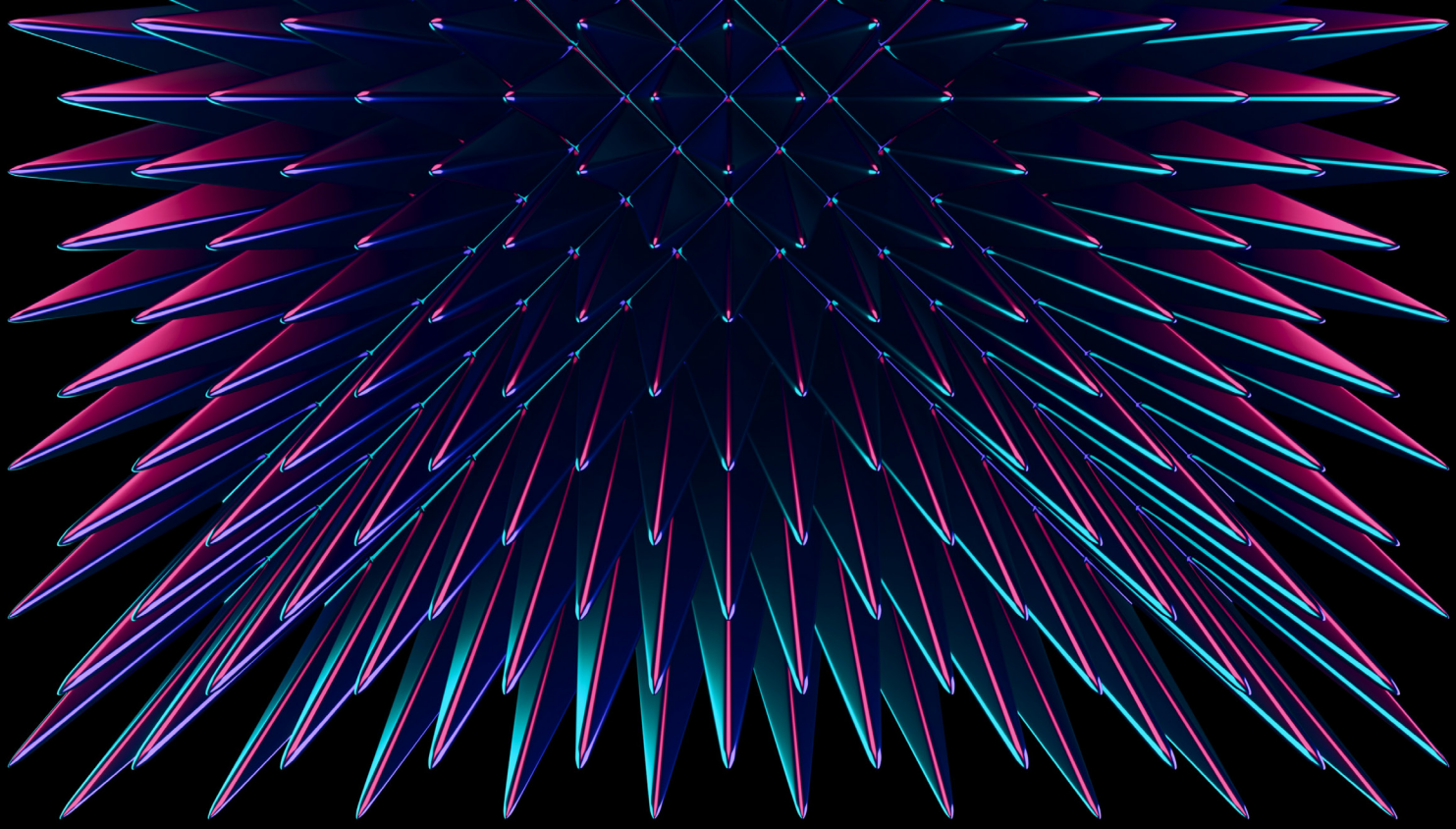


GenAI Fund

ASEAN GENAI STARTUP REPORT 2024

Full Version

genaifund.ai

Sep, 2024

Content Outline

About GenAI Fund

GenAI Fund is a Southeast Asia-based fund focused on Generative AI (GenAI), with an initial capital of $10 million. Founded by former Amazon Web Services (AWS) executives Laura Nguyen and Denning Tan, the fund invests in early-stage GenAI startups, focusing on growth strategies, Go-to-Market approaches, and future exit opportunities.

GenAI Fund provides capital and offers market insights and strategic guidance to portfolio companies and the broader AI community. For more information, visit here: https://genaifund.ai/

Key Authors

Laura Nguyen

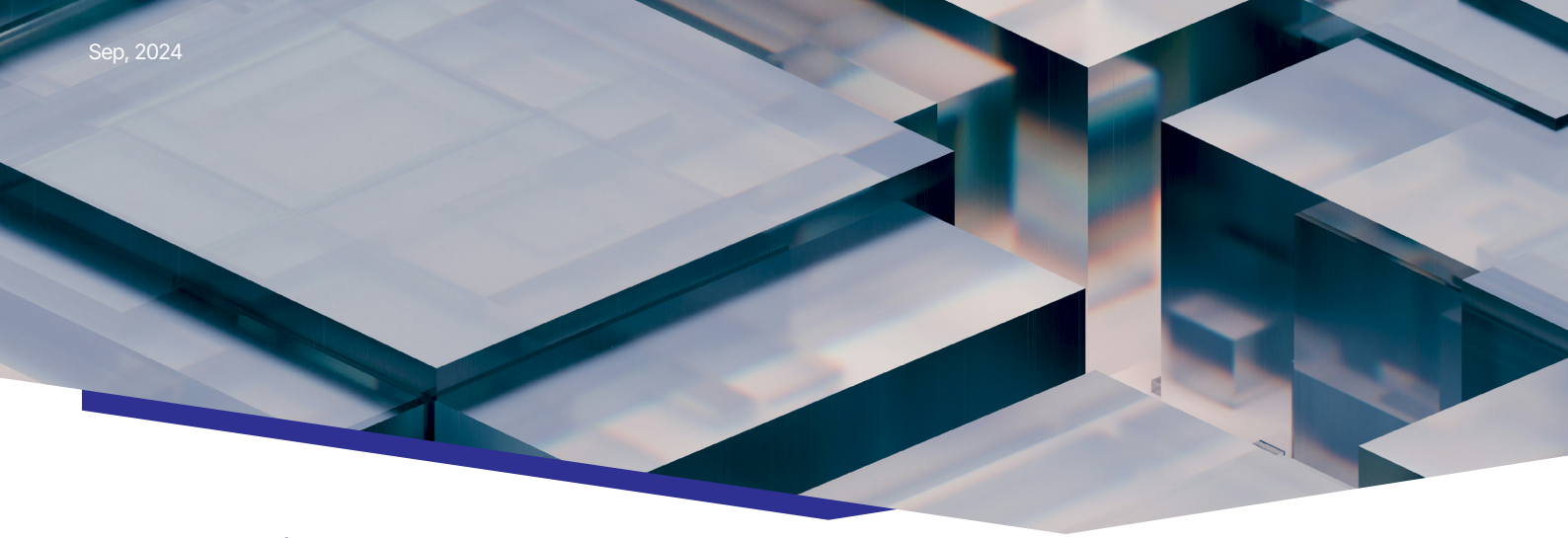
Laura Nguyen is a Partner at GenAI Fund, bringing extensive experience in technology and entrepreneurship to her role. Her career highlights include founding and successfully exiting an education venture and leading market development initiatives in Vietnam for a global cybersecurity company.

Laura has also played a pivotal role in expanding Web3 and AI businesses across Southeast Asia for Amazon Web Services (AWS). She currently serves as the Country Head for Ava Labs in Vietnam and is a founding advisor to Arcanic AI (Top 3 fine-tuned Vietnamese LLM), recognized among the top 12 startups in the AWS GenAI ASEAN Startup Accelerator Program.

Denning Tan

Denning Tan is a Partner at GenAI Fund and brings a wealth of experience with 20 years in the tech startup, investment and M&A sectors. Previously, he was Director of Ecosystems & Sustainability at CARSOME, Malaysia's first unicorn, where he led the company's ecosystem and venture-building strategy, M&A, and sustainability initiatives. Before CARSOME, he was the Head of Startup Ecosystems for ASEAN & Pakistan at Amazon Web Services (AWS), where he played a crucial role in supporting thousands of startups by co-creating the AWS ASEAN startup playbook and utilizing AWS's resources to nurture startup business development in the region.

Before AWS, Denning spent 15 years working closely with / representing startups, investors and acquirers worldwide on fundraising (seed to pre-IPO) and M&A exceeding $1 billion in deployment, acquisition strategies, product and business development, and running an accelerator / incubator, with roles as founder, chief innovator, general counsel, VC/PE lawyer, mentor and angel investor.



Executive Summary

The ASEAN GenAI startup ecosystem is rapidly evolving, with Singapore leading at 44% of startups, followed by Vietnam (27%), Indonesia (13%), Thailand (7%), Malaysia (6%), and the Philippines (3%). Key industry verticals include Productivity & Business Solutions (26%), Healthcare & Wellness (13%), Financial Services (13%), Technology & AI Solutions (11%) and others.

GenAI startups in ASEAN are predominantly B2B focused (92%). They face challenges such as slow enterprise onboarding, product-market-fit, cash flow management, competition with established players and lack of sales resources. Opportunities lie in developing specialized solutions for niche markets and leveraging local expertise to create tailored AI applications.

Relationships with Big Tech are complex. Cloud providers like **AWS** (67% usage), **GCP** (47%), and **Azure** (41%) offer essential infrastructure and support. Foundation model providers such as **OpenAI** (76% usage) and **Anthropic** (31%) provide crucial AI capabilities. Startups must balance leveraging these resources while developing unique value propositions to avoid or minimize direct competition.

Funding for GenAI startups in ASEAN shows 50% are bootstrapped or angel-funded, while 41% have secured pre-seed or seed funding. This presents a good investment opportunity due to lower valuations compared to US counterparts, focus on sustainable business models, and the potential to leverage ASEAN's second-mover advantage in AI adoption.

GenAI Fund aims to catalyze growth in this sector by committing to invest in the top 20 ASEAN GenAI startups over 18 months, facilitate go-to-market (GTM) partnerships with enterprises, and support startups in navigating exit opportunities. The fund's ambition is to position ASEAN as a global leader in AI innovation and drive enterprise adoption.

1. Generative AI in ASEAN - Early Days, Moving Fast

It has only been 21 months since **OpenAI** launched ChatGPT, a highly advanced chatbot that captivated the tech industry and brought generative AI (GenAI) into the mainstream. This innovation triggered significant follow-on investment from Microsoft to the tune of $10 billion[1], sparking an AI arms race. **NVIDIA**, whose chips and software are crucial for powering the large language models (LLM) behind technologies like ChatGPT and image generators like DALL-E 3, saw its stock rise by 14%[2] after CEO Jensen Huang emphasized the company's strategic advantage in the AI boom. By June 18, 2024, NVIDIA's market value hit $3.34 trillion, surpassing (albeit briefly) even tech giants like Microsoft and Apple to become the most valuable company on the planet[3], underscoring its leadership role in the AI sector.

Building on these global trends, the impact of GenAI is strongly felt in ASEAN, where countries like Vietnam, a hotbed of technical talent boasting over 530,000 IT professionals[4], have been among the first in the region to leverage LLMs. Binh Tran, Co-founder and General Partner of Ascend Vietnam Ventures **(AVV)**, remarked: *"Foundation models are like a tidal wave - once they've gained momentum, they sweep across industries and lives. Even my mother is using ChatGPT now, which shows just how far-reaching this technology has become."*, when queried on the prevalence of GenAI. Across the region, startups and enterprises are adopting GenAI technologies rapidly, particularly at the application layer.

ChatGPT 4.0 defines GenAI as *"a type of artificial intelligence that can create new content, such as text, images, music, and even videos. Unlike traditional AI, which usually analyzes or classifies existing data, generative AI produces original data by learning patterns from large datasets"*. It's like a graduate student who, with more knowledge and training, becomes increasingly intelligent—potentially reaching the level of a Nobel Prize winner, as co-founder of **Anthropic**, Dario Amodei, noted in an interview with Noah Smith on Econ 102.[5]

Common Use Cases of GenAI:

- **Text Generation:** AI writes articles, emails, or social media posts.
- **Image Creation:** AI designs original artwork or edits photos.
- **Music & Audio Creation:** AI composes music or generates voice recordings.
- **Video Generation:** AI creates or enhances videos automatically.
- **Code Writing:** AI helps developers by generating or completing code.
- **Chatbots:** AI powers chatbots that offer smart, personalized customer support.

As the first GenAI specialized fund in Southeast Asia, GenAI Fund is committed to continually explore this space deeply and share valuable insights particularly on ASEAN, including highlighting innovative GenAI startups shaping the future. The rapid evolution of GenAI is driving significant productivity gains, compelling startups to adapt and innovate continuously. To paraphrase Mark Zuckerberg, it's now a matter of "Move Faster; Break or Be Broken." Our curiosity led us to investigate the GenAI landscape in ASEAN by focusing on the roles of various stakeholders, especially enterprise support for startups' go-to-market (GTM) strategies. We addressed the challenges and opportunities for GenAI startups and analyzed the region's funding ecosystem, including a rising interest in mergers & acquisitions (M&As) by enterprises. By sharing these insights, we aim to answer 3 key questions:

01 How is ASEAN shaping up in terms of GenAI, and what are some of the key trends and pain points?

02 Are big tech companies allies or competitors to GenAI startups?

03 To fund or not to fund: The case for GenAI startups in ASEAN.

This report, the first of its kind focused specifically on GenAI startups in ASEAN, draws upon our analysis of a growing list of 700 GenAI startups in our database, comprehensive survey of 250 GenAI startup respondents in the region, interviews with 25 featured startups, and insights from over 15 select VCs/accelerators/incubators, including **Lightspeed Ventures**, **DO Ventures**, **Wavemaker**, **AVV**, **917 Ventures** and **Kaya Founders**. We also engaged with key government bodies, such as **Vietnam's National Innovation Center (NIC)**, **Singapore's Infocomm Media Development Authority (IMDA)**, **Indonesia's Ministry of Communications and Informatics (KOMINFO)** and the **Malaysia Digital Economy Corporation (MDEC)** among others, as well as major cloud and tech players like **Amazon Web Services (AWS)**, **Google Cloud Platform (GCP)**, **Microsoft Azure**, and **Databricks.** Additionally, we consulted with leading figures in the GenAI space, including **OpenAI (ChatGPT)**, **Meta (Llama)**, and **Cohere.**

2. Generative AI Landscape in ASEAN

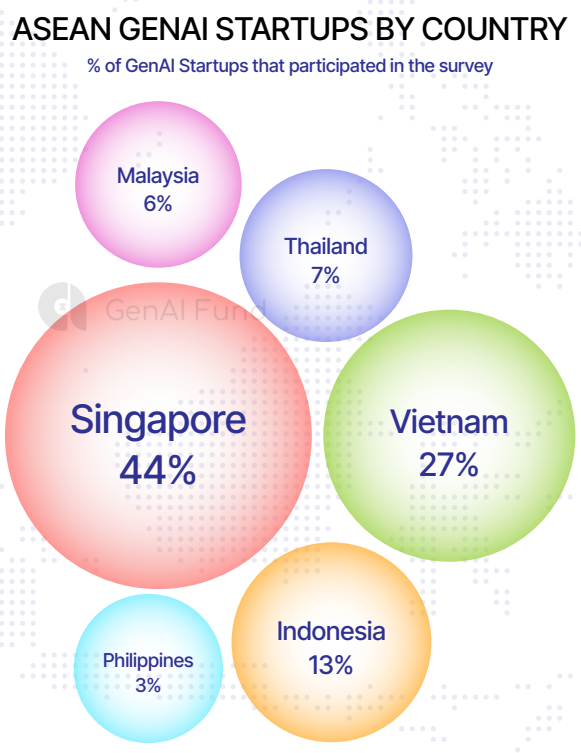
GenAI Startup Hotspots

Among the 250 GenAI-native startups surveyed by GenAI Fund, 44% are based in Singapore, 27% in Vietnam, 13% in Indonesia, 7% in Thailand, 6% in Malaysia, and 3% in the Philippines. Note that the rest of ASEAN also possess GenAI startups to a lesser extent (particularly Cambodia, which have a few promising ones) but have been rounded down in this country chart for simplification. Singapore leads the GenAI startup charts, but Vietnam is the one to watch, ranking #2. Indonesia trails at #3, for now. While Singapore's dominance is unsurprising due to its business-friendly environment, tax structure, access to funding, diverse talent pool, strong infrastructure, and supportive government[6], Vietnam's rise to #2 is particularly notable.

To add, some regionally based startups (outside Vietnam) are building their initial MVPs or establishing remote development teams in Vietnam. For example, **Eklipse.gg**, a GenAI tool that automatically converts lengthy gaming streams into short viral clips, epitomizes the trend of "Built in Vietnam; Based/Popular Elsewhere." This aligns with data showing that lower operational costs and access to a diverse talent pool make Vietnam an attractive hub for development work. These cost efficiencies, combined with a rich talent base, enable startups like Eklipse.gg to produce high-quality output while keeping expenses manageable, making Vietnam an increasingly popular choice for establishing development teams for many startups, and the current epicenter for GenAI.

Somewhat surprisingly, Indonesia has seen a relatively slower uptake in building GenAI startups despite its overall startup count (both GenAI and non-GenAI) being neck-to-neck with Singapore. When interviewed, Rama Notowidigdo, co-founder of notable startups, **AwanTunai** and **Sayurbox**, attributed this to Indonesia's general focus on B2C startups (as opposed to B2B startups that make up most of the GenAI startups built in ASEAN, as seen later in this report) that can leverage its large 280 million population, notably startup unicorns like **GoTo**, **Traveloka**, **Akulaku**, and **Kopi Kenangan.**

Despite the slower uptake, the emerging market growth potential in Indonesia is evident in the success of B2B/B2G startups like **Meeting.ai** which provides culturally-attuned transcription that captures Southeast Asian accents and nuances more accurately. This success is partly due to a significant contribution from the Singapore government, which provided over two terabytes of voice data featuring primarily Singaporean accents to train Meeting.ai's models. This focus on regional data greatly enhanced the accuracy of their transcriptions, setting them apart from global competitors such as **Otter.ai**. Originally a B2C software, Meeting.ai pivoted to a B2B/B2G model, with government and enterprise clients now comprising over 90% of its revenue. Hokiman Kurniawan, CEO Co-Founder, shared its humble beginnings: *"Starting in 2017, we collected vast amounts of Indonesian language data. This groundwork allowed us to pivot effectively into generative AI, providing tailored solutions for local enterprises and government agencies, while ensuring compliance with regional data regulations."*



Generative AI Landscape in ASEAN

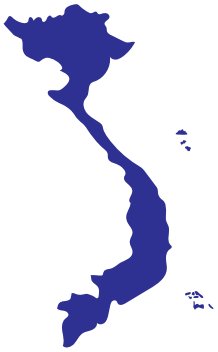
ASEAN GenAI Startup Landscape: 18-Month Forecast by Country

Singapore: Class-leading Resources for GenAI Innovation

We expect Singapore's overall GenAI startup count as an ASEAN percentage to fall from 44% to between 35-40%, more as a function of the faster growth of other ASEAN countries. Due to cost and talent pool constraints, increasingly more Singapore based startups will build their products remotely and maintain remote engineering teams outside Singapore (as with the **Eklipse.gg** example). We are seeing this first-hand with the numerous pre-seed and seed stage startups that engage with GenAI Fund, with intended use of proceeds for product builds from MVP stage to take place outside Singapore, and with Vietnam most often named as the intended outsourced country. Nonetheless, Singapore will continue to raise the bar in producing a higher proportion of leading (and better funded) startups in the region as Singapore startups as a whole move up the value chain. Singapore has also demonstrated increasing creativity and willingness to support companies in developing and fast-tracking the adoption of AI, which other ASEAN countries could consider adapting. In terms of government-related support for AI/GenAI startups in particular, to mention a few (non-exhaustive):

- **GenAI x Digital Leaders Initiative**
  Launched by IMDA, this initiative provides businesses with access to GenAI expertise and resources, to help companies understand and implement customized GenAI applications for business needs.
- **The Productivity Solutions Grant (PSG)**
  Launched by EnterpriseSG, PSG supports GenAI startups by providing financial assistance, access to pre-approved solutions, hands-on experience through the GenAI Sandbox for SMEs, marketing and networking support and other resources to adopt and fast track advanced technology solutions.
- **AI Verify Foundation (and Project Moonshot)**
  Launched by IMDA, AI Verify is a global open-source community that provides free-to-use products and convenes AI owners, solution providers, users, and policymakers, to build trustworthy AI, and generate reports to give assurance to their clients and stakeholders.
- **GenAI Sandbox for SMEs**
  Launched by IMDA, this platform is designed for SMEs to experiment with curated GenAI solutions and unlock productivity gains through hands-on experience with advanced digital technologies.
- **National Multimodal LLM Programme**
  Funded by the National Research Foundation, this S$70 million initiative focuses on developing LLM tailored for Southeast Asia's diverse cultures and languages.
- **AI Trailblazers Initiative**
  Collaboration between the Ministry of Communications and Information, Digital Industry Singapore, Smart Nation and Digital Government Office, and GCP. This initiative helps organizations identify real-world challenges that can be addressed with GenAI, and facilitate the development of solution prototypes through Innovation Sandboxes.
- **SMEs Go Digital Programme**
  This program helps SMEs adopt digital solutions, including those with AI features, by working with tech vendors to provide pre-approved digital solutions tailored for various business needs.
- **Digital Enterprise Blueprint**
  This blueprint supports SMEs on digital transformation, including adoption of AI, by facilitating experimentation and providing resources for digitalization.

Generative AI Landscape in ASEAN



Vietnam: ASEAN's GenAI Development Epicenter; poised for Global GenAI Leadership
Given all the attention on Vietnam for GenAI, we anticipate its GenAI startup count percentage to rise from 27% to 35%, pushing Singapore very closely. Each advancement of popular LLMs and open-sourced models will only serve to spur more rapid adoption in the form of new GenAI products being built. Vietnam builders are known to be highly technical and often build products "for fun", where it is not uncommon for one startup to build, test and iterate on several GenAI products simultaneously. As an example, Vietnam has 19 fine-tuned Vietnamese LLMs listed on the Vietnamese Multitask Language Understanding (VMLU) Leaderboard of Fine-tuned Models.[7] In addition, the NIC (a government organization under the Ministry of Planning and Investment) has recognized Vietnam's organic drive in leveraging GenAI to become a regional AI leader over Singapore and Indonesia[8], and are building on this momentum by collaborating with startup community leaders to grow national AI literacy rates (among teachers, students and developers), with Big Tech like Google (Google for Startups Accelerator, Google-NIC collaboration to offer 40,000 Google Career Certificate scholarships and other Google for Education initiatives)[9] and with events organized by the likes of GenAI Fund. Arguably, among ASEAN nations, Vietnam possesses the technical capability to become a global powerhouse in GenAI by moving up the value chain on GTM success with its GenAI solutions (as opposed to just outsourcing excellence) by spurring more startup champions in the medium term.[10] One of its looming challenges, however, is the rapid GenAI advancement of Natural Language Programming and AI Code Generation capabilities, which has the effect of eroding Vietnam's enviable advantage in technical coding while boosting that of others - hence the need for Vietnam to capitalize quickly while upskilling its workforce for a GenAI world.

