful opportunities for enterprise services, suggesting a promising landscape for both local and international players seeking to optimize business efficiencies through innovative solutions.

Nonetheless, with these opportunities comes intensified competition. The influx of global companies into Southeast Asia brings more advanced technologies and disruptive models backed by substantial resources. This heightened competition raises the bar for service quality and efficiency, further accelerating innovation and growth in the region.

To get a good grasp of the evolving landscape, it is essential to evaluate both the advantages and challenges faced by local and global enterprises in SEA:

**Exhibit 2.**  
**Advantages and Challenges faced by both Local and Global Enterprises in SEA**

	Global Firm	Local Firm
Advantages	<ul style="list-style-type: none"><li>1. <b>Advanced Technologies:</b> Possess more advanced solutions that has yet to be adopted by local players;</li><li>2. <b>Superior Infrastructure:</b> Robust systems boost operational standards and capabilities;</li><li>3. <b>Substantial Resources:</b> Extensive assets enable significant market investments and growth;</li><li>4. <b>Disruptive Models:</b> Innovative approaches transform traditional business practices.</li></ul>	<ul style="list-style-type: none"><li>1. <b>Deep Local Insights:</b> Intimate knowledge of customer preferences and strong understanding of local market trends;</li><li>2. <b>Agile Operations:</b> Swift adaptation to market changes and strategic flexibility;</li><li>3. <b>Community Connections:</b> Strong relationships with local stakeholders enabling business partnership that drives innovation and resource sharing.</li></ul>
Challenges	<ul style="list-style-type: none"><li>1. <b>Cultural Differences:</b> Difficulty in tailoring products to local consumer behaviors;</li><li>2. <b>Regulatory Complexity:</b> Navigating diverse legal landscapes and compliance requirements;</li><li>3. <b>Partnership Building:</b> Challenges in establishing trust and negotiating with local partners.</li></ul>	<ul style="list-style-type: none"><li>1. <b>Technological Disparity:</b> Lag in R&amp;D and access to cutting-edge technology;</li><li>2. <b>Market Share Erosion:</b> Global brands overshadow local businesses, reducing market presence.</li></ul>

# Our Learnings on B2B Enterprise Service Opportunities in SEA

Understanding the fundamental structure of Southeast Asia's diverse landscape is crucial, as the region's varied languages, business climates, regulations, and market maturity present challenges for both local and global players. The key to success lies in achieving product-market fit within each country, given the differing market needs and maturity levels. For instance, complementary AI solutions for B2B enterprise services have thrived in Singapore, where AI can be seen as heavily used in advanced therapeutics development. This contrasts countries like Indonesia and Vietnam, where AI is primarily applied to automating day-to-day work. **Hence, targeting selected viable markets, offering localized services, or leveraging proven business models would be the ideal starting point to flourish in the heterogeneous SEA market.**

## Expanding Boundaries: Global Companies Entering Southeast Asia

Learning from the past successful cases of global companies entering Southeast Asia, it is clear that a deep understanding of local nuances is crucial. Companies that thrived consistently invested in building a strong local team in each new cities they entered. This localized approach proved invaluable for gaining insights into customer preferences, navigating operational challenges unique to the region, and tailoring their products or services accordingly.

**Timing also plays a significant role, particularly when forming strategic partnerships.** While some industries might experience a relatively smooth entry into Southeast Asia, those in highly regulated sectors like Fintech often face more complex requirements. **Regulatory compliance delays can hinder market entry, making it essential to establish strategic partnerships early.** These partnerships can help companies shorten the time to market, allowing them a head start and prevent competitors from gaining an advantage.

## Winning in the Home Turf: Growth Journey of Regional Players

We have seen global players do well in the Southeast Asian market. Nevertheless, regional players can still compete and co-exist leveraging their strong understanding of the cultural setting and forge strong local partnerships. Notably, the success of Southeast Asian companies in establishing presence in the US, Europe, and broader APAC markets demonstrates that regional players have the potential to stand toe-to-toe with global competitors and make a significant impact on the global stage.

On the other hand, the constant influx of new players in the region poses challenges for companies to differentiate themselves, accelerate growth, and become the winning player in the market. **Despite the increasing number of B2B enterprise service providers, successful regional companies stand out by addressing industry pain points effectively. Understanding how a company's main offerings resolve these issues is crucial for identifying and capitalizing on expansion opportunities.**



## Zooming in on regional players

Notable growth-stage companies like **Buymed** and **Inteluck** are making significant strides. Headquartered in Singapore, both are driving the digitalization of traditional systems in healthcare and logistics, respectively, **effectively addressing key industry pain points**.

### **Case in Point 1: Founded in 2018 in Vietnam, Buymed has revolutionized the pharmaceutical supply chain by digitalizing interactions between manufacturers, distributors, and clinics.**

The previously fragmented Vietnamese pharmaceutical industry was full of independent players and lacked a cohesive network. Digitalization became the fundamental answer for the pain point, opening opportunities for the Buymed team to develop a B2B platform addressing the distribution, transportation, and warehousing challenges. Not only relying on the technology but the extensive partner network they have built within the pharmacies, clinics, and hospitals played a huge role in its growth. After establishing dominance in Vietnam, Buymed later expanded to Thailand and Cambodia with six offices across Southeast Asia and continuing its regional expansion.