Indonesia: Poised for B2C GenAI Boom
While we expect Indonesia's GenAI startup percentage to be range bound, we anticipate that growth will start to ramp up only after 12 months, and that Indonesia will build a disproportionately higher percentage of B2C GenAI startups (that leverages its 280 million population) as opposed to the rest of ASEAN. Discussions with KOMINFO and Indonesia's startup agencies have nevertheless been encouraging, with AI growth and GenAI startups being escalated in the agency's overall AI and development agenda. Once Indonesia begins to ramp up, its growth will start to outpace its neighbors. It now has the opportunity to quickly study how its neighbors are accelerating AI (especially Singapore), build close collaborative relationships and implement class-leading initiatives adapted for its large population. 2025 is pivotal and Indonesia must seize the initiative soon. GenAI Fund's event in Jakarta was well-attended, showing a strong interest in GenAI by the community, with high quality startups like **Prosa.ai**, **Lexilaw.ai** and **Nexmedis** paving the way on display.

Thailand: Strong Ecosystem Growth
Other than Vietnam, Thailand is showing a strong appetite for AI across all stakeholders from AI leaders like **Botnoi** that drives community interest in AI, its thriving enterprise/conglomerate innovation and investment structures led by the likes of SCB, CP Group, Kasikorn Bank, Bangkok Bank and several others, Big Tech led initiatives such as Microsoft's "AI for All Thais" to train 1 million Thais in AI, upcoming large scale AI-focused events to drive regional interest and several government initiatives in driving national AI policies.[11] Thailand is also expected to be one of the first ASEAN nations with a successful AI startup listing on the Thailand Stock Exchange (SET) through **Amity Corp** that owns Amity Solutions, which collectively raised $60 million in its latest Series C round from the likes of Insight Capital, SMDV and Gobi Partners, that will only serve to drum up the interest among Thai GenAI startups and investor.[12] In addition, the Federation of Thai Industries (FTI) together with the Thailand Science Research and Innovation (TSRI, a public sector organization) agency have pioneered the **Innovation One Fund**[13], to support innovative businesses (including startups) in Thailand through fund and business matching initiatives that accelerates startups and SMEs in their development journey. A partnership between GenAI Fund and Innovation One Fund was announced at the recent GenAI Fund Report Launch event in Bangkok recently. Overall, we expect Thailand to display a strong startup growth (from 7% to possibly 12 to 15%) over the next 18 months, and to also lead in terms of startup-enterprise GTM execution.

Generative AI Landscape in ASEAN

Malaysia: Emerging AI Infrastructure Hub

Alongside Thailand, Malaysia is also upping the ante in its drive to become ASEAN's AI Hub, and we project its startup count growth to easily exceed 10% from its current 6%. Other than Singapore, it has become the most significant ASEAN nation in developing the semiconductor and datacenter industries[14] and thereby move up the tech value chain, with the largest cumulative commitments by most major Big Techs including **AWS**[15], **NVIDIA**[16], **Microsoft**[17], **GCP**[18], **Bytedance (Byteplus)**[19] and a whole host of other key players in the ecosystem. Each of these commitments come coupled with significant upskilling plans in AI, and to grow the AI/GenAI startup space in close collaboration with ecosystem stakeholders and government ministries from the Ministry of Digital **(MD)**, **MDEC** and **MOSTI**. MOSTI, through the Malaysian Research Accelerator for Technology and Innovation (MRANTI) in collaboration with NVIDIA, launched the AI Sandbox 2024 Pilot Programme to facilitate the establishment of up to 900 AI startups by 2026.[20] MDEC on the other hand, together with other Malaysian sovereign entities and investors, announced a strategic partnership with Eros Investments & Immerso AI-IP, to channel $1 billion into creating Malaysia's first AI movie studio and state-of-the-art GenAI infrastructure, with potential to create 5,000 jobs.[21] Another notable win for Malaysia tied to NVIDIA is the establishment of YTL AI Cloud (specialized provider of massive-scale GPU-based accelerated computing, in collaboration with NVIDIA), and the setting up of YTL AI Supercomputer, one of the fastest globally.[22] These collective infrastructure will set Malaysia up as an enviable location for GenAI startups to thrive from a development, GPU access and latency perspective, together with its growing initiatives in fast-tracking startup solutions to enterprise.

Philippines: GenAI Transforming BPO Leadership

Philippines, like Thailand, has a strong innovation and investment backbone led by enterprise, government agencies and foundations such as **Ideaspace Foundation**, **QBO Innovation**, **Kickstart Ventures**, **917Ventures** and several others.[23] 917Ventures (Globe Telecoms) for instance have incubated or been involved in successful products such as GCash[24] (financial super app, $5 billion valuation) and are open to collaborating with startups outside its incubation portfolio to leverage Globe's distribution network. Philippine GenAI startups are also starting to make inroads into innovating its Business Process Outsourcing (BPO) industry which ranks 2nd globally after India, in sectors such as call centers and the creative industries.[25] Productivity and scale from solutions like AI chatbots and GenAI design tools/platforms are beginning to trigger an industry-wide workforce transition/upskilling with adverse knock-on effects on the occupancy rates and yields of commercial real estate, while other solutions like GenAI call analysis and intelligence have the potential of enhancing current call center capabilities. In any case, having access to enterprise, SMEs and a large BPO industry as its domestic GTM market augurs well for the development of GenAI startup solutions. While Philippines is expected to be slower to the races when it comes to generating a high number of GenAI startups over the next 18 months, they are showing that they will have higher quality breakout winners. In addition, Microsoft is committed to equipping 1 million Department of Education learners and collaborating with Philippine's Technical Education and Skills Development Authority to equip 100,000 female learners with AI and cybersecurity

Cambodia, Myanmar, Laos, Brunei

The rest of ASEAN currently lags behind in terms of AI and GenAI progress at all stakeholder levels. However, Cambodia is starting to display progress with a few notable GenAI startups leading the way at seed and pre-seed stages including **Rean AI**, a multi-lingual aggregator that streamlines and simplifies popular GenAI applications for everyday use by end users and SMEs. Another notable startup is **DataTicon**, an analytics platform solution that offers access to data-driven insights like customizable dashboards and real time data analytics solutions. Despite limited resources, these startups are comparable to its neighboring peers in more advanced locations, which is a promising testament to the capabilities of Cambodian founders as well as the level-playing field that GenAI offers.

Generative AI Landscape in ASEAN

Summary
The six major ASEAN countries harbor similar ambitions to become ASEAN's AI Hub, and share common goals on fostering the most (and the most successful) AI/GenAI startups. In Vietnam's case, it carries the potential to pursue GenAI leadership on a global stage - but is challenged by GenAI advancement in natural language programming, in the same way that GenAI chatbots and creative tools are disrupting the Philippines' BPO industry. Purely on startup count - GenAI Fund is of the view that in the foreseeable future, GenAI will develop to an extent that it would be able to create or re-create adapted startups, or even entirely unique startups autonomously, hence rendering the race for startup count to become largely moot. What matters much more as is increasingly evident in the report below, would be other metrics that determine how successful a startup is from a GTM, growth, profitability, impact, talent and perhaps perhaps funding/ acquisition perspective, as well as the equal success by enterprises/SMEs in the adoption and proliferation of AI (particularly from startup solutions). Government-led efforts should be focused more on solving startup pain points, truly growing AI leaders and driving AI adoption through policies, education, upskilling and even gamification to address the younger generation.

One ASEAN Opportunity
This report by GenAI Fund has not delved into country-specific regulatory/ethics/cybersecurity/education aspects of AI, except to opine that ASEAN, given its strength in diversity, would certainly benefit more in pursuing and adopting a One ASEAN approach to collaborating on AI and its ensuing regulations/policies.

While the discussion above touches upon developments and challenges of individual ASEAN countries, collaboration among them and startups should be a strongly considered approach to spur innovation and value creation. Examples:

- **Regional/Global GTM**
  GenAI (or any) startup founders seeking GTM in other countries should actively seek co-founders, partners, alliances and channels in other countries from an early stage. Many successful startups consciously do this for GTM purposes, not only to seek talent.
- **International Co-investment**
  Similarly, where suitable, investors should seek co-investors across ASEAN and globally that can provide wider network, talent access and GTM opportunities.
- **Enterprise Collaboration**
  Enterprises too can benefit from similar cross country collaboration, even in adopting solutions, shared resources or driving economies of scale.
- **International Mergers**
  We have observed that similar sectoral-focused startups fine-tuned to local context are surfacing across ASEAN. Given the need to GTM quickly and adapt to each ASEAN country's unique customer needs - growth through mergers among young startups is a legitimate strategy that should be seriously considered.
- **Inter-Government Initiatives**
  National agenda aside, ASEAN is more formidable when leveraging each others' strengths. It is not a zero sum game when it comes to success with GenAI and technology. We are starting to witness early signs of inter-governmental digitalization collaboration, for example MDEC's recent visits to Indonesia's key tech bodies like KOMINFO and other organizations. Generally, GenAI Fund is also of the view that each government must play a much more focused and urgent role in understanding issues hindering the growth of startups and enterprises/SMEs when it comes to AI, and develop very specific KPIs that bring meaningful impact. We hope that this report will shed some light on focus areas needed to achieve this.

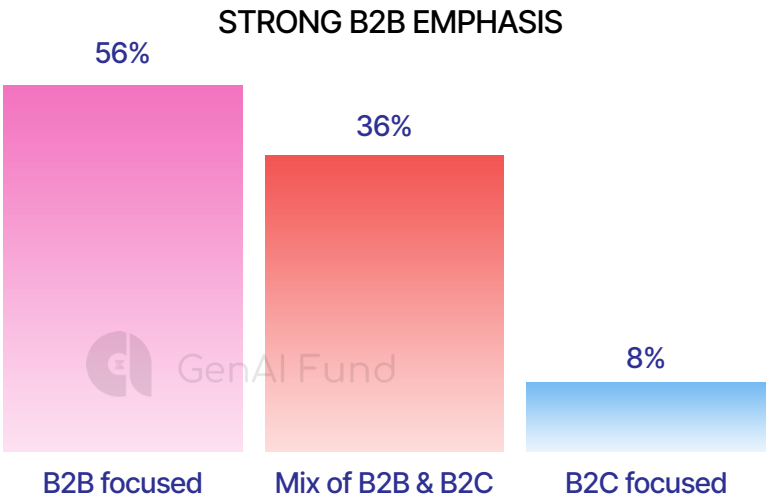
Generative AI Landscape in ASEAN

What Startups and the GenAI Ecosystem Tell Us

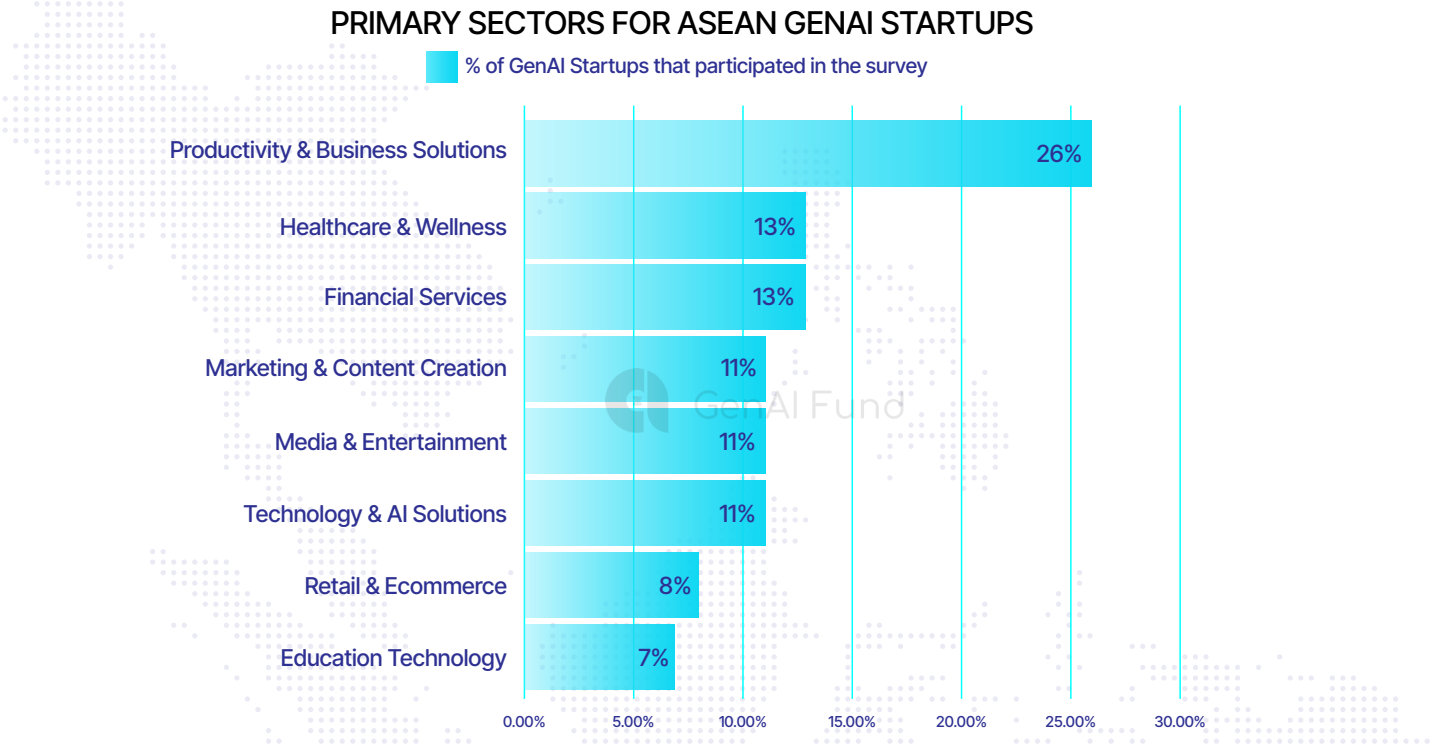
To understand the landscape of GenAI in ASEAN, we began by asking startups: who are you, what do you build, which business models do you deploy, and what problems are you solving?

We are all (well mostly all) B2B

Prior to running the GenAI Fund's survey, anecdotally we had anticipated that there would be a markedly high proportion of B2B (and B2B2C) GenAI startups. However, we were surprised to find that we had grossly underestimated B2B-based startups to essentially comprise a whopping 92% (i.e., 56% B2B and 36% B2B and B2C). Startups exhibiting both B2B and B2C were B2B2C in nature or which relied on the B2C aspect for lead generation, with the paid pricing model squarely focused on B2B. This finding alone greatly shaped the thesis of our fund, and how we eventually decided to approach GenAI investment in ASEAN. Indeed, the heavy B2B emphasis is almost a complete opposite to pre-GenAI (and more specifically, pre-funding winter), where a majority of startups in ASEAN were B2C, and funded heavily to focus on scaled customer acquisition.



Primary GenAI Sectors



The ASEAN GenAI startup ecosystem is dynamically focused on specific industry sectors, reflecting the region's increasing adoption of AI-driven solutions across various domains. According to data from GenAI Fund's survey, Productivity & Business Solutions lead the way, accounting for 26% of startups. This trend highlights the substantial demand for AI technologies that enhance operational efficiencies, automate tasks, and boost overall productivity in businesses, aligning with global shifts toward digital transformation.

Generative AI Landscape in ASEAN

Productivity & Business Solutions

A notable player in this sector is **Kroolo**, a Singapore-based startup providing AI-driven project management, task automation, and team collaboration tools. Kroolo's solutions streamline workflows and enhance team productivity, making complex project management more efficient. Similarly, **Shieldbase** in Malaysia, expanding through SEA, leverages GenAI with company data for enterprise search and workflow automation, ensuring data privacy while boosting productivity with AI. Other startups in this sector are developing AI-driven tools for individuals with ADHD, smart business networking solutions using NFC and QR technology, and no-code platforms for automating back-office operations and customer service.

Healthcare & Wellness

Close behind, the Healthcare & Wellness sector accounts for 13% of GenAI startups. Startups in this space are leveraging AI to revolutionize health management and personalized care. **KeyReply**, a Singapore-based startup, helps healthcare providers deliver personalized care at scale and automates workflows with its Generative AI virtual assistant. Another key player, **Meticuly** in Thailand, utilizes GenAI to design and manufacture personalized medical implants, optimizing surgical outcomes with patient-specific solutions. Other startups focus on AI-driven sports performance enhancement, non-invasive health monitoring, and telemedicine services for accessible healthcare consultations. AI applications also include smart scheduling, dynamic care plans, and on-the-go caregiver support, illustrating the broad impact of GenAI on health outcomes and diagnostics.

Financial Services

The Financial Services sector also represents 13% of GenAI startups, with companies harnessing AI to automate, optimize, and enhance various financial processes. **Bluesheets**, a Singapore-based startup, automates finance and accounting tasks, increasing operational efficiency for businesses. Other startups in this space are developing AI-driven crypto research applications, personalizing insurance products, and creating AI-powered trading bots for stocks, crypto, and forex markets. Startups are also focusing on enhancing financial analysis, managing bookkeeping and payroll, and improving financial crime detection and AML processes.

Technology & AI Solutions

The Technology & AI Solutions sector commands an 11% share of GenAI startups. A prime example is **Mesolitica** in Malaysia, which develops fine-tuned Bahasa LLMs, multilingual chat models, and speech recognition tools. Startups in this sector are advancing AI technologies, facilitating natural language processing (NLP), and supporting large-scale machine learning projects. Innovations include AI-powered enterprise assistants that prioritize data privacy, real-time fact-checking, and AI chatbots for customer service. Similarly, **Decube**, a unified data management solutions startup also based in Malaysia, recently launched an advanced GenAI/AI driven Copilot tool that empowers organizations with seamless, data-driven decision-making capabilities. The Copilot allows users to query using natural language and receive intuitive actionable insights useful even for non-technical users.

Generative AI Landscape in ASEAN

Marketing & Content Creation

Accounting for 11% of GenAI startups, the Marketing & Content Creation sector includes companies like **Pixel ML** in Vietnam, which provides marketing solutions including personalized advertising creatives and tailored imagery. **Addlly.ai** in Singapore creates SEO-optimized content and social media posts. **SoMin.ai**, a Singapore-based AI-powered platform combining advanced data analytics and behavioral science, helps businesses reduce costs and increase sales by conducting high-performing social media and influencer marketing campaigns. Startups in this sector are also using AI to automate ad creation, manage social media, and produce personalized video content.

Media & Entertainment

The Media & Entertainment sector, also holding an 11% share, includes startups like **AI Hay** in Vietnam, which is transforming the search experience in low-resource languages with social elements using GenAI. Other startups are creating realistic virtual influencers, automating content creation, and enhancing user experiences with personalized entertainment recommendations. AI applications in this sector include video editing, sound engineering, and interactive content that adapts to user preferences, offering more engaging and customized experiences.

Retail & Ecommerce

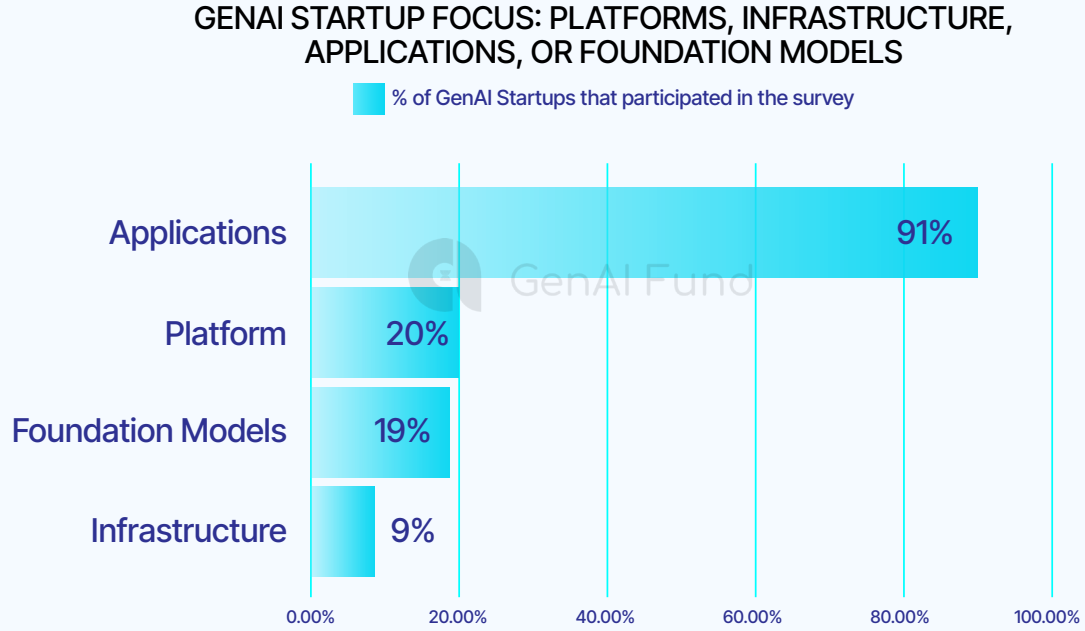
In the Retail & Ecommerce sector, which accounts for 8% of GenAI startups, companies are leveraging AI to enhance the customer experience and optimize operations. **Pebblely**, a Singapore-based startup, generates AI-powered product images with customizable backgrounds, optimizing visual marketing for ecommerce platforms. **Modeli** in Vietnam offers fashion models and try on solutions to enhance online branding and conversion rates while minimizing photoshoot and product return costs. Other startups are creating personalized product recommendations, automating retail tasks, and offering AI-driven solutions for inventory management and customer service.

Education Technology

Lastly, the Education Technology sector accounts for 7% of GenAI startups. **Dory**, founded by young Vietnamese entrepreneurs, generates flashcards and quizzes to support learning. Other startups are personalizing learning experiences, creating adaptive content, and providing interactive tools, making education more engaging and accessible.

Generative AI Landscape in ASEAN

3. The Go-To-Market Challenge - Helping Startups Win Big



Navigating the go-to-market challenge is critical for GenAI startups, especially in a landscape where differentiation is crucial for success. When GenAI Fund surveyed startups about their focus areas—platform, infrastructure, application, or foundation models—GenAI startups provided the following responses. A majority, 91%, focus on applications, developing products and services that directly engage users. Additionally, 20% provide tools or frameworks, such as APIs and SDKs, to help others build and deploy AI models. Meanwhile, 19% concentrate on building and training the core AI models that serve as the backbone for other AI solutions - most of these also build applications that leverage their respective fine-tuned models such as **Meeting.ai** and **Mesolitica** above. Lastly, 9% offer the underlying technology, such as cloud services and data storage, that supports AI applications. See also the discussion on Infrastructure, Model and Application stacks below in the “To Fund or Not to Fund” section.

With the majority of startups concentrating on applications, many are creating solutions that directly interact with users. This focus has led investors and stakeholders to frequently ask, "Is your startup a wrapper?" A "wrapper" refers to a startup that builds its core functionalities by layering a simple UI/UX on top of an existing LLM, such as ChatGPT. This approach, often called a "GPT Wrapper," leverages the LLM’s capabilities—like text-to-content generation or text-to-image creation, through a customized interface.

While using a wrapper model is common in tech, where many SaaS products are built on third-party APIs, this strategy presents unique challenges in the AI domain. Unlike traditional SaaS products, wrapper startups face direct competition from powerful AI providers like OpenAI, whose models are advancing rapidly - cue the recently launched OpenAI o1, its latest iteration that handles complex reasoning through an agentic model backend. This heavy reliance on foundation models puts wrapper startups at risk of being steamrolled, as they offer similar services at varying (often substantially higher) prices, differentiated only by UI/UX.

These startups, known as "Horizontal" GenAI Startups, aim to serve broad user bases but face the danger of becoming indistinguishable as foundation models improve. **Jasper**, a notable example, is a unicorn startup that built an AI-writing assistant using ChatGPT for enterprise marketing teams. Jasper’s dependence on ChatGPT has sparked concerns about its long-term value, especially as users draw direct comparisons with ChatGPT’s capabilities.[27] To illustrate some of the challenge, ChatGPT/OpenAI (as with other models) token prices have been sharply dropping (up to 79% on an annualized basis at the time of writing), which makes it significantly cheaper than more customized offerings like Jasper. The precipitous drop in model token prices and rapid commoditization among foundation models are also accelerating their respective push towards developing advanced and increasingly more sectoral-focused applications, which from the launch of OpenAI o1, may be both agentic and fine-tuned to aptly handle a variety of more complex use cases through chain-of-thought prompting. Despite speculation that ChatGPT could overshadow Jasper, Jasper’s ongoing innovation efforts suggest that its future is not yet determined. This scenario underscores a broader issue: how can wrapper-based GenAI startups, creative UI/UX notwithstanding, establish lasting value in a market where foundation models evolve swiftly, and are pushing towards agentic model offerings? SaaS giants have also weighed in on the race to agentic - hot off the press is **Salesforce’s** announcement of **Agentforce** (to be launched in Oct’24), an agent-building platform that allows users to create and manage their own autonomous agents relatively affordably, with all the attributes of GenAI and “working” endlessly. More signs of things to come!

The Go-To-Market Challenge - Helping Startups Win Big

Evolving Strategies in the GenAI Startup Ecosystem

In an oft-cited interview with Harry Stebbings of **20VC**, Sam Altman of OpenAI outlined two main strategies for GenAI startups:[28]

Strategy 1 - The Wrapper Approach
This strategy assumes that foundation models will not advance significantly, allowing startups to focus on building additional features on top. The approach depends on differentiating through UI/UX or targeting specific market niches. Altman cautions, however, that if your startup is essentially a wrapper, the key question becomes whether your startup's advancements—such as UI/UX—can keep pace with the rapid improvements in foundation models. If the answer is *"no"*, Altman warns that OpenAI or ChatGPT will likely *"steamroll you."* He adds, *"When we just do our fundamental job, which is to make the model and its tooling better with every crank, then you get the 'OpenAI killed my startup' meme."*

Strategy 2 - Niche and Specialized Applications
This "Vertical" approach assumes that foundation models will continue to evolve, and startups should focus on building products that leverage these advancements. Altman recommends that 95% of startups adopt this approach, concentrating on high-value, specialized use cases. An example is **Viz.ai**, which applies AI to medical imaging, specifically in areas like stroke care, cardiology, and oncology. This strategy reflects the belief that ongoing AI improvements will greatly benefit niche applications, delivering clear and tangible value, especially where solutions like Viz.ai also fine-tuned datasets (often proprietary) specific to its use cases, that allows for accurate outputs and builds moat.

While bucketing GenAI startups into these categories is helpful to set the context on how Application layer startups are building (in a ChatGPT world), the assumptions made by Sam and Brad are intentionally simplistic for illustrative purposes. What GenAI Fund is seeing are startups who are building moat in their own ways, e.g.:

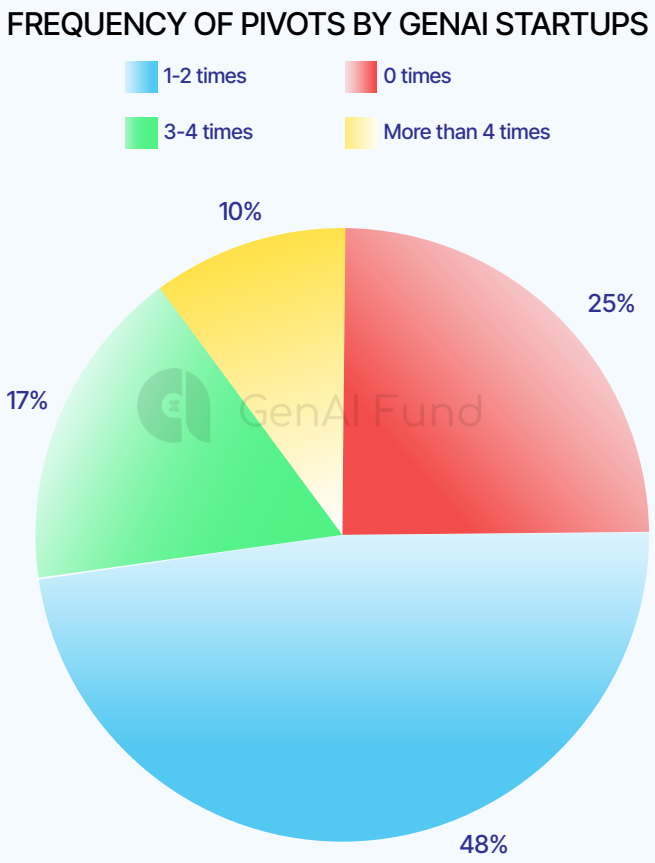
- **Wrapper Suites**
  Some startups are transitioning from single-function wrappers to comprehensive suites of multi-functional tools tailored to specific business needs, and which leverage fine-tuned language models. A successful example would be the Thai startup, **Botnoi Group**, that provides GenAI-driven enterprise solutions from customized AI Chatbots within businesses and with call center capabilities, O2O interactive AI experiences (incorporating outdoor physical screens), multilingual transcription services with high-accuracy for the Thai language, and customized industry UI/UX for insurance, tourism, financial, education and medical. Another successful example is Vietnam's **Snapedit**, a sleek web and app GenAI-powered photo editor trusted and used by millions that made it to a16z's venerable list of Top 50 GenAI Consumer Apps.

- **Hybrids**
  Startups that pursue 'Strategy 2' while incorporating elements of 'Strategy 1' to provide enhanced user experiences tailored to specific industry needs. These startups blend niche applications with elements of wrappers to create hybrid models that maximize the strengths of both strategies. **Laka.ai** in Vietnam, a travel recommendation app, delivers personalized travel planning with real-time translation and local insights, combining targeted solutions with user-friendly interfaces, and critically, fine tuning "local" datasets and languages to deliver a more precise output and experience. This hybrid approach enables Laka.ai to stay relevant as models evolve, offering differentiated and localized services.

- **Agentic AI**
  Agentic AI refers to AI systems that can autonomously act, decide, and perform tasks, including interacting with internal and external environments and users (both human and AI), without the need for human input. These AI systems operate as autonomous agents, making decisions and executing tasks to achieve specific outcomes on behalf of users. Startups like **Reforged Labs**, based in Vietnam and backed by YC, use AI agents at the backend to create and optimize video ads for game companies.

- **Leveraging Existing User Base**
  Another way to compete is to build GenAI feature sets into existing products with an established user base. As an example, **Pixlr Group** from Malaysia has integrated generative AI across its 10 million Monthly Active Users (MAUs) within a product portfolio ranging from Pixlr.com, Designs.ai, Inabit.ai and Vectr.com. Having a portfolio of products amidst rapidly evolving trends also allows the hedging of differentiated bets.

The Go-To-Market Challenge - Helping Startups Win Big



While some startups were adversely affected by technological advancements, the same innovations also enabled the creation of thousands of new startups. Those impacted didn't simply give up—they adapted and pivoted to align with the evolving landscape. This adaptability is crucial in the GenAI space, where resilience and flexibility are essential for survival. Data from GenAI Fund's survey shows that 75% of GenAI startups (most of which are early stage) have pivoted anywhere from one to over four times. An example is **Spacely AI**, backed by **SCB 10X** in Thailand, which evolved from an AI-powered platform for interior designers to a broader B2B model, now serving industries like architecture and real estate. This pivot has led to significant growth and recognition, proving that startups can thrive by continuously responding to market demands.

It remains to be seen if Sam Altman's predictions are right and that Strategy 1 startups will be "steamrolled". In any case, the threat is real and even if advancements in models do not make some startups with wrapper attributes become obsolete, they do exert tremendous pressure on a startup to innovate in order to compete, e.g. in the case of **Duolingo**, which share price fell sharply in response to the launch of ChatGPT 4.0 with advanced translation features. Duolingo and ChatGPT share a curious relationship whereby ChatGPT is used for some of Duolingo's newer offerings, and have resulted in work efficiencies that led to layoffs, and yet at the same time, Duolingo is being threatened by overlapping use cases from ChatGPT offered at much lower prices to free-to-use. This tenuous "relationship" is a proxy for innumerable startups globally and in ASEAN, and as one can imagine, challenging from an existential viewpoint for younger startups without the maturity of Duolingo.

The Go-To-Market Challenge - Helping Startups Win Big

ASEAN GenAI B2B Startups - How to Win?

The ASEAN GenAI startup ecosystem is predominantly B2B, with 56% of startups focusing solely on B2B and another 36% operating in both B2B and B2C, though primarily driven by B2B revenue. This makes a total of 92% of startups with a B2B orientation, highlighting the ecosystem's strong B2B focus. Furthermore, 79% of these startups target niche markets, favoring a Vertical approach aligned with Strategy 2 to build defensibility against Big Tech. While niche strategies, fine-tuned models and creative UI/UX may reduce the risk of being disrupted, they also inherently limit the addressable market. Therefore, effectively penetrating and onboarding enterprise and SME customers is critical for these startups to succeed, particularly where the solutions offered are not plug-and-play and require some level of customization/implementation. From an exit perspective, however, successful vertical startups are naturally better positioned to be acquired by enterprises - see discussion on the expected rise of mergers and acquisitions below.

Key Go-To-Market (GTM) Challenges in ASEAN

Slow Tech Onboarding Process
Startups face lengthy and protracted tender, validation, accreditation or Request-for-Proposal (RFP) processes, often lasting weeks to several months. In many cases, these pre-qualification criteria require companies to have at least 2 years operational history, which in the case of young GenAI startups (given ChatGPT's launch just 21 months ago) would mean the application is dead from the get-go. This can severely impact young startups that rely on quick validation, steady cash flow, and securing contracts. Without at least a proof of concept (POC) or contract win at the end, these drawn-out processes can threaten the viability of these startups. Moreover, even when contracts are secured, delayed payment terms—often stretching 60 to 90 days or more—further strain their financial stability, making it difficult for startups to maintain operations and scale effectively.

Poorly Executed POCs and Thin Productivity Gains
Many startups struggle with poorly planned POCs, which often result from a lack of coordination among stakeholders, insufficient or incorrect datasets, or a misalignment of expectations. These challenges lead to inconclusive or incorrect results, which are unhelpful for both the startup and the enterprise. POC execution needs to be clearly defined from the outset so that it leads directly to decision-making - this is one of the most critical phases of B2B sales. Additionally, new startups pre-PMF are often unable to negotiate for paid POCs. A related and often overlooked challenge - given the large focus on productivity-based GenAI solutions, are the generally thin productivity gains (as measured in dollars) for ASEAN enterprise adopters, due to substantially lower workforce salaries vs the US/Europe/Japan/Korea. This makes it difficult for some companies to justify "replacing" or reducing payroll vs paying for new technologies.

Product-Market Fit (PMF)
Achieving PMF is a constant challenge, especially for startups introducing new GenAI solutions that may disrupt existing workflows. Finding the right fit requires ongoing adjustments, quick iterations, and balancing patience with urgency to meet market needs effectively. The speed to PMF is also critical, as noted in our conversations with several senior tech leaders who opined that rapid PMF is needed especially when targeting a regional/global market push, given the intense and growing competition that exists in the targeted offshore markets. Fit and speed matter greatly.

Cash Flow and Lack of Funding
Managing cash flow is a major concern, with 49% of early-stage GenAI startups being bootstrapped or supported by angel funding, and 41% having pre-seed or seed funding. Only 39% have secured recurring revenue, and 23% have paid pilots or proof of concept, providing some validation that could attract further investment. However, only 16% are profitable, highlighting the difficulty of achieving sustainable operations early on. To survive, many startups offer professional tech services like consultancy and integration to generate immediate cash flow, often aiming to phase out these services once they achieve stable recurring revenue or secure sufficient funding.

Competition with SaaS Giants and Big Tech
Despite growing interest in AI adoption, many enterprises prefer to stick with established systems or well-known vendors, who are increasingly offering AI-based solutions themselves. This preference makes it challenging for new startups to gain traction, even as more budget is allocated to AI initiatives.

Hesitation and Insecurities from Existing Tech Teams
Introducing AI solutions that promise significant efficiencies and business outcomes can create insecurities among existing tech teams, who may fear job losses. Examples like Duolingo and Klarna, where AI integration led to workforce reductions, highlight this concern. Startups must navigate these sensitivities when proposing solutions that could impact staffing.

The Go-To-Market Challenge - Helping Startups Win Big

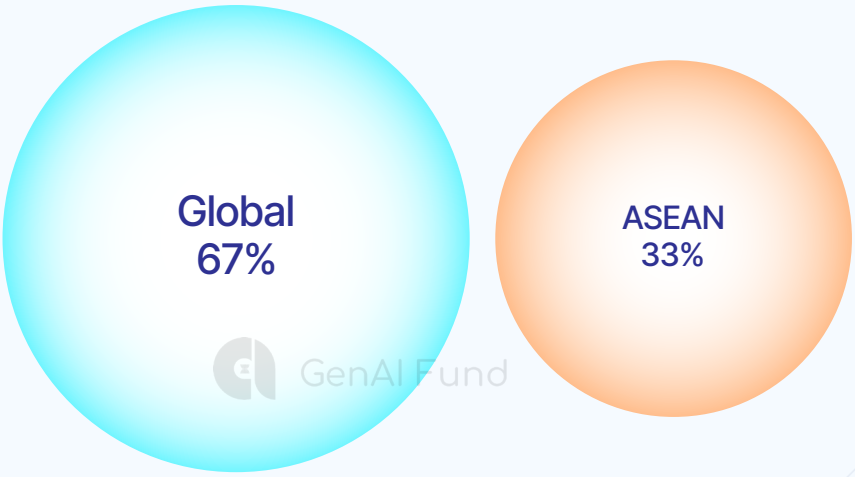
Lack of Stakeholder Relationships and Alignment
Establishing strong relationships with key stakeholders across tech, product, business, and strategic teams is essential. Start-ups need to invest time in nurturing product champions within potential customer organizations who can drive alignment throughout the onboarding, reporting, and decision-making processes, especially in large enterprises and government sector deals with longer sales cycles.

Lack of On-the-Ground SaaS Sales Teams
Significant enterprise deals often require localized B2B SaaS sales teams to manage RFPs, POCs, and stakeholder engagement. Early-stage startups, especially those aiming for large markets like the US, may lack the on-the-ground presence needed to secure these contracts. Building successful customer bases locally or regionally before expanding globally is often a more practical approach.

Cultural Challenges in Regional Expansion
Expanding across ASEAN involves overcoming significant cultural and linguistic barriers, making it crucial for startups to understand and adapt to the diverse business environments of each market.

How GenAI Fund is helping Startups GTM
The challenges above are not new to SaaS-based startups, with key differences being how quickly GenAI is accelerating, and generally how young these startups are. GenAI Fund has embarked on a few approaches to help startups GTM. One approach that is gaining traction is for GenAI Fund to conduct Amazon-adapted Working Backwards Workshops for key decision makers of large regional conglomerates to validate / ideate around their most pressing use cases, crystalize them and then follow up by curating up to 20 startups (per session) from our database of 700 ASEAN GenAI startups that match those use cases for the decision makers to consider utilizing, co-investing or even acquiring. Executed well, this approach allows leaders to achieve high conviction on their use cases and ideas, and be especially receptive to fast-tracking innovative GenAI startups into their respective organizations.

GLOBAL GTM VS REGIONAL VS LOCAL



The Need to GTM Globally/Regionally for larger TAM
To add to the GTM complexities, GenAI B2B startups are an ambitious lot, with 67% targeting a global GTM strategy (mostly focusing on the US) and 33% targeting regional markets. For a vertical-focused B2B startup, this approach to target a larger Total Addressable Market (TAM) is not only for growth, but often also for survival and to attract funding. A cursory comparison of ASEAN's entire GDP ($4 trillion) reveals that it is smaller than that of Germany ($4.6 trillion) let alone the EU ($19.4 trillion), China ($18.5 trillion) and the US ($28.8 trillion), which indicates the need to address a larger market. While there have been successful startups from ASEAN with a strong global/US customer base, these instances are relatively few and usually confined to solutions which are plug-and-play, target SMEs or prosumers, or where there are strong, existing customer relationships - an example of this being **Lexilaw.ai**, a regional legal tech startup based in Indonesia in MVP stage but already running POCs with numerous potential customers in Indonesia, Singapore, Vietnam, Thailand, the Middle-East, US and Japan due to the startup being closely linked with a large law firm and its clients.

Global (or even regional) GTM, especially when it comes to large contract wins with big enterprises that require customized implementation, is in most cases, a very long shot. This limited success is often due to a lack of success stories with similar enterprises, strong on-the-ground sales and delivery teams, and alignment with key stakeholders.

4. Can't Live With You; Can't Live Without You - Are Big Tech Friends or Foes of Startups?

Big Tech in GenAI

"Big Tech" refers to the largest and most influential technology companies in the world, known for their substantial market power, vast financial resources, and significant influence on the global economy, culture, and society. In the realm of GenAI startups, Big Tech includes cloud providers such as **AWS**, **GCP**, and **Microsoft Azure**, as well as foundation model providers e.g. **Anthropic**, **Meta (Llama)** and **OpenAI**. These tech giants not only shape the GenAI technology landscape but also play a crucial role in the growth and success of GenAI startups, presenting both opportunities and challenges.

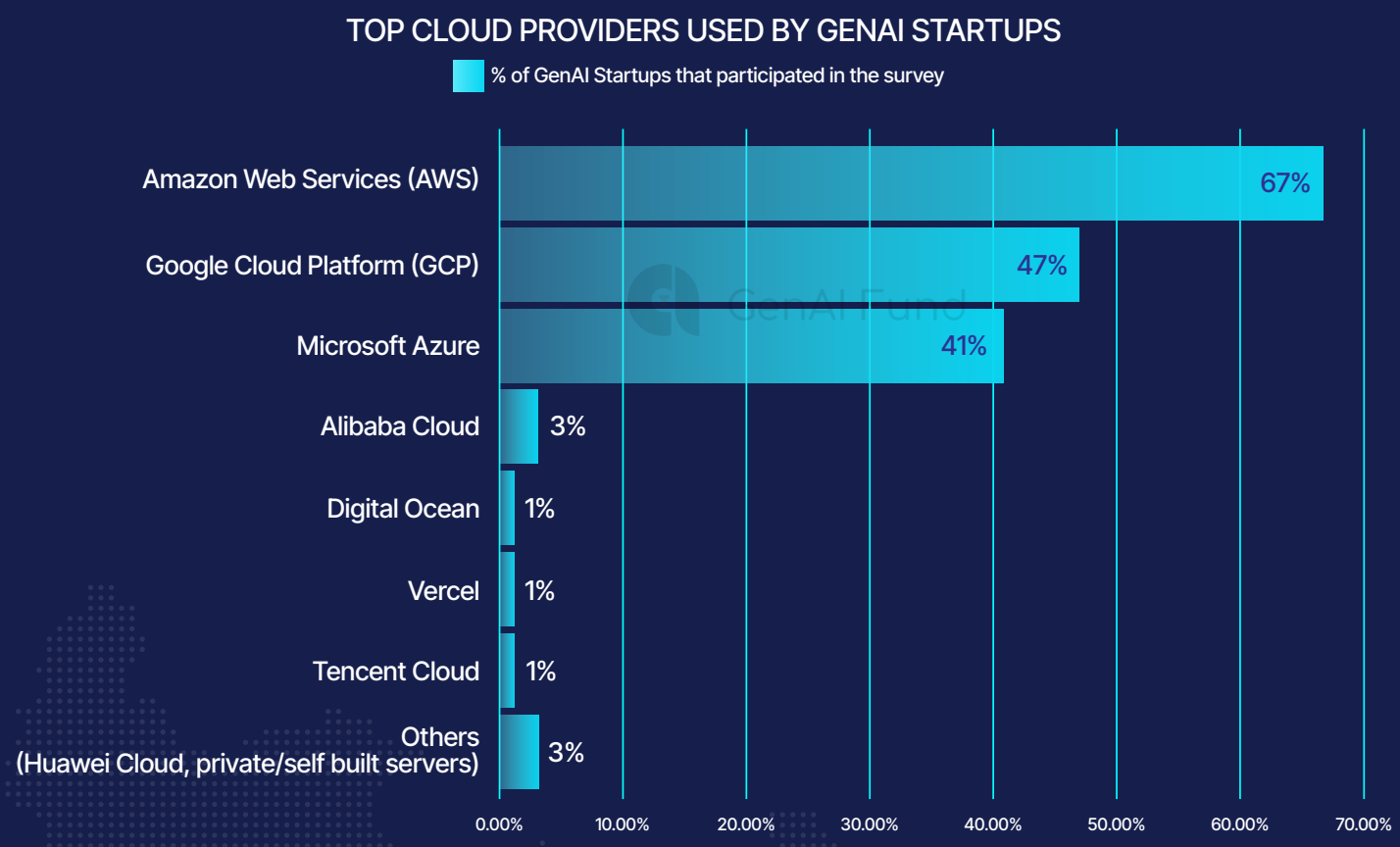
Big Tech has made significant investments to secure its position in the AI landscape. For example, OpenAI, founded in 2015, received a cumulative $13 billion investment from Microsoft[29], while Anthropic, established in 2021, secured a $4 billion strategic investment from Amazon. Meta has also invested heavily, with $35 billion dedicated to AI initiatives, including making its Llama model open-source.[30] Beyond these strategic investments, we have also witnessed more strategic M&A activity, such as **Databricks**, a leading data and AI company, acquiring MosaicML for $1.3 billion to integrate advanced AI capabilities into its data and analytics platform.[31]

These investments reflect Big Tech's recognition of AI as a cornerstone of its future strategy and its commitment to leading the AI revolution. While OpenAI and Anthropic maintain control over their boards, companies like Amazon, Microsoft, and Databricks gain strategic advantages by integrating these AI models into their cloud services—AWS, Azure, and Databricks' Lakehouse Platform, respectively.

This integration enhances their cloud offerings and positions them as essential partners for startups that rely on these foundation models to develop and scale their products. By embedding advanced AI capabilities into their platforms, Big Tech ensures that their cloud services remain attractive to a wide array of businesses, including innovative GenAI startups. Based on GenAI Fund's assumptions, Big Tech recognizes they can't move as fast as these emerging foundation model providers, making partnerships and integrations vital for maintaining their competitive edge in the evolving AI ecosystem.

Can't Live With You; Can't Live Without You - Are Big Tech Friends or Foes of Startups?