**Case in Point 2: Inteluck, a company offering digitalization for the logistics supply chain services in SEA tackles a similar pain point. Founded in 2014 in the Philippines, Inteluck recognized the need for technological disruption in addressing delivery inefficiencies within the logistics industry.** At a time when few players were focusing on digitalization and efficiency improvements in traditional logistics, the company stepped up to offer innovative solutions that enhanced operational efficiency and streamlined processes.

Specializing in contract logistics services and transport management systems (TMS). Inteluck has established a robust presence in key regional markets, including the Philippines, Thailand, and Vietnam. Unlike many of its peers, Inteluck primarily targets large enterprises like Coca-Cola, Nestle, and Lucio Tan's Asia Brewery rather than SMEs and retail businesses, allowing the company to have a more stable and sustainable business. The client segment they mainly serve became another catalyst factor for Inteluck's organic regional expansion.

**Bridging the technology gap is important, but leading in technological advancement does not guarantee market dominance. The degree of necessary advancement may vary across industries.** While high-tech solutions like IoT automation are vital for efficiency in traditional sectors like logistics and manufacturing, some Southeast Asian healthcare markets might benefit more from fundamental digitalization efforts. For example, a streamlined pharmaceutical supply chain, as demonstrated by Buymed, or an integrated digitalized hospital solution through a Hospital Information System (HIS) could address key industry needs. Simpler tech solutions, such as personalized AI chatbots and co-pilots, can also enhance efficiency in various sectors.

Proven solutions can be replicated in similar markets, highlighting the importance of clear objectives for companies aiming for regional or global expansion. Prioritizing fundamental pain points over cutting-edge technology is key to achieving successful market adoption.

# Optimizing Growth-Stage Fundraising in Southeast Asia

We have successfully advised Buymed, a B2B pharmaceutical distribution company in Vietnam, on securing a US\$51.5 million Series B funding round, with UOB Venture Management (UOBVM) as the lead investor along with new participation from the United States International Development Finance Corporation (DFC). Following that, we facilitated Inteluck, a B2B technology-driven supply chain provider, in raising US\$34 million Series C round, led by Navegar, the first Philippines-focused private equity firm. Drawing from our exclusive role in securing growth-stage fundraising for B2B business models in Southeast Asia, we would like to share key insights and learnings from these experiences.

## 4 Considerations to Pay Attention to When Fundraising in the Growth Phase

### 1. Importance of Managing Cap Table Diversity

Finding the right investor who can support the company's mission and bring significant value are crucial in growth-to-later stage funding. The nature of company's target market - Large Enterprises or SMEs & Retail - will define which type of investors are suitable. For local founders with regional expansion plans, onboarding strategic partners who can facilitate smooth entry into new markets is important. For global founders with businesses in SEA, having a strong and influential local partner proves beneficial for long-term success.

We are confident in our Southeast Asian-based investor network, as well as our connections with regional and global investors with interest in the SEA markets. Our networks include venture capital, private equity, corporate venture capital, large conglomerates, impact funds, fund of funds, and family offices.

### 2. Reduce Friction with Good Material Preparation

Thorough material preparation can expedite the fundraising process and increase the success rate of securing the investment. It is important for B2B businesses to identify which key data to present in the data room, such as, customer concentration and retention rate. Additionally, preparing answers to frequently asked questions (FAQ) can significantly reduce back-and-forth communication between parties.

More importantly, understanding and presenting a clear growth narrative, supported by verifiable key assumptions and other supporting data, are essential for advancing a deal successfully.



### 3. Reasonable Valuation Expectation to Support Long Term Growth

The fundraising plan is closely tied to the valuation plan and the use of proceeds. A reasonable valuation is essential to determine the appropriate fundraising amount, and the rationale for the use of proceeds should clearly demonstrate its connection to business growth.

Balancing the expectations of the founding team, existing shareholders, and new investors is crucial. Valuation testing helps identify the most suitable plan that aligns with every party's interests during fundraising.

### 4. Professional Communication in Advancing Negotiations

Fundraising is fundamentally a people-to-people business, where trust and communication are integral. A good advisor plays a crucial role in facilitating key negotiation, understanding key issues and resolving conflicts from a neutral standpoint. This approach is instrumental in advancing deals forward, especially when potential conflicts arise between parties.

**Read more:**

[Favour Capital advises Buymed on US\\$51.5 million Series B round](#)

[Favour Capital advises Inteluck on US\\$34 million Series C round](#)



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## About

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Favour Capital is a boutique investment bank registered and headquartered in Singapore focused on the new economy and upgrading of traditional industries in emerging Asian markets, including Southeast Asia and China.

With professional teams in Singapore, Indonesia, Vietnam, and China, we provide capital raising and M&A financial advisory services, assisting our clients and partners to expand regionally and globally.

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