The Evolving Relationship between Startups and Big Tech

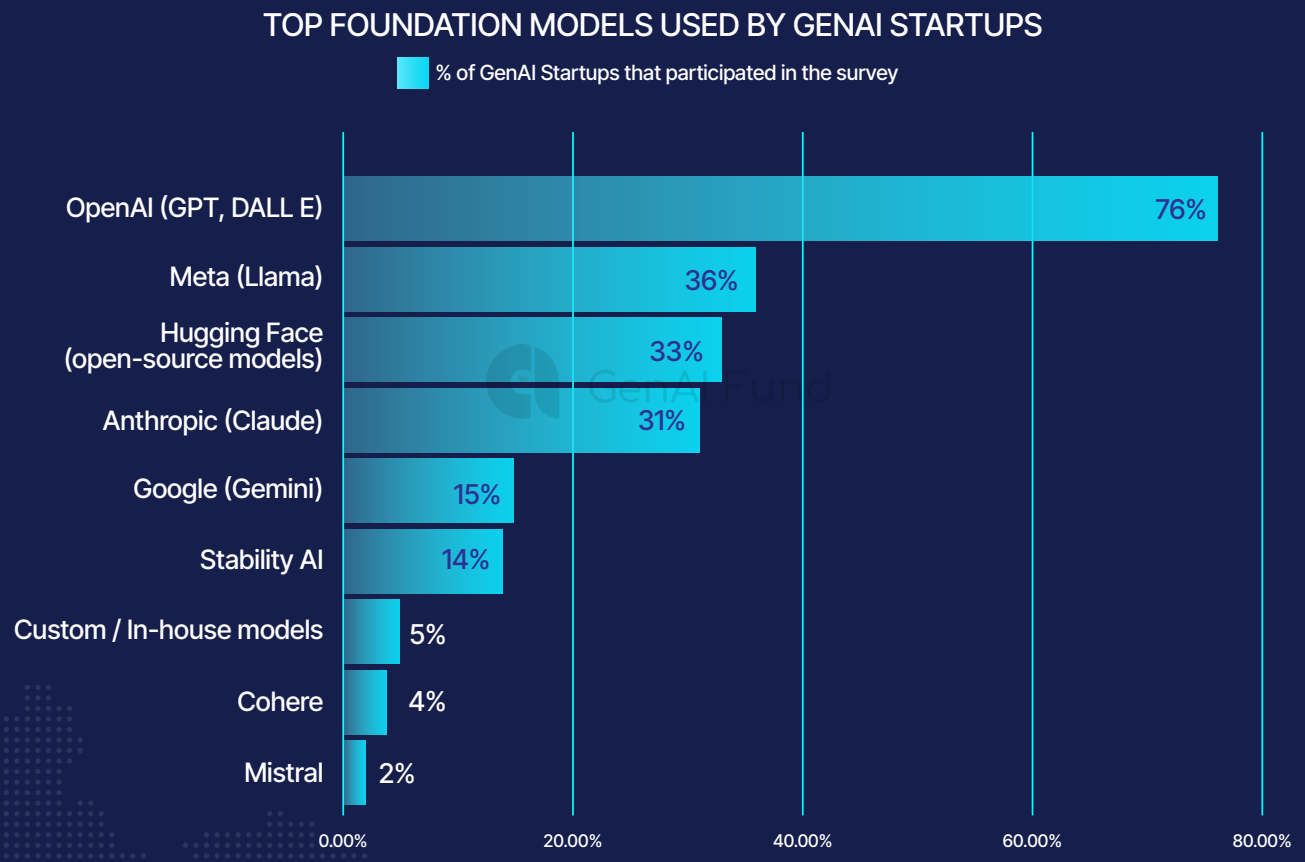


Based on GenAI Fund's survey, all GenAI startups use cloud providers for their infrastructure, with the majority relying on **AWS** (67%), **Google Cloud Platform (GCP)** (47%), and **Microsoft Azure** (41%). For the purposes of this survey, we have excluded the relatively smaller instances of startups that also leverage some extent of on-premise servers.

These market share figures indicate that while Big Tech can be formidable competitors, they also provide essential tools and platforms for startups to innovate and grow. On the one hand, cloud providers like Microsoft Azure and GCP can be seen as competitors because they can quickly develop and deploy similar products that serve the same set of customers that most B2B startups target, such as chatbots and internal search tools. This competition is intensified by the fact that startups often rely on the models these providers supply to power their solutions, placing them in a vulnerable position.

On the other hand, cloud providers view GenAI startups as crucial customers, offering substantial cloud credits to offset high infrastructure costs like GPUs and providing GTM support. For example, AWS has dedicated startup teams, with approximately 50 people (based on our research on LinkedIn) serving startup customers in Southeast Asia. Additionally, there is a rise in equity-free programs backed by top cloud providers, such as AWS GenAI Spotlight APJ, Microsoft's Generative AI Accelerate Programme (NUS Enterprise), and the Google AI Accelerator Program in Singapore. All of these programs researched by GenAI Fund share a similar structure, offering free credits to access GPUs, AI experts, marketing and branding exposure, and some level of GTM support.[32] The underlying goal is clear: these providers aim to be top of mind for GenAI startups to build on their infrastructures. With such intentions, GenAI startups should seek to collaborate closely with them to access more resources without "flying too close to the sun."

Can't Live With You; Can't Live Without You - Are Big Tech Friends or Foes of Startups?



Foundation model providers like **OpenAI** and **Anthropic** offer essential tools for rapid innovation, providing startups with powerful capabilities through models such as OpenAI's GPT and Anthropic's Claude. However, as discussed above, there is a risk that these model providers might release more advanced features within their products that could "steamroll" startups relying on their models. As foundation models continue to improve, they may offer functionalities that directly compete with or surpass what startups are building. Additionally, we have observed OpenAI building out dedicated startup teams in the US and partnering with funds to offer OpenAI credits, and have recently been building their teams in Singapore. These teams include former AWS members who previously developed startup businesses, signaling the importance of startups as their customers. On the positive note, GenAI Fund opines that OpenAI and other leading foundation model providers will continue to scale this effort beyond the US and create more bespoke startup-friendly programs using the playbook from cloud providers.

It is no surprise that most GenAI startups are aware of the risk of being made obsolete. Despite 76% of them using OpenAI and 31% using Anthropic, a significant number are also leveraging open-source models such as **Meta's Llama** (36%) and **Hugging Face's** models (33%) to build or fine-tune their own proprietary models with access to more localized or proprietary data. These open-source models provide greater flexibility and customization, allowing startups to develop differentiated products that are less dependent on any single provider, generate responses which are more accurate to intended use cases (with less hallucination) and thereby creating a layer of defensibility. Recognizing this trend, cloud providers like AWS have rolled out Amazon Bedrock, a model aggregator that helps GenAI startups maintain the flexibility to switch from one model to another.

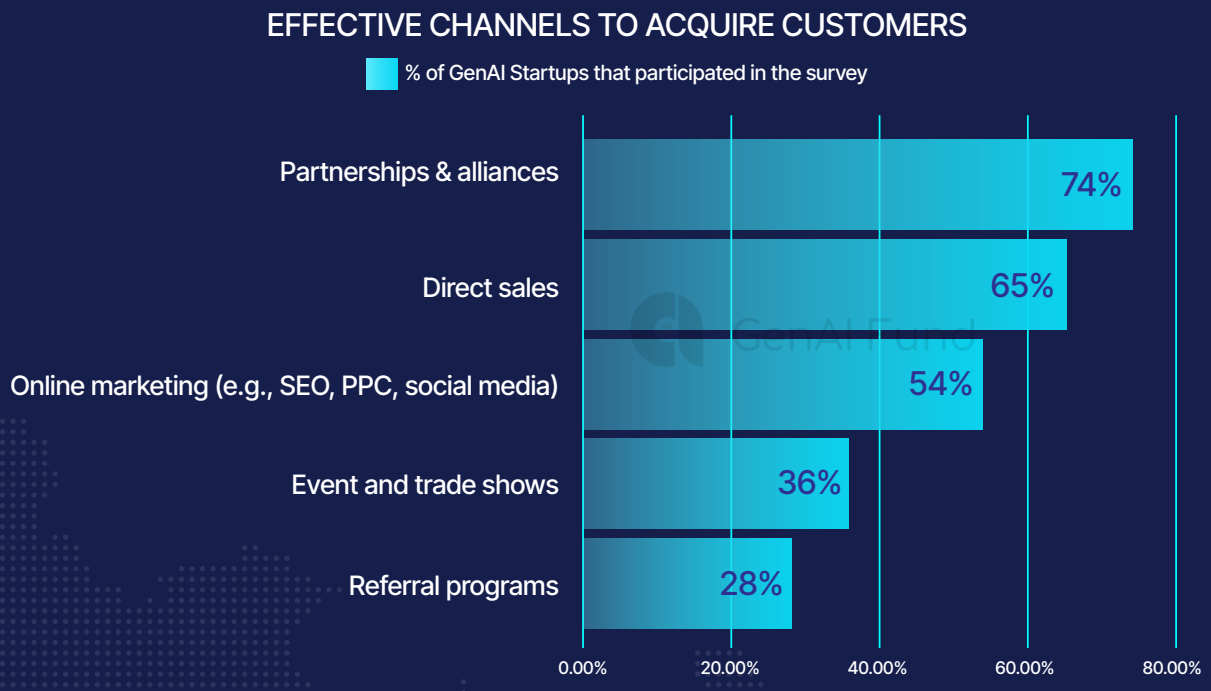
Several GenAI startups in ASEAN are harnessing the power of open-source models to build and fine-tune innovative solutions tailored to local or specialized needs. **AI Hay**, a fast-growing GenAI social platform, is leveraging open source models such as Llama 3 to build and train their own LLM to optimize for Vietnamese and local research-based queries. **Eklipse.gg**, an AI-powered content creation bot, utilizes Llama 3 to enhance its capabilities in generating engaging content for gaming streamers. Additionally, **Typhoon** is focused on building a Thai LLM, harnessing the power of open-source models to cater specifically to Thai language processing needs.[33]

Can't Live With You; Can't Live Without You - Are Big Tech Friends or Foes of Startups?

A Unique Opportunity: The Evolving Role of Big Tech

The emerging needs for GenAI solutions have positioned GenAI startups as significant customers for cloud providers. This has unlocked greater collaborative opportunities for Big Tech, such as AWS, to enhance their engagement and support, helping startups (and enterprises/SMEs) grow their businesses. The direct correlation between startups' business growth and the increased demand for GPUs—due to more training and inferencing—drives the business for cloud providers.

This is good news for GenAI startups, as over 90% of them in Southeast Asia focus on a B2B approach targeting enterprises/SMEs. Leveraging Big Tech as a channel and distribution partner can help overcome many of the challenges previously mentioned.



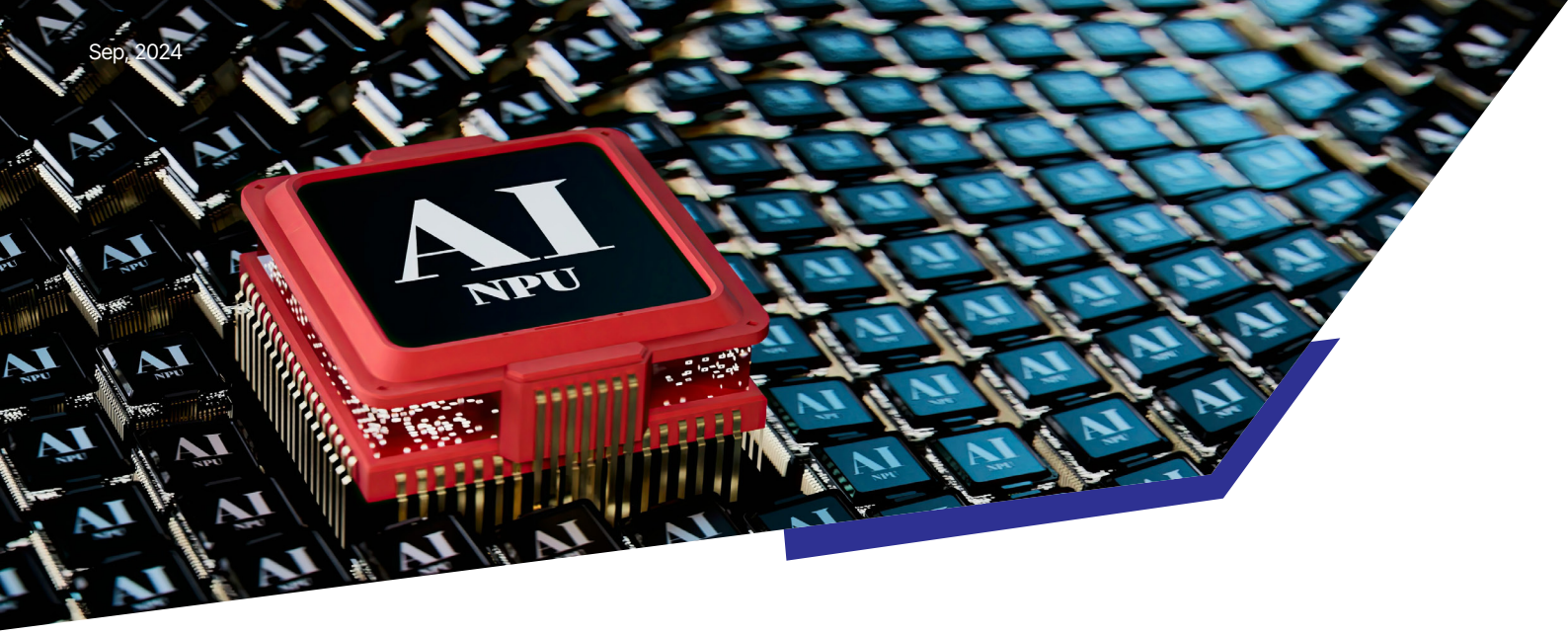
The importance of these partnerships is evident from the GenAI Fund's survey. Data shows that 74% of startups acquire customers through partnerships and alliances, making this the most effective customer acquisition channel. This is followed by direct sales (65%), online marketing (54%), events and trade shows (36%), and referral programs (28%). These statistics highlight the critical role of partnerships in enabling startups to reach enterprise clients.

Many Big Tech cloud providers, like AWS, Google, and Microsoft, offer various programs such as marketplaces and partner networks. These programs onboard their customers as certified partners to co-sell their solutions within their customer networks and promote these solutions globally through their marketplaces. For example, the AWS Marketplace helps startups validate the quality of their products, establish proper pricing strategies, and, best of all, allows enterprise customers to procure their solutions directly via AWS. This bypasses the lengthy vendor onboarding process with enterprises, which can take up to months.

Here are some examples of early-stage GenAI startups that have leveraged AWS to go to market quickly. **Mesolitica**, a fine-tuned Bahasa LLM startup in Malaysia, has benefited from AWS's introductions to various enterprises and public sector entities, gaining visibility by being showcased in multiple AWS events such as the AI Conclave. AWS also provided **Mesolitica** with bespoke funding packages to access high-performance GPUs, enhancing their ability to develop and deploy their AI models.

Similarly, **ArcanicAI**, a fine-tuned Vietnamese LLM, has leveraged its partnership with AWS for joint marketing and branding initiatives to highlight AI innovation in Vietnam. Through the AWS GenAI Accelerator Program, ArcanicAI has gained valuable exposure to investors and potential customers, facilitating their growth and market penetration.[34] **Pixel ML**, another GenAI startup in Vietnam, works closely with the AWS enterprise team to run POC deals with enterprise customers and get their GenAI marketing solutions onboarded into the AWS Marketplace.

These examples illustrate how GenAI startups can benefit from viewing cloud providers as their partners. GenAI Fund suggests that startups should leverage this collaboration to access resources, gain market credibility, and connect with key players in the industry to grow their business.



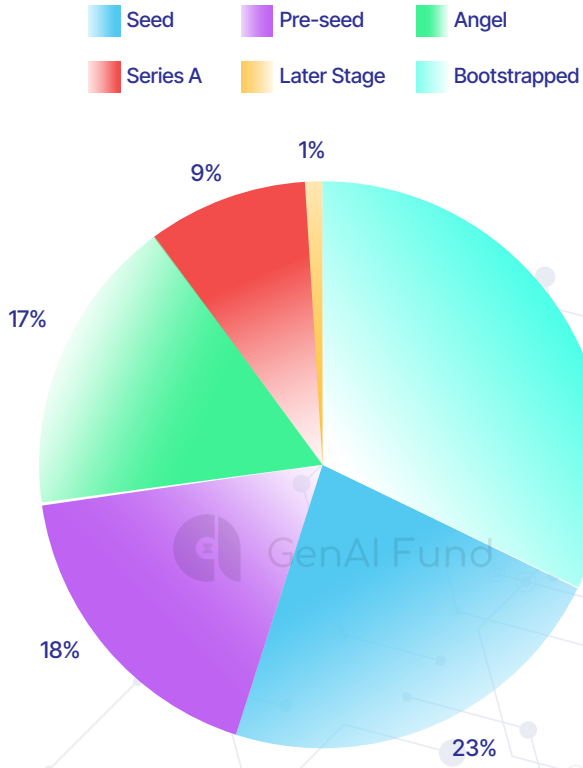
5. To Fund or Not To Fund - The Case for ASEAN GenAI Startups

The GenAI startup landscape is still in its infancy globally, and this is especially true in ASEAN compared to the US. Our survey shows that most GenAI startups in the region are in the early stages of development. Nonetheless, despite the ongoing "startup winter," two-thirds of these young startups have secured early stage funding, highlighting trickles of investor interest even in a challenging funding environment, as follows - angel round (17% - typically $1k to $25k per angel, with some angels coming in at $100k), pre-seed stage (18% - typically $100k to $300k), and seed stage (23% - typically $250k to $1 million). These are typical ranges that we have observed for GenAI startups and are not intended to act as a guide. Many deals are variations/localizations of cookie-cutter templates of Y Combinator SAFE notes designed for early stage investment into US/Non-US entities (see: YC Safe Financing Documents | Y Combinator - https://www.ycombinator.com/documents).

Although fund-raising poses many hurdles, it is worth noting that GenAI startups themselves have become more selective on the choice of investors, even from the angel stage. Start-ups are specifically choosing angels who are technical and understand AI (e.g., one startup chose 10 technical angels), or are key stakeholders that can assist with business development and GTM at large enterprises or markets. Other angel rounds are family and friends or part of a syndicated angel network. Clearly, the disruptive potential of GenAI technologies is attracting early backers willing to take risks on unproven but promising ideas, particularly where there is alignment on knowledge and business.

Interestingly, 32% of GenAI startups are bootstrapped. This trend might be driven by the rapid advancements in GenAI coupled with price competition among popular LLMs, which allow startups to keep some costs in check, yet generate value and gain traction without immediate external funding. When they do raise funds, the described use of proceeds have become more articulated and scoped towards specific build needs vs raising as much as possible. GenAI Fund's conversations with these startups reveal that their primary focus is on building products, acquiring early customers, and validating use cases towards early PMF —often within a tight three-month window. Speed is critical, although the complexity of the products also plays a significant role. Founding teams in some countries, such as Vietnam, are building products faster than others, and generally have a much higher proportion of technical founders vs founding teams of other countries.

CURRENT FUNDING STAGE OF GENAI STARUPS



To Fund or Not To Fund - The Case for ASEAN GenAI Startups

Startup Funding Environment

According to Dealroom.co, as reported by **Hyphen Partners**, ASEAN startups (not limited to GenAI) raised $1.4 billion from venture capitalists across 177 funding rounds in Q1 2024—the lowest in five years.[35] Singapore led with $1.1 billion, followed by Indonesia with $151.7 million, and the Philippines with $108.8 million. While early-stage deals are rebounding to pre-2021 levels, specific data for GenAI investments are not yet available.

Despite the early days of the GenAI funding ecosystem in Southeast Asia, GenAI Fund observed several GenAI startups that are securing significant funding and gaining traction:

- **Amity** (Thailand)
  A Series C startup offering GenAI SaaS solutions for enterprises, such as chatbots.
- **Sprout Solutions** (Philippines)
  A Series B startup providing AI-enhanced HR and payroll automation software to help businesses streamline their processes.
- **Bluesheets.ai** (Singapore)
  A Series A startup focusing on automating financial data workflows.
- **AI Hay** (Vietnam)
  At the Pre-Series A stage, pioneering low-resource language models through social applications, starting with Vietnamese.

Challenges in the ASEAN Funding Landscape

There are several views proffered on why startup funding has been muted in ASEAN. The established ones (e.g., higher interest rate environment, risk-averse investors and LPs burned from downrounds) do not require elaboration here; however, a few views specific to ASEAN are pertinent, e.g., see The downturn in Southeast Asia's funding landscape where Arnaud Bonzom opined - *"Slow Exit Markets: The exit market has experienced a prolonged sluggishness, marked by sparse IPOs and M&A activities. This downturn has significantly diminished the frequency of premium exits for General Partners (GPs)."*[36] Added to this have been the lackluster market capitalization of ASEAN's stalwart tech *"startups"* in major exchanges - each of which (at the time of writing) have been hovering ~ 80% off their highs. What is worrying is that a slew of still privately held ASEAN late stage startups achieved their unicorn status during the height of startup funding, partly buoyed and benchmarked by the stellar market capitalization of these ASEAN IPO-ed unicorns then, and during a period when the demands for healthy gross margins, EBITDA and profitability was not nearly as pressing.

A few other reasons from the same opinion piece resonate, including CVCs and LPs deprioritizing ASEAN, geopolitical tensions "restructuring" or alienating US-based funds to Asia-focused ones, and scarcity of Series B and onwards large/mega funding rounds. These sustained lows have a cascading effect on the entire startup funding ecosystem - slowed IPOs, potentially heavy downrounds (and heavily discounted secondaries), adjusted fund ROI expectations leading to generally smaller cheque sizes at all stages at lower valuations, longer and more difficult funding cycles, and more dead startups unless they are able to become self-sustaining and profitable at an earlier stage. Some call this a healthy correction and business-as-usual, but it has been the general ASEAN outlook for at least 2 years, with other headwinds expected ahead.

To Fund or Not To Fund - The Case for ASEAN GenAI Startups

GenAI Funding Trends

As with most new technology and innovation, ASEAN takes cue from the US (and to an extent, China). GenAI investments in the US have focused principally in 3 related stacks (see also scalecapital.com[37] and a16z)[38]:

Infrastructure
This includes hardware, GPUs, chips, and software for training and deploying models. By extension, this also includes category leaders like **NVIDIA** and cloud players like AWS, Azure and GCP. Given the generally immense capital expenditure and sizable investment needed even at early stages, and the demand for density of specialized talent, VCs generally expect ASEAN startups to be absent in this layer, at least in the near to mid term.

Model (Foundation Models)
This includes both closed-source LLMs, such as those from **OpenAI** and **Anthropic**, and open-source models like **Hugging Face** and **Llama**. While Southeast Asia does not play a significant role in creating foundation models, there are startups in the region building and fine-tuning on top of open-source models. Notable examples include **Mesolitica** in Malaysia, **Meeting.ai** in Indonesia, **Botnoi**, **Gowajee**, and **Typhoon** in Thailand, and **Arcanic.ai** and **AI Hay** in Vietnam. Initiatives such as **AISG's SEA-LION** are also making strides in supporting ASEAN languages. A large majority of startups leverage and fine-tune proprietary data as a necessary means to distinguish themselves, create defensibility, and deliver better and more accurate outcomes for targeted use-cases. As Pisuth (Ren) Huang, CEO-founder from **Gowajee** puts it, *"application layers is where the majority of revenue will come from, but at the same time, we've created moat by building our own foundation model layer for specific niche languages like Thai".*

Application Layer
This is where most ASEAN startups are focused, leveraging foundation models to build niche applications. In 2023, around $14 billion was invested in this layer, with a slowdown in Q4 but a rebound in Q1 2024, featuring significant deals like **Character.ai**'s $150 million funding round[39] (Note that Google has since acquired Character.ai's co-founders, licensed its technology and purportedly buying out existing shareholders at a $2.5 billion valuation, up from $1 billion in its last funding round)[40]. A prime example of a successful ASEAN-based GenAI application startup is **Pixlr** from Malaysia. This AI-powered digital photo editing and content creation platform is dedicated to democratizing design and innovation. With an impressive user base of 10 million monthly active users, Pixlr has established itself as one of the world's most popular design tools.[41]

What Do ASEAN VCs Say About GenAI Investments?

To better understand the appetite for investing in GenAI startups, GenAI Fund spoke with ASEAN VCs, typically those investing in Pre-Seed to Series B rounds. We wanted to explore why GenAI Fund seems to be one of the few VCs with a strong GenAI mandate, especially given the high level of interest in GenAI in the US. As expected, the opinions among VCs ranged from skepticism to cautious optimism.

Too Nascent

GenAI as a technology in ASEAN startups is still relatively nascent. This is VC-speak to mean: *"We don't understand enough of it", "We can't measure the associated risk-return profile accurately yet", "We want to see more success stories and actual case studies", "No one else seems to be actively investing or taking a lead in deals - let's wait a little more"* or *"ASEAN currently lacks enough talent in AI and deep tech".*

Just a decade or so back, the concept of tech startups itself in ASEAN, particularly in countries like Indonesia and Vietnam was also somewhat *"nascent"*. Gojek, for instance, raised its first financing round from NSI Ventures (now **Openspace Ventures**) during this "nascent" period, used those funds to develop its first mobile app that gained 30M downloads in under 2 years, during which time it raised $550M to catapult into becoming Indonesia's first unicorn.

As with many firsts, it was common to hear the oft-told tale by investors who *"missed the boat"* when Gojek came knocking in the early days. It's more understandable when later stage investors prefer to *"wait and see"* given the need to see actual traction and maturity; but it's somewhat perplexing that early stage investors are hesitant to take risks with such incredible technology and opportunity. This hesitation may be a lingering effect from the extended funding winter that engulfed ASEAN.

However, not all investors are deterred by the nascent state of GenAI in ASEAN. **Lightspeed Ventures**, for instance, emphasizes that what truly matters is *"a feasible path to get to $100M of net profit."* In their view, this can manifest in various forms, often as "*a solution that is somehow uniquely differentiated - whether it's product, distribution, team, etc."* This perspective suggests that even in an emerging market, startups demonstrating clear differentiation and profit potential can still attract significant investment.

To Fund or Not To Fund - The Case for ASEAN GenAI Startups

Too Risky - Too Little Moat - "Don't fly too close to the Sun!"

Given the prevailing "cautious" funding environment in ASEAN, investors are particularly sensitive to risk, even with early stage investments. At the top of many investors' minds is the uncertainty of application layer startups, particularly "horizontal" GenAI application startups, being eclipsed or made almost obsolete by LLMs or Big Tech, simply through the latter's scale, adoption influence and distribution channels. This has been discussed above.

This concern is echoed by **Jungle Ventures**, who assert that *"what it takes for GenAI startups to achieve big wins, not just in ASEAN but broadly applicable to other parts of the globe, is always the moat."* They elaborate that this moat can take various forms, such as efficient execution, unique go-to-market strategies, superior technology, or identifying an unserved niche.

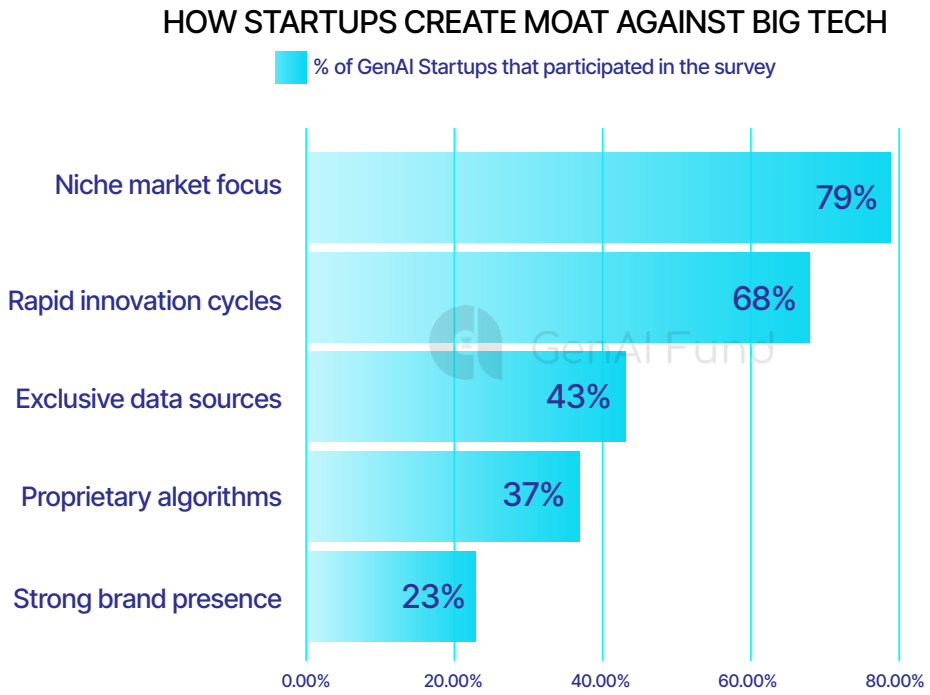
ASEAN startups are acutely aware of the risks of being made "obsolete" by big tech/LLM "features". In every funding discussion, ASEAN GenAI startups are posed the same question: "What is your defensibility against Big Tech and LLMs turning your core product into their features? What is your moat and why will that work?" A common line of questioning related to defensibility/moat can be seen in the table below:

What Startup - Which Layer; B2B/B2C etc; ASEAN/local/global	• Description of Startup - what it solves • 91% Application Layer • 92% B2B • 67% Global-focused GTM
Horizontal/ Vertical; TAM/SAM/SOM	• Solving across industries (horizontal) or specific industry (vertical) • Serviceable obtainable market, particularly if vertical - if too small, hard to justify
Reliance on closed-source LLMs; extent of fine-tuning; RAG; Moat Strategy	• If fully reliant on closed-sourced LLM like OpenAI - risks higher esp. if horizontal (without fine-tuned proprietary data or other moat) • Most startups esp. vertical startups leverage proprietary data as well as closed-source LLMs to develop more fine-tuned, relevant and accurate solutions, plus developed moat on customers, compelling UI/UX etc
Maturity; Traction; Team	• Traction at early stage is from MVP, POCs done, early adoption and users to show clear signs of product market fit • At seed stage for B2B GenAI startups, some show good traction with paid users • Team dynamics always key; repeat successful founders, FT/PT etc
Investible/ Pass / Proceed to Other Criteria	• Assuming sector falls within Investment Mandate, Investor assesses defensibility, ideally with the aid of tech advisors, to determine whether to preliminarily proceed to discuss terms or to proceed to assessing other criteria for investment

For GenAI startups, it can be frustrating. If you're Horizontal-focused, you may have sufficient TAM but you need to prove that you have enough moat, users, sufficient "growing" proprietary data, with irreplaceable UI/UX to fend off Big Tech/LLMs - hence the phrase *"Do not fly too close to the Sun"* or you'll get burned. On the other hand, if you're Vertical-focused, the challenge is the industry might be too niche and small in TAM, especially if ASEAN focused, and if you're targeting global, how do you win global customers from an ASEAN base, especially enterprises. Speed, PMF and the ability to GTM substantially are absolutely critical.

In response to these challenges, some VCs are advocating for specific strategies. **DO Ventures**, for example, emphasizes the importance of *"addressing specific industry challenges and deeply understanding customer needs within a vertical/use case."* This approach aligns with the view of **Antler**'s Jussi Salovaara, who believes that *"GenAI startups in APAC must focus on delivering highly specialized and nuanced solutions tailored to specific verticals and industry functions."* Salovaara further stresses that success in APAC's diverse environment "hinges on the ability to deeply understand and integrate with local business practices and regulatory landscapes."

To Fund or Not To Fund - The Case for ASEAN GenAI Startups



Based on GenAI Fund's survey and engagements with startups, founders are acutely aware of the need to display (and actively plan for) defensibility right from the outset, and address a sufficiently attractive but believable market size. A large majority of startups leverage and fine-tune proprietary data (owned or have exclusive access) as a necessary means to distinguish themselves, create defensibility, and deliver better and more accurate outcomes for targeted use-cases.

Ultimately, as **DS/X Ventures**' Rama Mamuaya succinctly puts it, *"To get VC investment, AI companies need to show Product and GTM Superiority, meaning your customers love your product because it solves their problem in a way no other companies can."*

Lack of Talent

This was feedback from a Tier 1 VC on why they were not looking to invest specifically into GenAI startups. Such remarks are not new to ASEAN - when "tech startups" were relatively new to ASEAN between 2010 to 2015, this was often cited by VCs.

In GenAI Fund's view, this might be true when referring to building startups at the "Infrastructure" or to a lesser extent, "Model" layers, but is conversely true with building Application layer startups. In Vietnam, for instance, it is not uncommon for small team startups (3 or less founders including developers) to not only build GenAI startups and MVPs with relative speed, but to be able to build several startups at a time and iterate quicker than before. This has been aided by automated coding, GenAI code refactoring, and other GenAI coding assistants like Github Copilot, vastly improved integrated development environments, and more.

Contrary to the talent shortage narrative, some VCs see unique potential in ASEAN entrepreneurs. **Wavemaker Group**, for instance, expresses eagerness *"to collaborate with entrepreneurs who possess curiosity, insight, and imagination."* They have a particular interest in *"companies that aren't simply the Southeast Asian versions of startups from other parts of the world,"* indicating a focus on innovative, locally-tailored solutions.

Adding another dimension to the discussion, **Capria Ventures** views GenAI as an opportunity to expand the TAM in the Global South, including ASEAN. They believe GenAI is *"fostering a new generation of profitable businesses that can reach larger audiences, particularly benefiting the underserved aspiring middle-class and small businesses."* This perspective suggests that GenAI startups in ASEAN could find success by focusing on expanding market access rather than just competing with established players, potentially mitigating concerns about talent shortages by tapping into new markets.

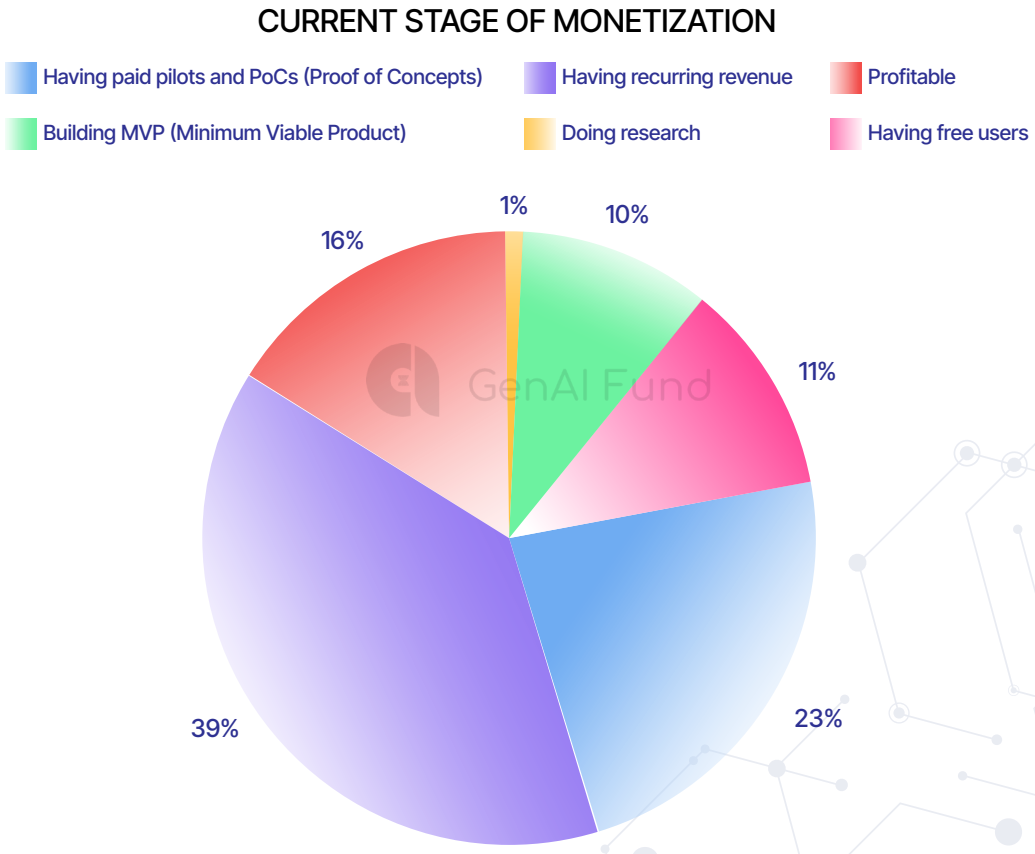
In any case - given how GenAI is progressing in ASEAN, GenAI Fund anticipates this "wait-and-see" by VCs to end in 2025 - time for an updated GenAI report then!

To Fund or Not To Fund - The Case for ASEAN GenAI Startups

No Better Time Than Now to Invest in GenAI Startups and to Innovate How They Are Funded

Moderate to Minimal Mark-up
GenAI-native startups in the US typically enjoy a 60% premium on valuations, driven by high demand and oversubscribed funding rounds. In contrast, GenAI-first or AI-core startups in ASEAN have seen minimal premium, at least for now. While this lack of premium is unfavorable for these startups, it presents a unique opportunity for investors. Currently, the market favors investors, allowing them to invest in GenAI startups at a perceived "discount" to their counterparts in the US, thereby arguably reducing investment risk. With minimal competition for deals, there's a prime opportunity to identify and support future winners in the space.

Positive Unit Economics
ASEAN startups, particularly those at Series A and beyond, are increasingly evaluated based on earnings and profitability. This trend aligns with a broader focus on sustainable growth and operational efficiency. For instance, companies are being encouraged to cut expenses and achieve positive operational EBITDA and profitability, as seen in the recent example of **Cohere**—a LLM startup that laid off 5% of its staff shortly after raising $500 million to align internally.[42] Such pressures are pushing GenAI startups to adopt sustainable business models from the start, focusing on strong gross margins, healthy EBITDA, and cash flow. This shift towards sustainable growth, combined with decreasing costs in the cloud and LLM industry, is improving margins and unit economics, suggesting that GenAI startups may carry less risk than commonly perceived. As noted in the chart below from GenAI Fund's survey, young GenAI startups are monetizing early, with recurring revenue (39%), paid POCs (23%), and profitable (16%) - numbers that were unheard of pre-GenAI among B2C focused startups. This trend also explains why there is a growing number of B2B SaaS startups compared to B2C among GenAI startups.



To Fund or Not To Fund - The Case for ASEAN GenAI Startups

ASEAN's Second Mover Advantage

ASEAN startups are often labeled as lacking innovation or being "copycats." However, this characterization overlooks the strategic benefits of being a second mover in the tech industry. This advantage is particularly relevant in the GenAI space, where rapid advancements create opportunities for those who can learn from early attempts.

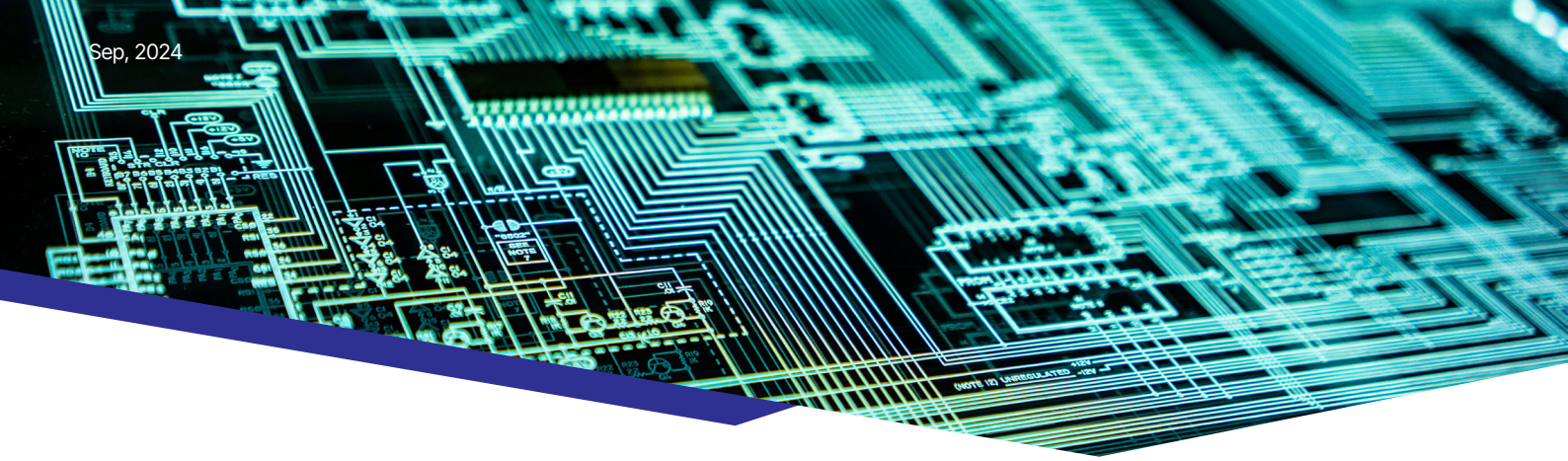
The success of GRAB versus Uber in Southeast Asia exemplifies this advantage. GRAB's understanding of local markets allowed it to adapt and enhance the ride-hailing model for ASEAN contexts, outmaneuvering its global competitor.[43] Similarly, BYD's rise against Tesla in the electric vehicle market demonstrates how second movers can learn from a first mover's challenges.[44] By focusing on manufacturing efficiency and affordability, BYD captured significant market share, especially in price-sensitive markets.

For GenAI startups in ASEAN, this advantage could mean developing solutions better tailored to local languages, cultural nuances, and business practices. They can learn from regulatory challenges faced elsewhere, design products aligned with local guidelines, and enter the market with more cost-effective solutions as AI development costs decrease. By refining strategies based on first movers' experiences, ASEAN GenAI startups can potentially leapfrog competitors in this rapidly evolving field, at least for this region.

The Rise of the Corporate Investor

Big tech companies and large enterprises are increasingly spearheading AI investment and adoption, recognizing GenAI's transformative potential across industries. This trend is exemplified by Thailand's **Kasikorn Bank**, which has invested in the **AI Fund** led by Andrew Ng[45], demonstrating its commitment to integrating GenAI solutions into its operations. Such moves signal a broader shift towards fostering a GenAI-first culture through strategic mergers, acquisitions, and acqui-hire initiatives.

This corporate interest in AI is not limited to individual companies but is part of a larger, regional movement. Aggressive AI initiatives from other parts of Asia are poised to significantly influence the ASEAN region in the near future. A prime example is the $130 million **Alpha Intelligence Fund**, a collaborative effort between major players like SoftBank, LG Electronics, and SK Networks.[46] This fund, which notably includes Thai participants, goes beyond mere investment. It focuses on mid-stage AI startups and cutting-edge technologies, offering GenAI startups direct pathways to partnerships and market access with large Asian conglomerates.



6. Looking Ahead: Shaping the Future of GenAI Startups in ASEAN

Mapping ASEAN's Evolving GenAI Ecosystem

As explained above, the GenAI landscape in ASEAN is poised for rapid evolution over the next 18 months, with each country carving out its unique role. Singapore, while maintaining its position as a leading hub, is expected to see its market share narrow from 44% to 35-40%, increasingly leveraging remote talent. Vietnam is projected to emerge as a GenAI development powerhouse, rising from 27% to 35% of ASEAN's GenAI startup count. Indonesia, though initially range-bound, is positioned for a significant B2C GenAI boom leveraging its large population. Thailand is showing strong ecosystem growth, expected to increase from 7% to 12-15%, with a thriving enterprise innovation structure. Malaysia is set to grow from 6% to over 10%, positioning itself as an AI infrastructure hub with significant Big Tech investments. The Philippines, while slower in startup generation, is leveraging its strong BPO industry to innovate with GenAI, focusing on quality over quantity. These shifts present unique opportunities for each country to establish itself as a premier destination for GenAI startups, fostering an environment ripe for innovation and economic growth through robust frameworks and acceleration programs.

Challenges and Opportunities for GenAI Startups

Within this evolving landscape, GenAI startups face a strategic dichotomy. Currently, 21% are developing horizontal solutions, targeting expansive TAMs but risking direct competition from Big Tech giants. The remaining 79% are focusing on vertical solutions, often resulting in smaller TAMs but potentially offering more defensible positions. This niche focus drives 67% of these startups to adopt global GTM strategies, aiming to scale beyond ASEAN's borders.

Despite these challenges, significant opportunities for accelerated GTM demand exist. Our 18-month prediction includes:

- A competitive landscape for B2B startups in GTM, with only a select few emerging as champions.
- Enterprises in Thailand, Singapore, Malaysia and Philippines leading the charge in AI adoption and SaaS onboarding. We also expect there to be a rise in the number of specialist GTM firms such as **Swarm**, a Philippine-based firm that connects founders and corporate innovators across ASEAN with solution implementation teams to run POCs, build and commercialize products, and build AI/GenAI applications.
- Substantial advancements in Agentic AI, with over 70% of GenAI startups developing autonomous capabilities for decision-making and task execution.

GenAI Funding Ecosystem in ASEAN and the Rise of Mergers & Acquisitions (M&A)

As the sector matures, GenAI Fund anticipates a more than 50% year-over-year growth in funding for GenAI startups in ASEAN, driven by increasing VC familiarity with AI technologies. GenAI Fund's commitment to deploying capital in 20 startups signals strong ecosystem support. The emergence of enterprise CVCs and GenAI-focused accelerators is expected to introduce innovative investment structures and models.

It is unlikely there will be any GenAI-first unicorns at the application layer. However, we foresee five GenAI or AI IPOs in the coming two years, and are aware of a few currently in the works.

Surprising Rise of M&A

One of the more surprising developments has been the rise of inbound requests by enterprises, pre-IPO companies, traditional brick and mortar companies (particularly those with healthy EBITDA) and even private equity on the availability of GenAI startups for acquisition or acqui-hire. A large part of the reason for this drive stems from desire by the would be acquirer to greatly accelerate their AI innovation and culture. A corollary reason (and sometimes the main reason) is the belief that GenAI/AI startups, if well-integrated post acquisition/merger, would be able to positively influence the combined entity's valuation markedly ie. that the whole is greater than the sum of its parts. On the flipside, startups themselves have expressed a growing openness to be acquired/acqui-hired, given the right terms and conditions, with almost none stating a desire to become a unicorn in the long term. While this has yet to manifest itself as a trend, GenAI Fund is of the opinion that there is certainly a growing appetite for acquiring both GenAI startups and AI talent in ASEAN.

7. Our Commitment: The GenAI Fund Mandate

The ASEAN GenAI landscape presents unique challenges and opportunities: a rapidly evolving market across different countries, the need for effective GTM strategies, and a complex exit environment where the traditional unicorn status may be elusive but strategic acquisitions are on the rise.

It was in this context that GenAI Fund has evolved, stemming from the firsthand experiences and insights of two former AWS executives, Laura Nguyen and Denning Tan, who previously built startup businesses and ecosystems for AWS in Southeast Asia. Laura Nguyen, one of the fund's partners, co-founded Arcanic.ai, a company developing fine-tuned Vietnamese language models. Through her own fundraising journey, Laura repeatedly explained her vision to various investors, which made her acutely aware of the knowledge and resource gaps facing GenAI startups in ASEAN. This realization inspired her to establish GenAI Fund, aiming to support startups facing similar challenges. Together with Denning Tan, who had co-developed the startup ecosystem playbook for AWS in Southeast Asia and was previously AWS Head of Startup Ecosystems (ASEAN & Pakistan), they decided to delve headlong in the growing GenAI startup ecosystem, present and speak to over 1,000 startups and GenAI stakeholders in person across 8 countries (counting Vietnam, Singapore, Thailand, Malaysia, Philippines, Cambodia, Korea and the US) in the span of a few weeks, and to eventually deliver this first ASEAN GenAI Startup Landscape Report to the GenAI community at large.

Consistent with the findings from the report, GenAI Fund commits to the following mandate:

01 **Invest in Top GenAI Startups**
We aim to provide initial and follow-on funding to the top 20 ASEAN GenAI startups over the next 18 months, fueling their growth and innovation. This aligns with the projected 50% year-over-year funding growth anticipated for ASEAN and supports the evolving GenAI hubs across the region.

02 **Forge Strategic GTM Partnerships**
We will facilitate impactful GTM deals with leading enterprises and SMEs, helping startups gain traction, achieve PMF, become enterprise ready and secure significant market opportunities. This includes the GTM challenges faced by the 92% B2B startups in particular and leverages the AI adoption leadership of enterprises and SMEs in Singapore, Thailand, Malaysia, and the Philippines. We are also in the process of building GTM channels and structures globally, and are currently running Amazon-adapted Working Backwards Workshops for ASEAN conglomerates to ideate / validate use cases, and be presented with highly curated GenAI startups from our database to be considered for solutions, partners, investment or acquisition/acqui-hire.

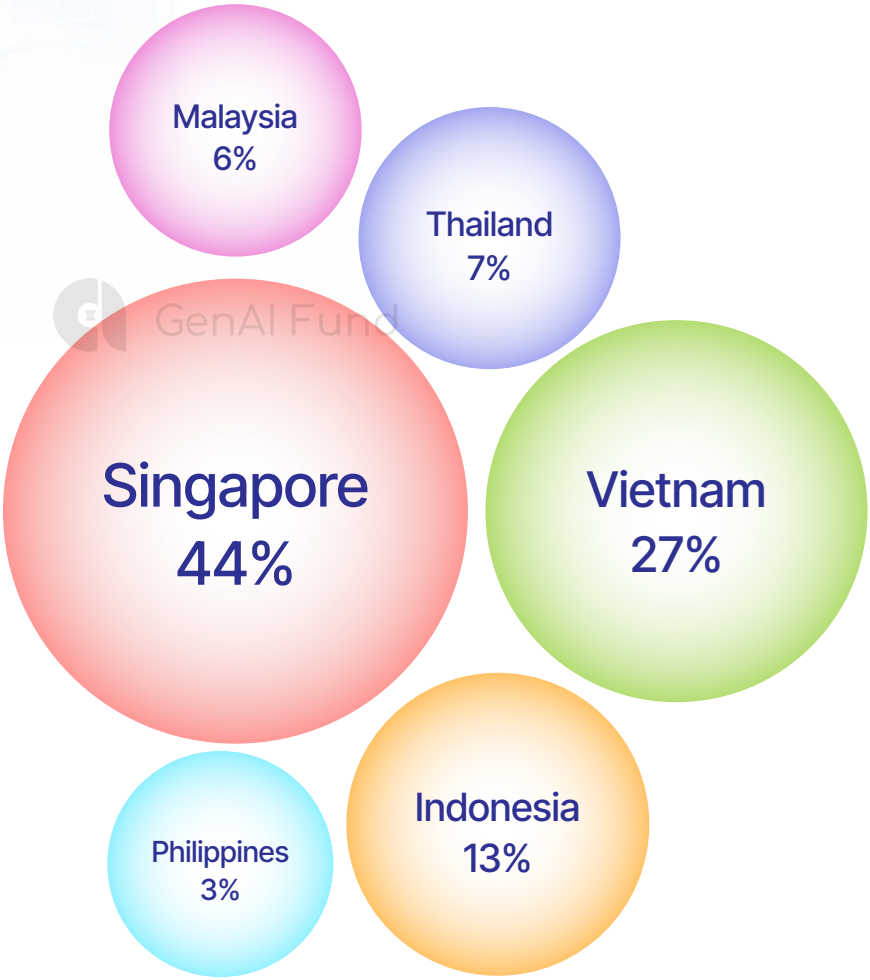
03 **Drive Successful Exits**
From the time of funding, we will actively support startups in navigating exit opportunities, positioning them for the optionality of acquisitions, mergers, and acqui-hires as enterprise interest in GenAI grows. In this regard, we are currently working with several regional startups on acquisition potentials by pre-IPO companies and large global tech companies.

By fulfilling these commitments, continuing to share updated report findings, building GenAI ecosystems, and working closely with ASEAN governments and AI nation builders, GenAI Fund will play an important role in catalyzing the growth of the GenAI ecosystem in ASEAN, positioning the region as a global leader in AI innovation and driving enterprise adoption. Our approach is tailored to the unique dynamics of the ASEAN market, addressing both the challenges and opportunities that lie ahead for GenAI startups in the region. We welcome all forms of collaboration in championing ASEAN as a global force in AI.

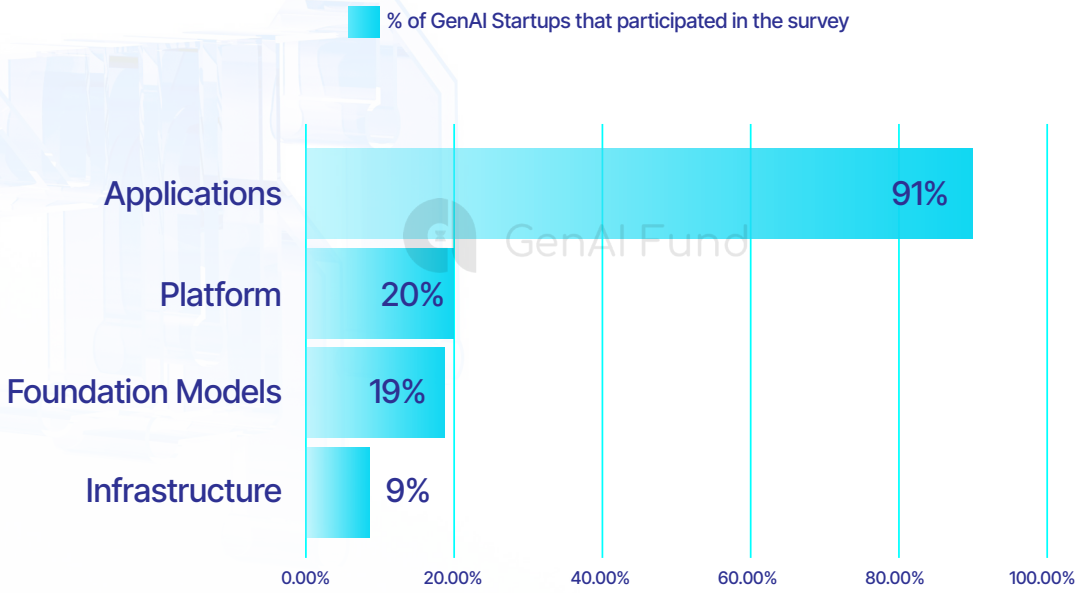
Appendix

ASEAN GENAI STARTUPS BY COUNTRY

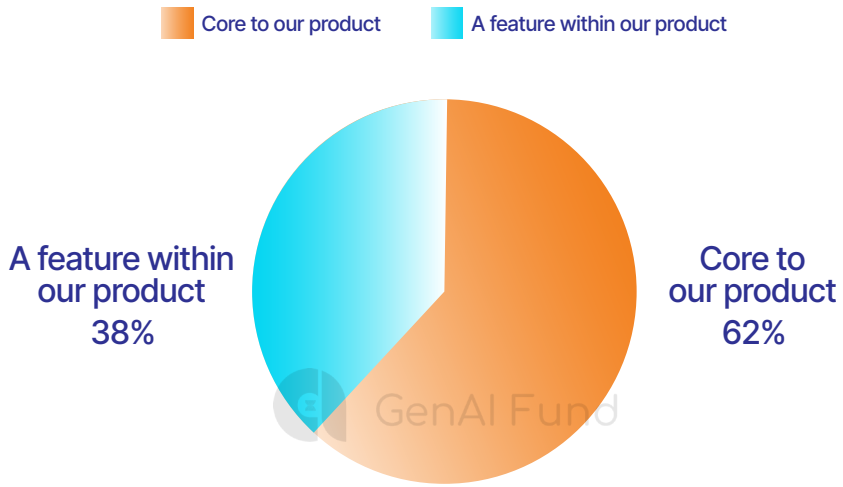
% of GenAI Startups that participated in the survey



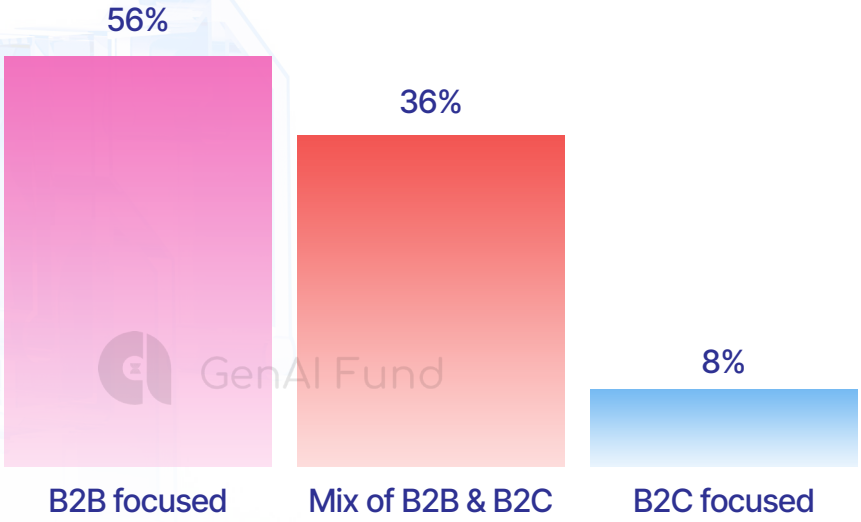
GENAI STARTUP FOCUS: PLATFORMS, INFRASTRUCTURE, APPLICATIONS, OR FOUNDATION MODELS



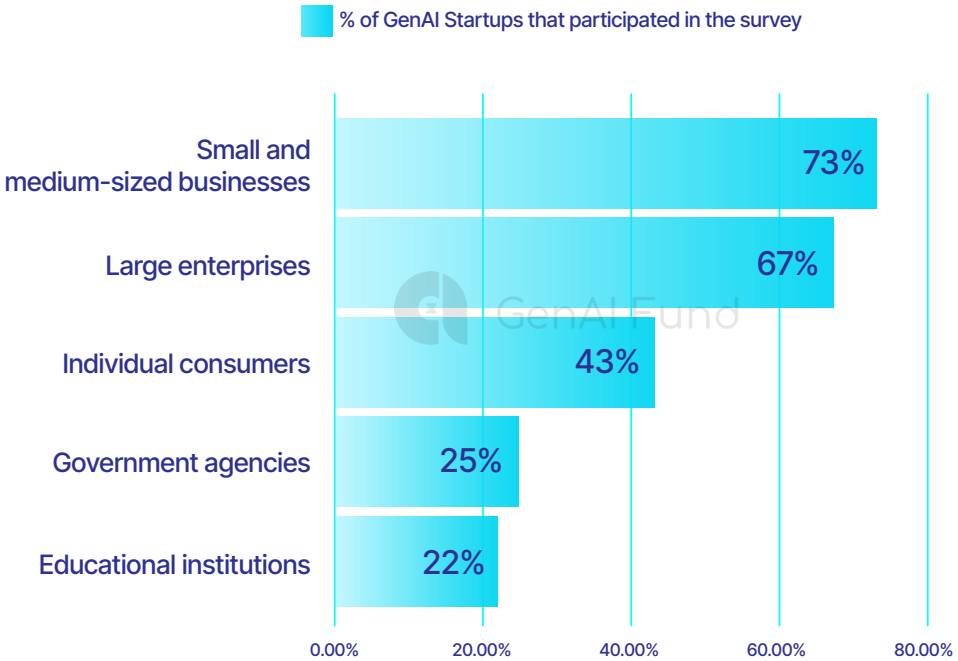
HOW GENAI IS INTEGRATED INTO PRODUCTS



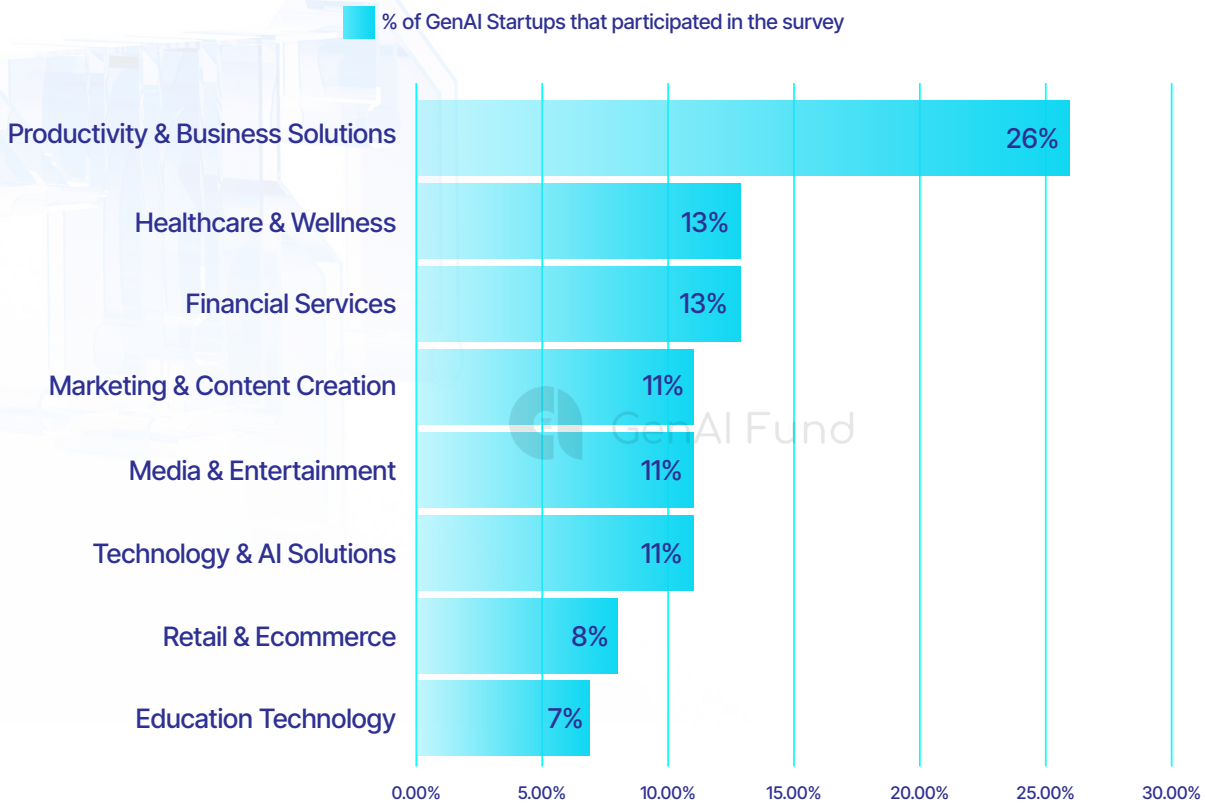
STRONG B2B EMPHASIS



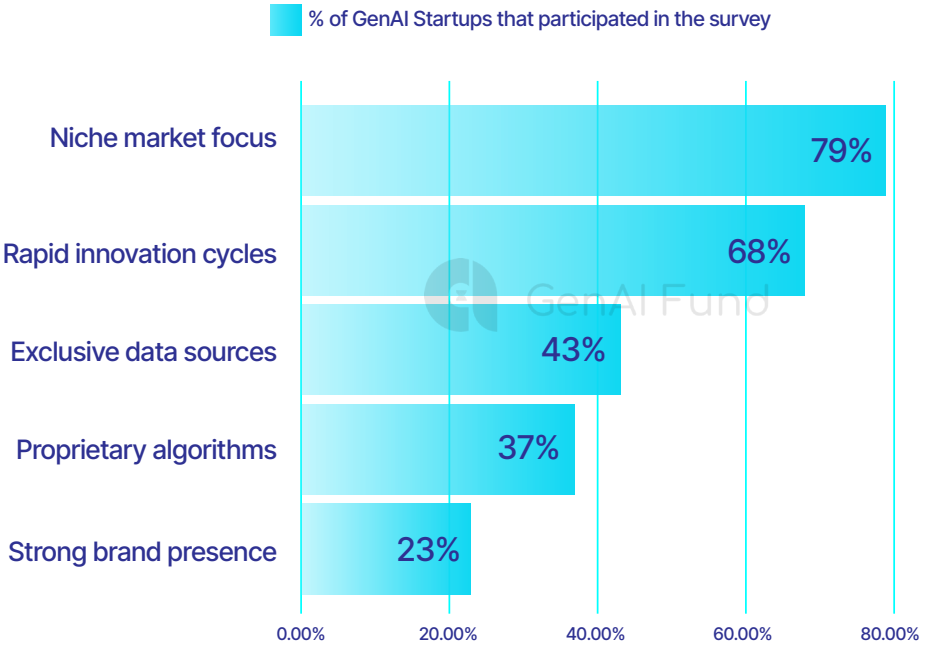
FOCUS CUSTOMERS OF GENAI STARTUPS



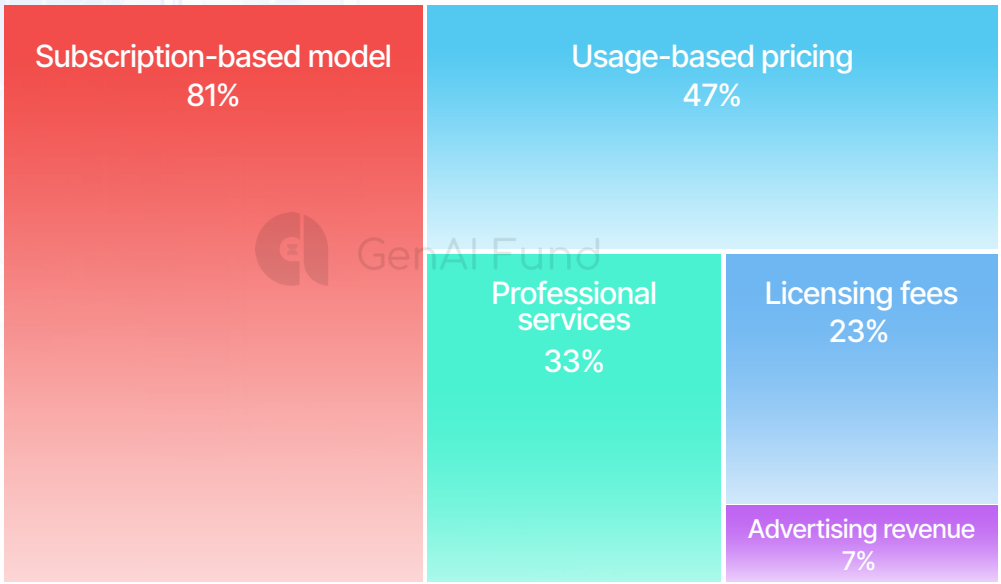
PRIMARY SECTORS FOR ASEAN GENAI STARTUPS



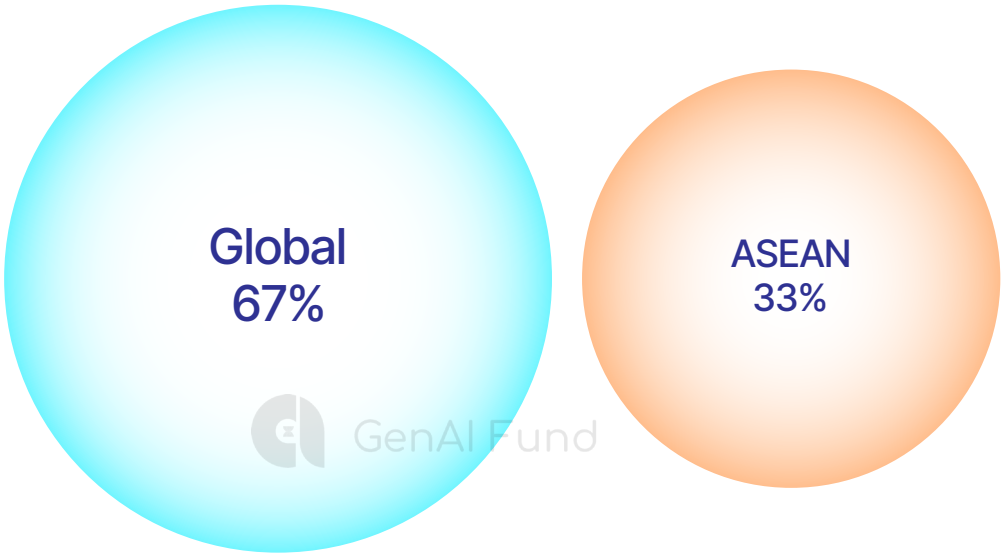
HOW STARTUPS CREATE MOAT AGAINST BIG TECH



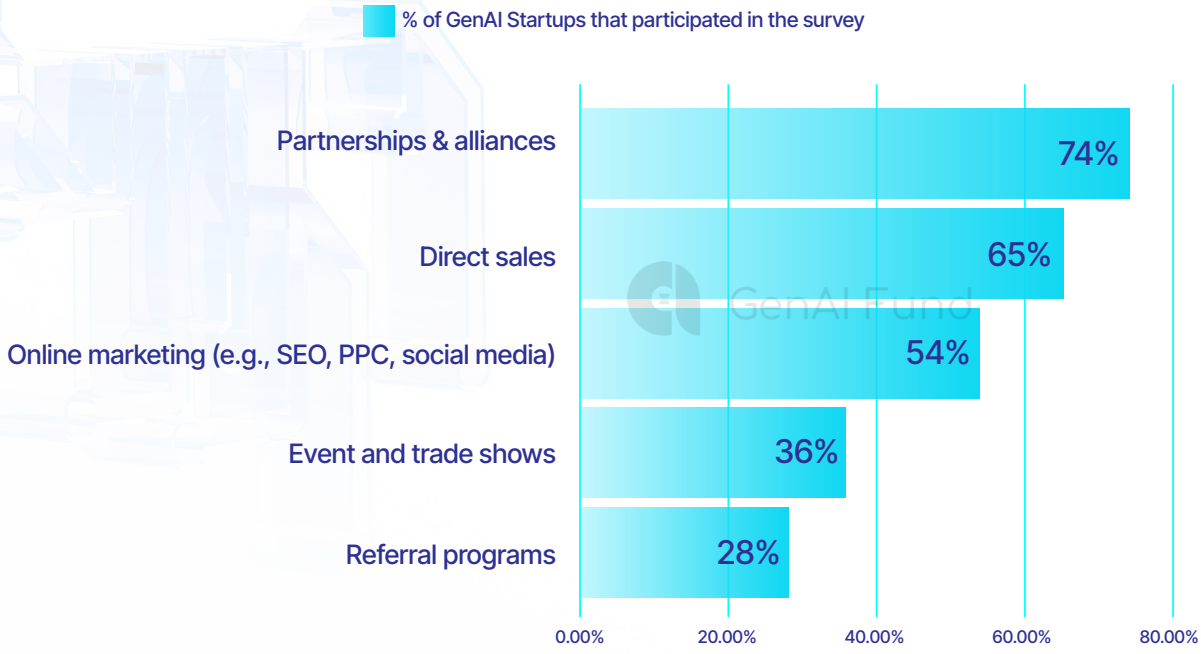
PRICING MODELS FOR GENAI SOLUTIONS



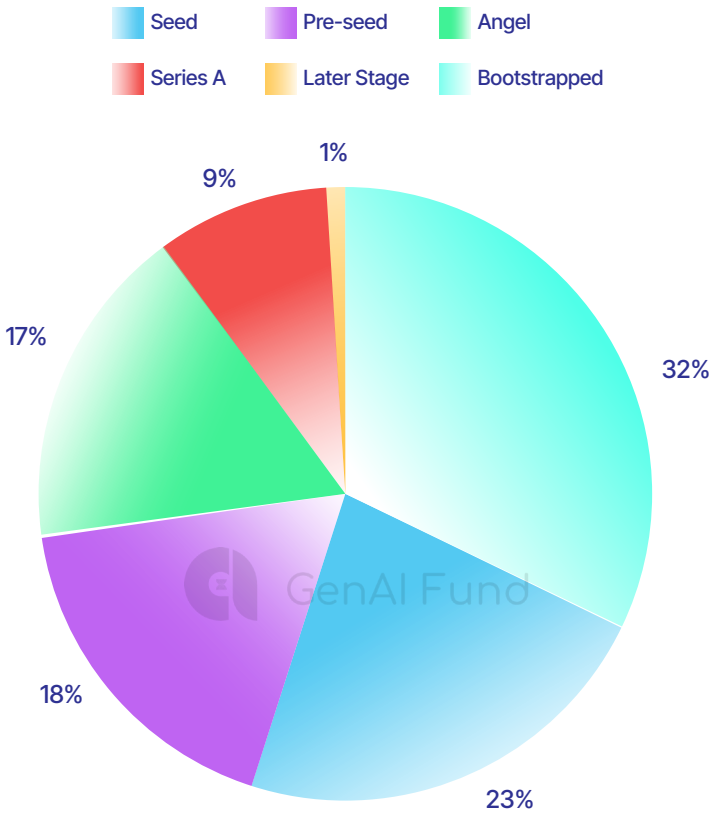
GLOBAL GTM VS REGIONAL VS LOCAL



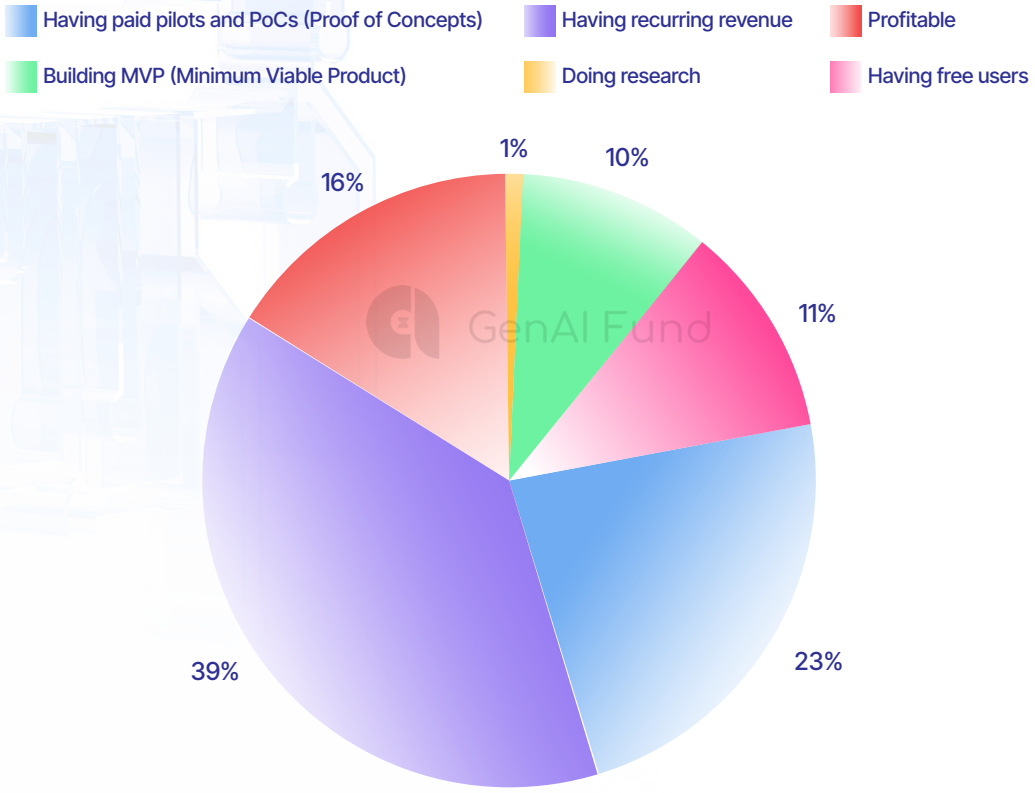
EFFECTIVE CHANNELS TO ACQUIRE CUSTOMERS



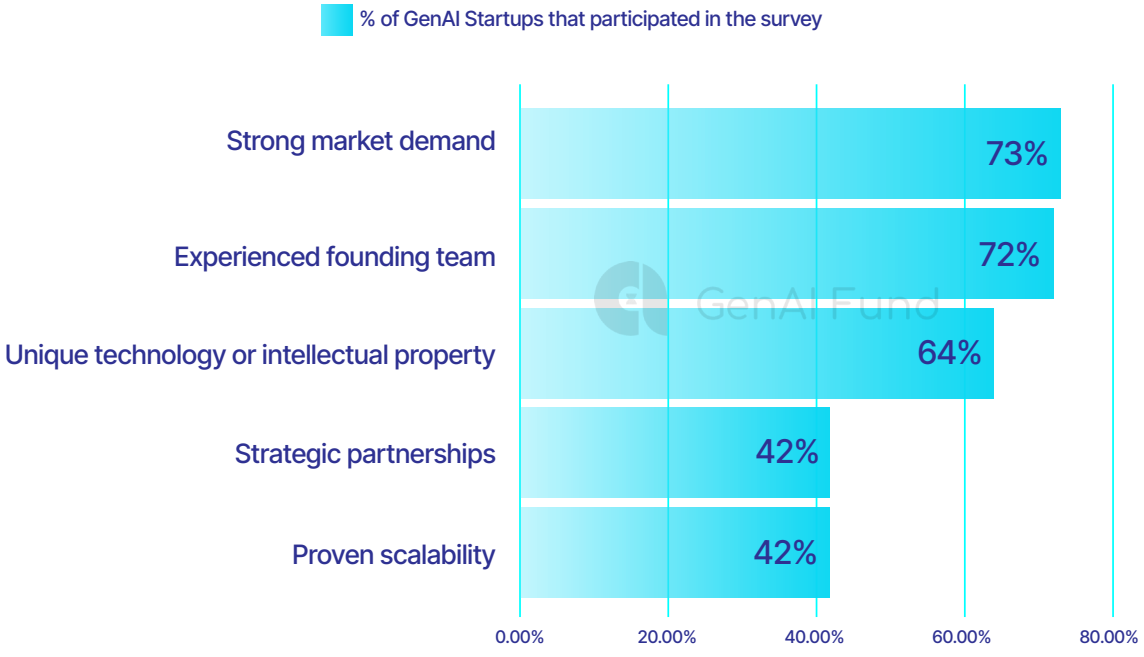
CURRENT FUNDING STAGE OF GENAI STARUPS



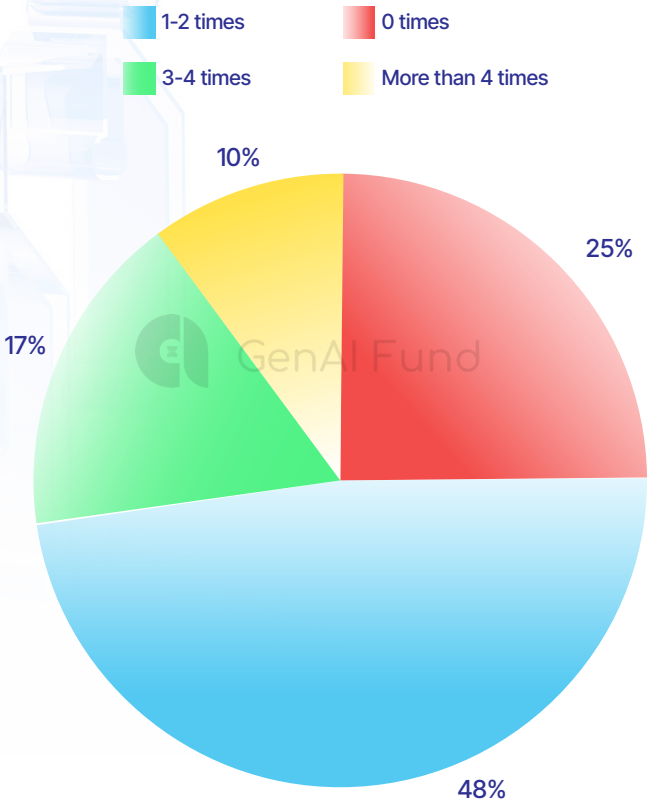
CURRENT STAGE OF MONETIZATION



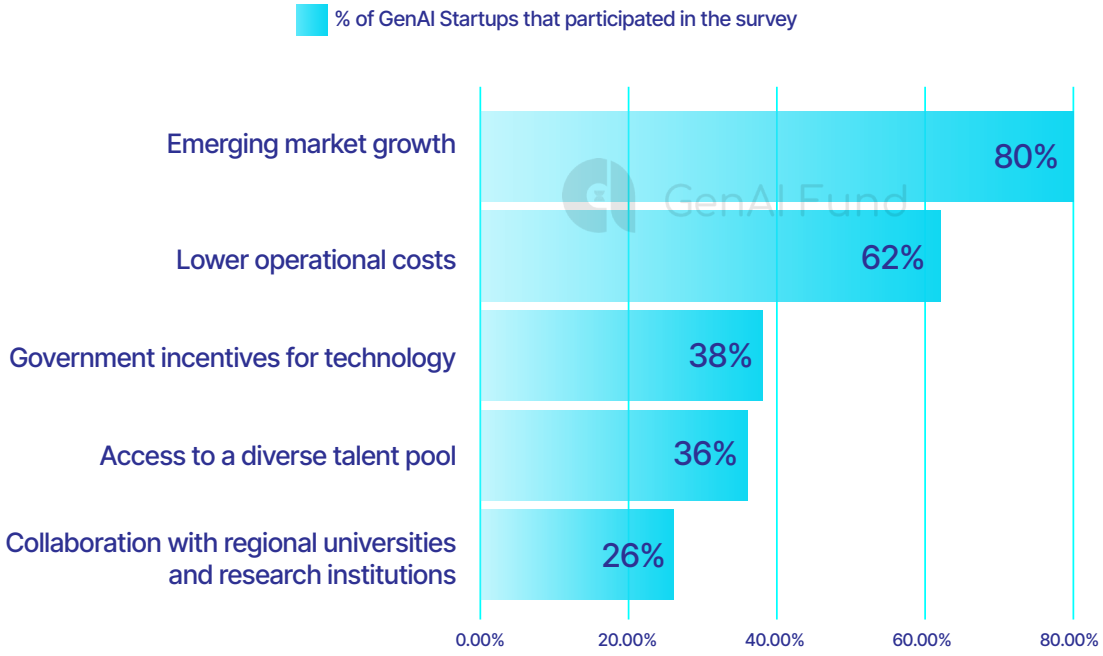
KEY DIFFERENTIATORS THAT MATTER TO INVESTORS



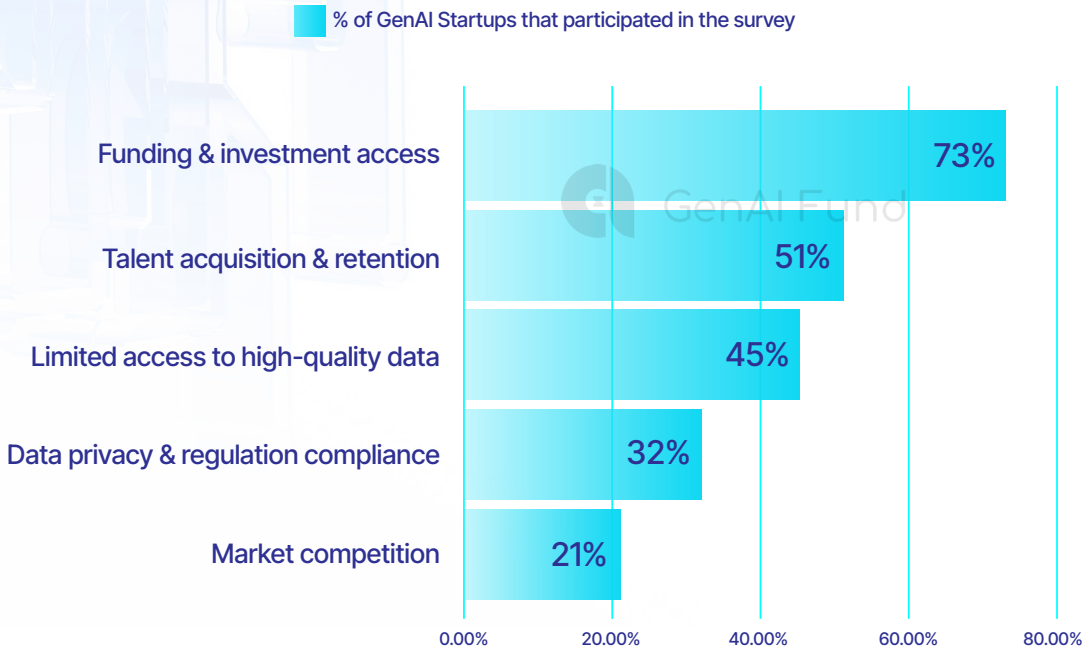
75% PIVOT UP TO > 4 TIMES



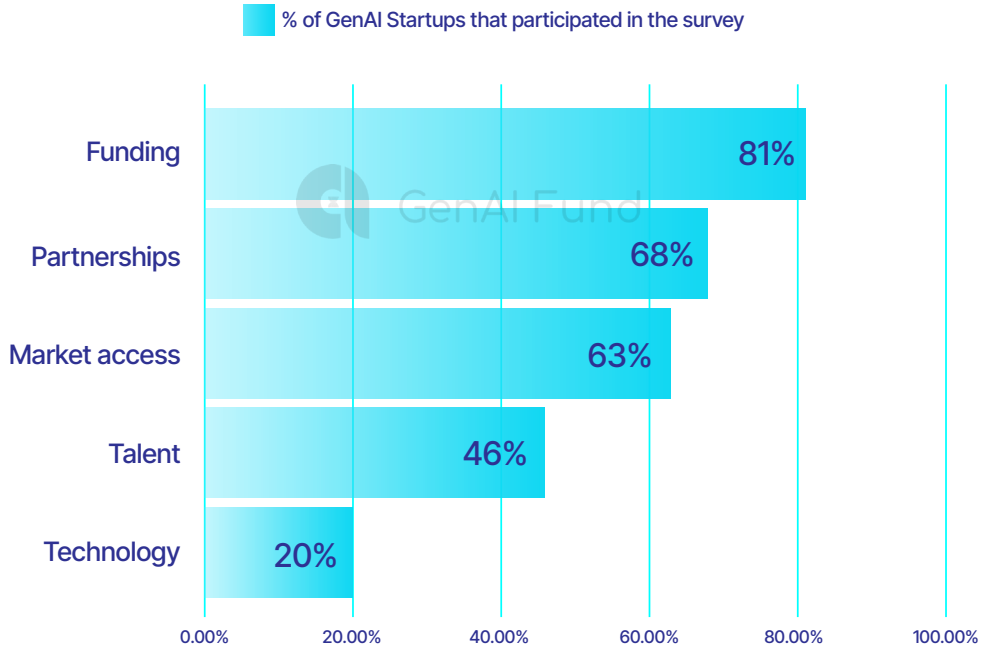
WHY BUILD AND GTM IN ASEAN



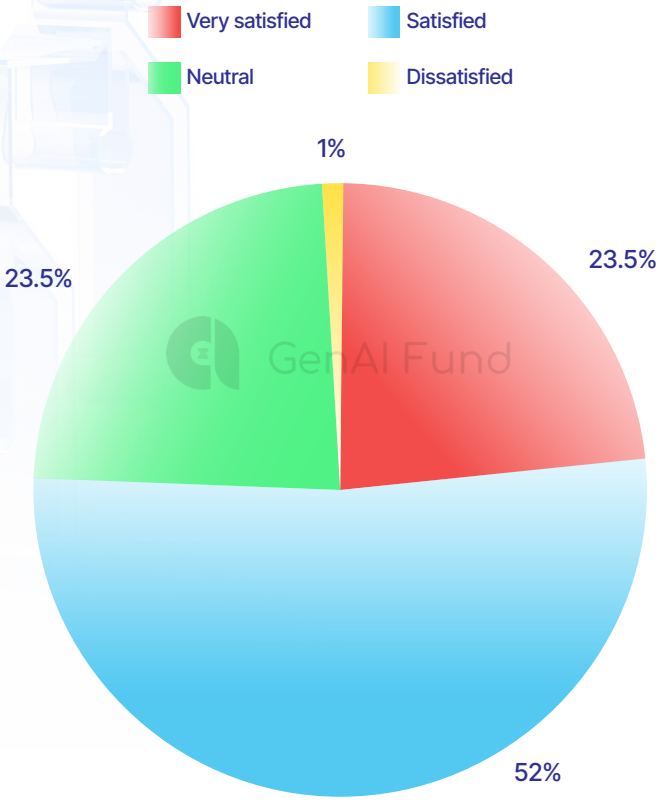
KEY CHALLENGES FOR AI BUILDERS IN ASEAN



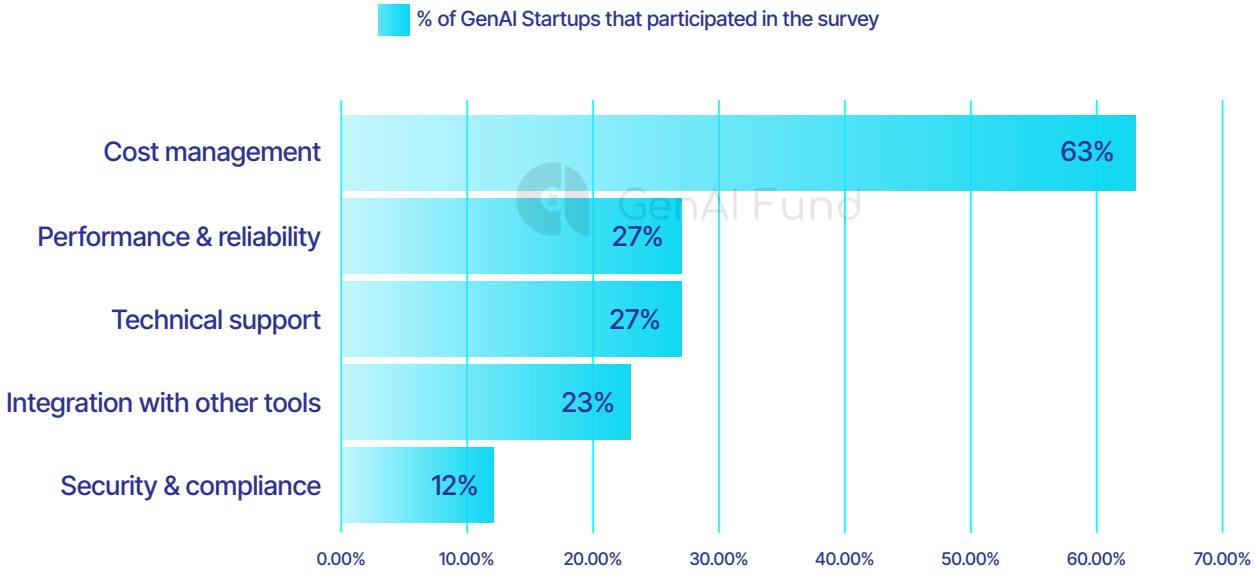
WHAT ARE YOUR TOP 3 NEEDS CURRENTLY?



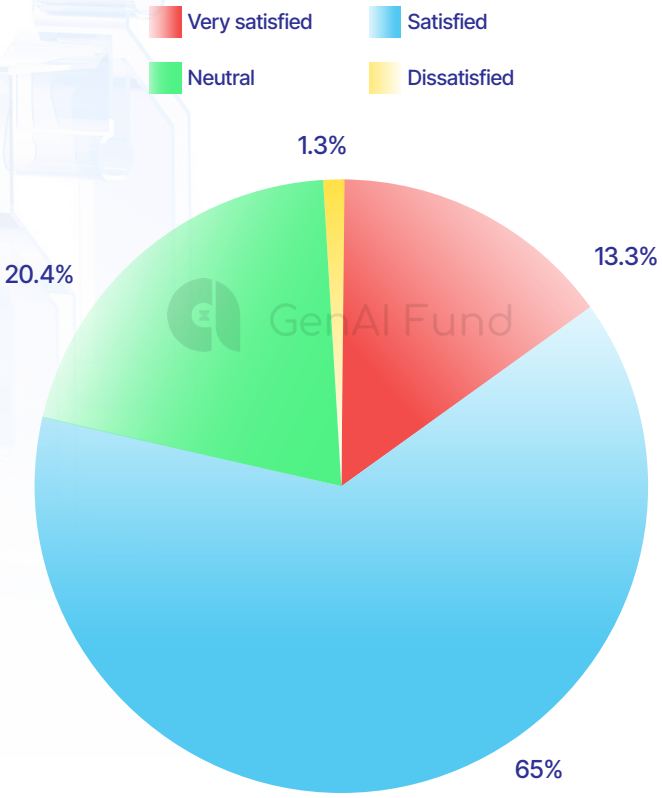
HOW SATISFIED ARE YOU WITH YOUR CURRENT CLOUD PROVIDER(S)?



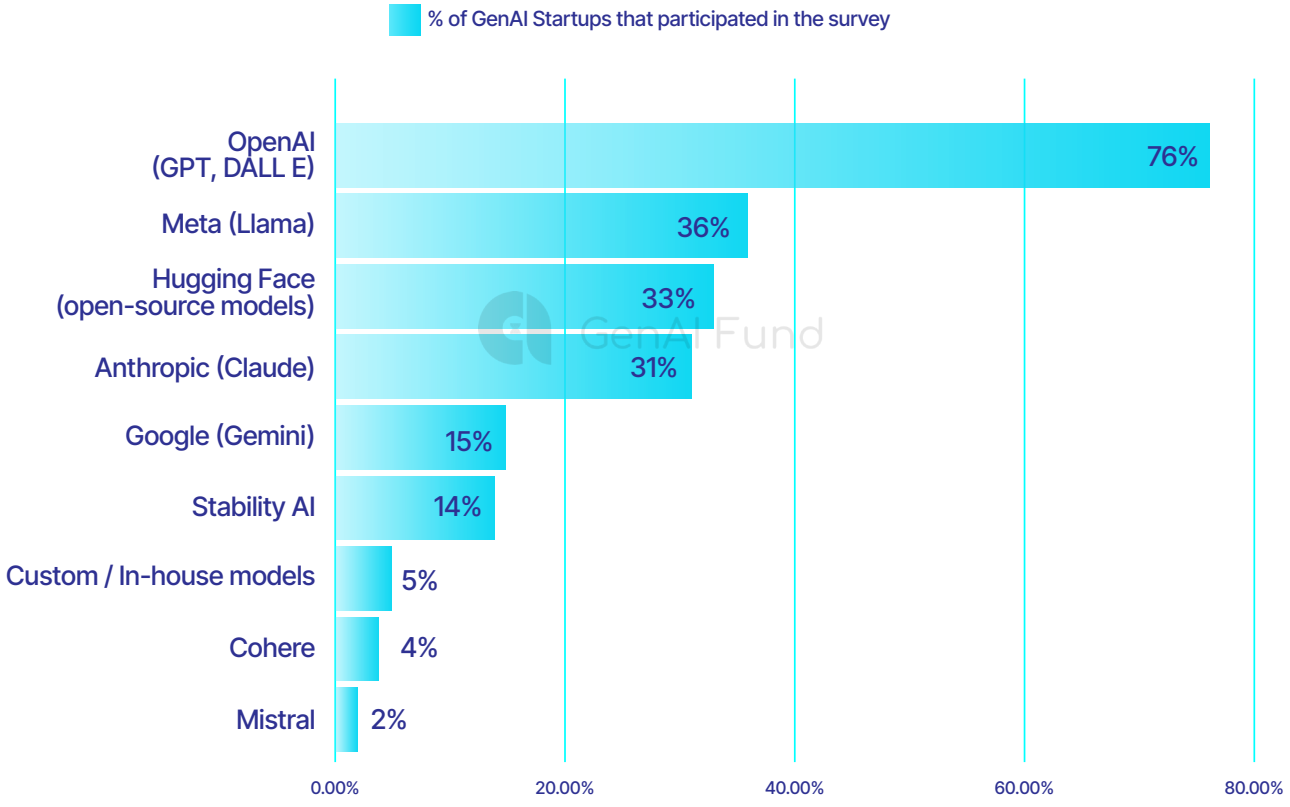
WHAT ARE THE BIGGEST CHALLENGES YOU FACE WITH YOUR CURRENT CLOUD PROVIDER(S)



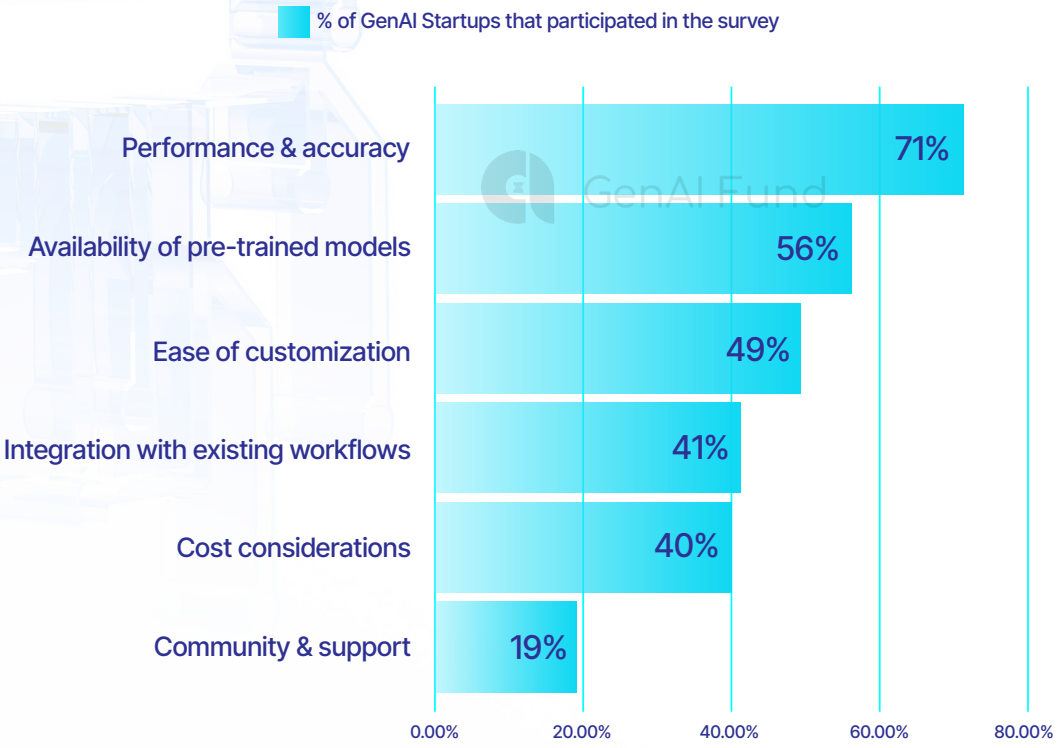
HOW SATISFIED ARE YOU WITH THE PERFORMANCE OF YOUR CHOSEN FOUNDATION MODELS?



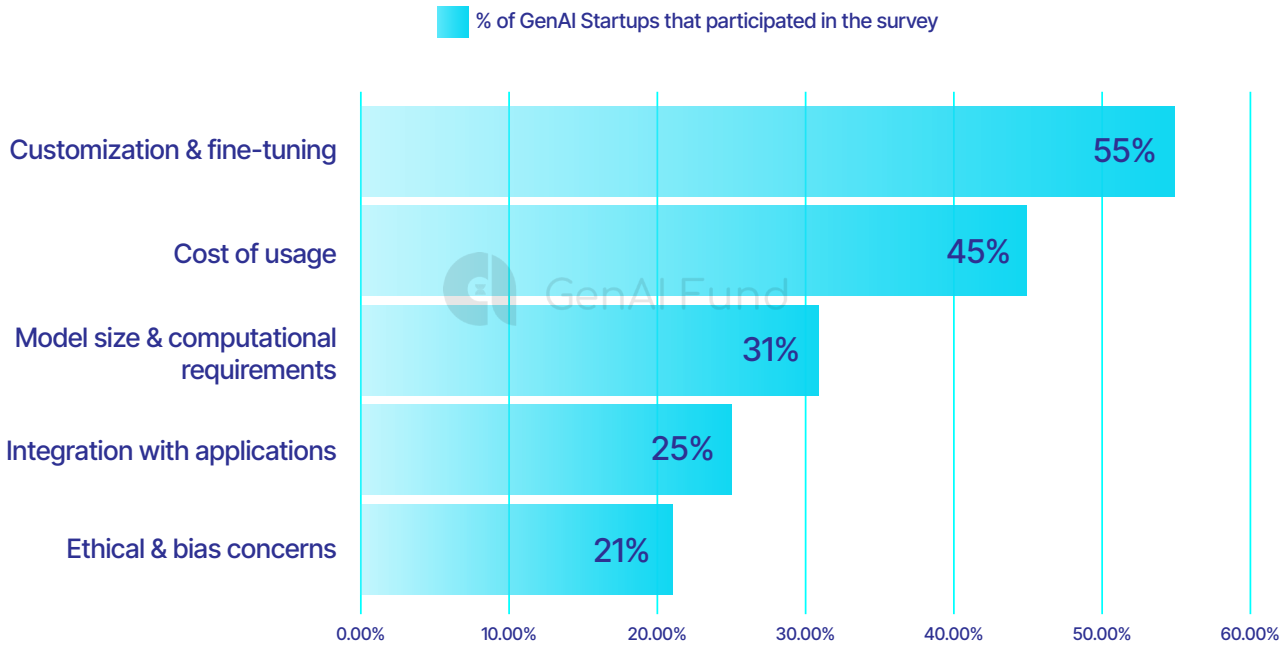
TOP FOUNDATION MODELS USED BY GENAI STARTUPS



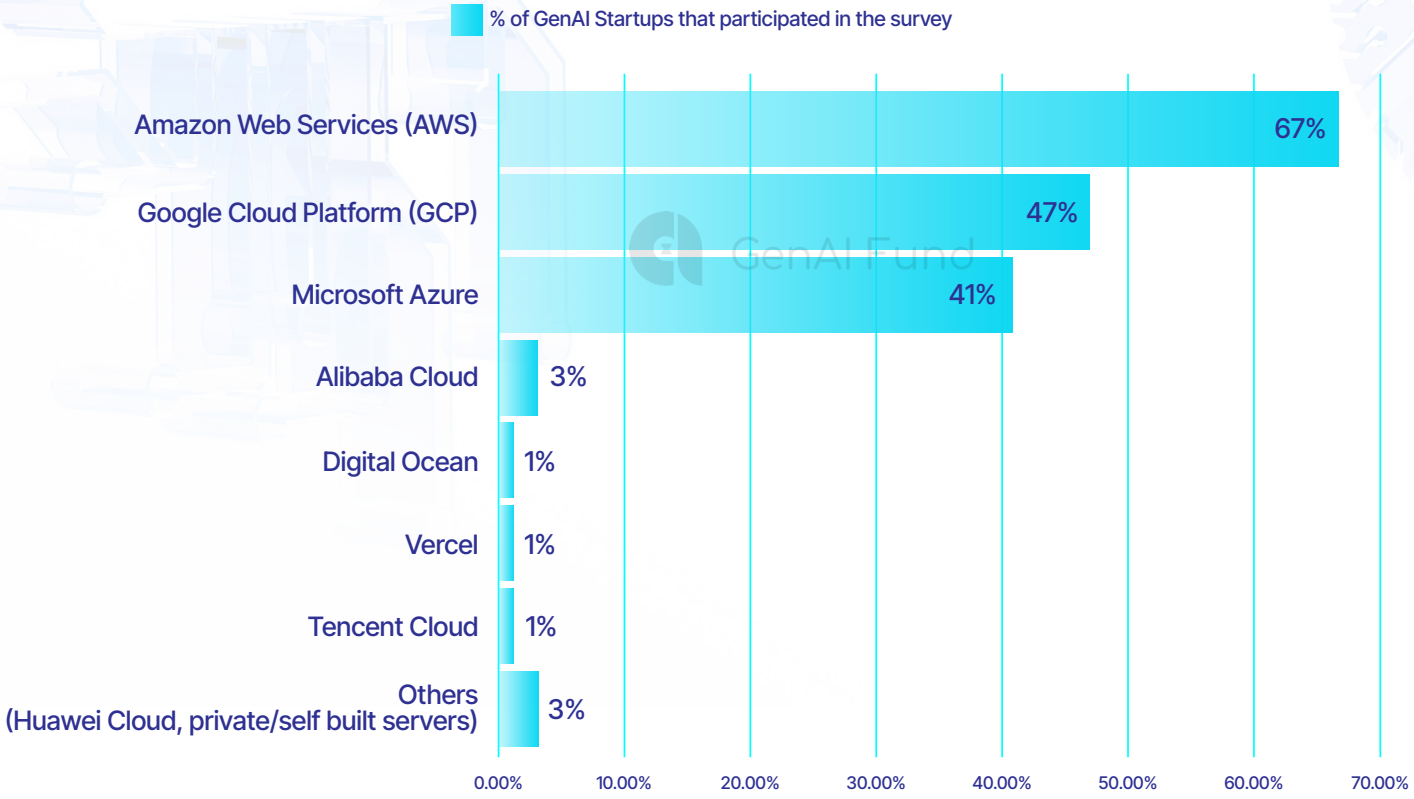
KEY REASONS FOR CHOICE OF FOUNDATION MODELS



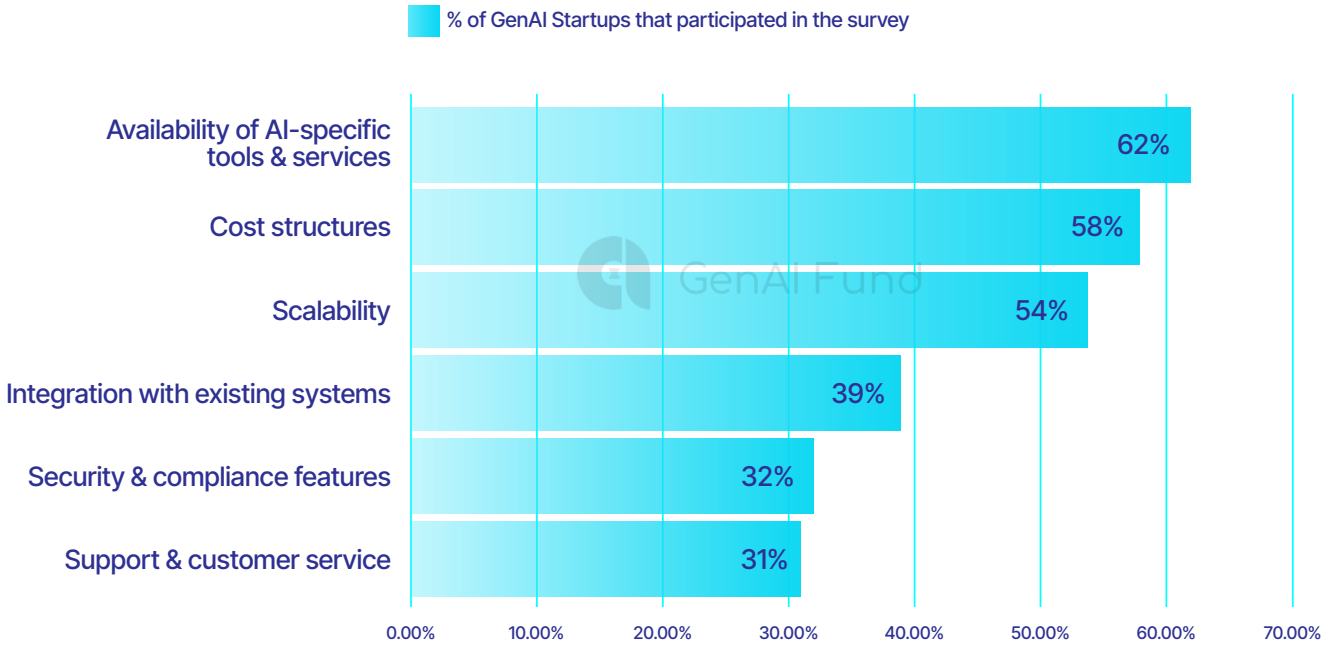
BIGGEST CHALLENGES WITH CURRENT FOUNDATION MODELS



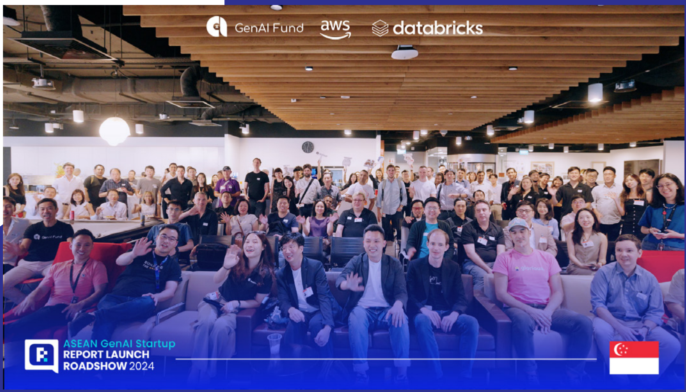
TOP CLOUD PROVIDERS USED BY GENAI STARTUPS

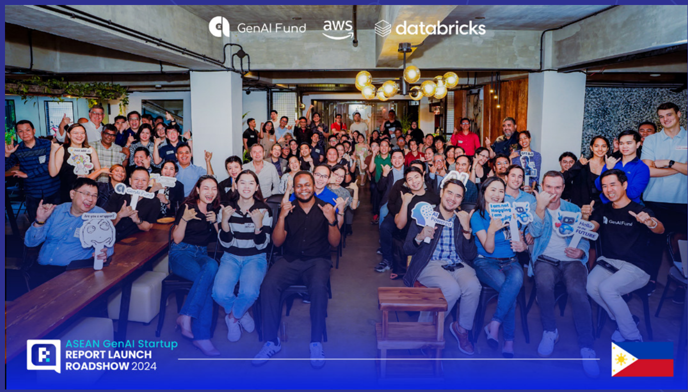


REASONS FOR CHOICE OF CLOUD PROVIDER



ASEAN GenAI Startup Report Launch Roadshows in 6 ASEAN countries





Thank You

GenAI Fund
Kien Nguyen, Kris Nguyen

Databricks
Patrick Kelly

Valkore
Raz Kotler

Hustler Labs
Kathy Nguyen

AWS
Kang Kai Yong

Pixlr
Warren Leow

SoMin.ai
Prof. Aleks Farseev

Thank you to all our partners for making the ASEAN GenAI Startup Report and Roadshow a success across six countries, and to the many more that we didn't manage to list here!
https://genaifund.ai/asean-genai-startup-report-launch-roadshow-2024/

The ASEAN Generative AI Startup Market Map

A work in progress

GenAI Fund

Technology & AI Solutions

OPILOT, seer., rapida, datasaur.ai, m1, Rean AI, soco, Prosa.ai, Arcanic AI, recursal.ai, Evolpin Tech, XERPHAN, Esse Pi, DATTABOT, Float16 Cloud, hekate, DataDeep, GOWAJEE, TYPHOON

Marketing & Content Creation

DashoContent, PixelML, MailMaestro, ADDLLY, AiSENSUM, dizim.ai, Kreatif.ai, CLARITY, mavic, TGM Research, OM, storify, QUILT.AI, SOMIN, tribee

Media & Entertainment

Naki, TVCONAL, CREATORIAL, Podcast Network Asia, BuzzAR, huk, QuizMatch, BREEDERDAO, Clay Sage, laka.AI, PIXLR, VNG, Advertify.ai

Financial Services

aspire, TradeHeroes, MARA, Dorje.ai, AnalystAI, FundBox.ai, true, prospero, BLOCKCHAINWORX, Teliti., moolahgo, bluesheets, TRUUFIN, Optimi

Healthcare & Wellness

RUSH IT, HELF, glorious., Eidy, BookDoc, nexmedis, Welling, connectingDNA, Curay, METICULY, qmed.asia, WorqHealth, HealthBridge AI, ONE CLINIC, medicia, diaB, rey, KeyReply, eatsy

Human Resources

Happily.ai, INTERVIEWER.AI, careera., impress, Talentmarket.id, VIET GIGS, UCTalent, HUSA, SQOUTS, KABEL, sprout SOLUTIONS, topcv, SMARTR.CO

Productivity & Business Solutions

Diaflow, meeting ai, MindOS, Saner.AI, Shieldbase_, AI Bid, HeyAI, TeamSolve, TAPPI, Gravis AI, Azara, Witap, REPLYR.AI, PERSONA STUDIOS, IMPACTMIND, staple, BOTIKA, feedloop, uB1, AI MINERVA, mp, AXTRACTION, raijin.ai, aipalette, igot.ai, uib, AIPath, decube, kroolo, beseek, dearflow, Filum.ai, Fuzzy Sequence, GUARDIAN GPT, produgie

Education Technology

WiselyWise, MAKARIUS, LINGOSNAP, Antee, EDSY., KaCam, EDTRONAUT, DayCon, DIGYLEARN, learneris TEACH

Retail & Ecommerce

TRUSTANA, expaai, Navan, storewise, ENSTACK, mimin, epsilo, chatcenie, upbase, Pebblely, Prrink, Beloved Beyond, MODELI

Security & Compliance

TIL, VIRTUALNESS, lytehouse, Chainkeeper, Perisai

Software Development & IT Services

HF, Locofy, PriMax

Legal & Compliance

SMART CODES, Jur, HUKUM ONLINE .COM, lexilaw, TemplarX

Real Estate & Construction

superagent., nestopa, Proplens, wentilabs, SPACELY AI, kucing

Logistics & Supply Chain

fr8Labs, r:da, GREYWING, eezee, CargoAi

AgriTech & Climate Tech

GO MICRO, DiMuto

Citation

1. Bass, Dina. (2023, January 23).
"Microsoft to Invest $10 Billion in ChatGPT Maker OpenAI (MSFT)." Bloomberg.Com,. Retrieved from https://www.bloomberg.com/news/articles/2023-01-23/microsoft-makes-multibillion-dollar-investment-in-openai

2. Kramer, M. J. (2019, June 25).
Nvidia's Breakout Seen Fueling 14% Stock Gain. Investopedia. Retrieved from https://www.investopedia.com/news/nvidias-latest-breakout-could-fuel-14-rise/

3. Mickle, Tripp, and Joe Rennison. 2024.
"Nvidia, With $3.34 Trillion Market Cap, Becomes Most Valuable Company." The New York Times, June 18. Retrieved from https://www.nytimes.com/2024/06/18/technology/nvidia-most-valuable-company.html

4. Minh, P. (2023, September 17).
Vietnam forecast to be short of 150,000 tech workers annually. Vietnam Economic Times | VnEconomy. Retrieved from https://en.vneconomy.vn/vietnam-forecast-to-be-short-of-150-000-tech-workers-annually.htm

5. Econ 102 with Noah Smith. (2024, August 29).
Anthropic CEO Dario Amodei on AI's moat, risk, and SB 1047 [Video file]. Retrieved from https://www.youtube.com/watch?v=7xij6SoCCII

6. Ruehl, M. (2024, April 3).
How Singapore became Asia's go-to hub for start-ups. Financial Times. Retrieved from https://www.ft.com/content/6e67b720-2397-423c-b1cc-765faa774d66

7. VMLU. (2024)
Leaderboard of fine-tuned models.
Retrieved from https://vmlu.ai/leaderboard

8. Vietnam+. (2024, July 11)..
Initiative launched to promote AI development in Vietnam. Vietnam+ (VietnamPlus). Retrieved from https://en.vietnamplus.vn/initiative-launched-to-promote-ai-development-in-vietnam-post290026.vnp

9. Nhat, P. (2024, July 12).
NIC and Google launch an initiative to accelerate Vietnam's AI adoption. hanoitimes.vn. Retrieved from https://hanoitimes.vn/nic-and-google-launch-initiative-to-accelerate-vietnams-ai-adoption-327370.html

10. Slasify. (2024, July 10).
Why Vietnam is Emerging as a Top Destination for Global Talent. Retrieved from https://blog.slasify.com/en/why-vietnam-is-emerging-as-a-top-destination-for-global-talent/

11. Bangkok Post. (2024, August 29).
Microsoft Unveils "AI for All Thais" Vision. https://www.bangkokpost.com. Retrieved from https://www.bangkokpost.com/business/general/2856192/microsoft-initiative-aims-to-provide-ai-skills-to-1m-thais\

12. Technode Global. (2024, July 18).
Thailand's Amity Solutions and its parent Amity Corp raise $60M Series C funding. Retrieved from https://technode.global/2024/07/18/thailands-amity-solutions-and-its-parent-amity-corp-raise-60m-series-c-funding/

13. Ajanapanya, N. (2023, April 28).
'Historic' billion baht fund aims to fuse tech startups with SMEs. Nationthailand. Retrieved from https://www.nationthailand.com/thailand/policies/40027076

Citation

14. Vietnam+. (2024, May 29).
Malaysia aims to become Asia's semiconductor hub. Vietnam+ (VietnamPlus). Retrieved from https://en.vietnamplus.vn/malaysia-aims-to-become-asias-semiconductor-hub-post287709.vnp

15. AWS. (2024, August 24).
Now Open — AWS Asia Pacific (Malaysia) Region | Amazon Web Services. Amazon Web Services. Retrieved from https://aws.amazon.com/blogs/aws/now-open-aws-asia-pacific-malaysia-region/

16. Prime Minister's Office. (2023).
"NVIDIA TO SUPPORT MALAYSIA'S AIM TO BE a TOP 20 COUNTRY IN TERMS OF AI - PM ANWAR." Retrieved (https://www.pmo.gov.my/2023/12/nvidia-to-support-malaysias-aim-to-be-a-top-20-country-in-terms-of-ai-pm-anwar/).

17. Microsoft. (2024, May 2).
Microsoft announces US$2.2 billion investment to fuel Malaysia's cloud and AI transformation Microsoft Stories Asia. Retrieved from https://news.microsoft.com/apac/2024/05/02/microsoft-announces-us2-2-billion-investment-to-fuel-malaysias-cloud-and-ai-transformation/

18. Reuters. (2024, May 30).
"Google to Invest $2 Bln in Data Centre and Cloud Services in Malaysia." Reuters. Retrieved from https://www.reuters.com/technology/google-invest-2-bln-data-centre-cloud-services-malaysia-2024-05-30/

19. Reuters. (2024, June 07)
"ByteDance Plans $2.1 Bln Investment in Malaysia for AI, Minister Says." Reuters. Retrieved from https://www.reuters.com/technology/bytedance-plans-21-bln-investment-malaysia-ai-minister-says-2024-06-07/

20. Fatihah, A. (2024, April 19).
MOSTI launches AI Sandbox pilot programme in collaboration with NVIDIA - BusinessToday. Retrieved from https://www.businesstoday.com.my/2024/04/19/mosti-launches-ai-sandbox-pilot-programme-in-collaboration-with-nvidia/

21. CXOToday. (2024, September 2).
Malaysia Digital Economy Corporation (MDEC) along with other Sovereign entities announce Strategic Partnership with Immerso AI-IP. Retrieved from https://cxotoday.com/press-release/malaysia-digital-economy-corporation-mdec-along-with-other-sovereign-entities-announce-strategic-partnership-with-immerso-ai-ip/

22. Goh, N. (2024, March 19).
Malaysia's YTL launches Nvidia-powered AI Cloud supercomputing bid. Nikkei Asia. Retrieved from https://asia.nikkei.com/Business/Tech/Semiconductors/Malaysia-s-YTL-launches-Nvidia-powered-AI-Cloud-supercomputing-bid

23. Yong, Y. (2023, December 13).
917 Ventures hopeful to see more unicorns in Philipines, FinTech among the hottest sector [Q&A]. Retrieved from https://technode.global/2023/12/13/917-ventures-hopeful-to-see-more-unicorns-in-philipines-fintech-among-the-hottest-sector-qa/

24. Carmona, Aliza. (2024).
"GCash Parent Company Mynt Surges to $5 Billion Valuation With New Investments From Ayala, MUFG." MARKETECH APAC. Retrieved from (https://marketech-apac.com/gcash-parent-company-mynt-surges-to-5-billion-valuation-with-new-investments-from-ayala-mufg/)

25. Rai, S. (2024, August 27).
Philippines' Call Centers Navigate AI Impact on Jobs. Bloomberg.com. Retrieved from https://www.bloomberg.com/news/features/2024-08-27/philippines-call-centers-navigate-ai-impact-on-jobs?embedded-checkout=true

26. Microsoft Philippines Communications Team (2024, March 11).
Microsoft joins U.S. Presidential Trade and Investment Mission and announces targeted initiatives to accelerate AI adoption in the Philippines – Microsoft News Center Philippines. Retrieved from https://news.microsoft.com/en-ph/2024/03/11/microsoft-joins-u-s-presidential-trade-and-investment-mission-and-announces-targeted-initiatives-to-accelerate-ai-adoption-in-the-philippines/

Citation

27. Mascarenhas, Natasha, and Stephanie Palazzolo. (2023, September 28).
"Jasper, an Early Generative AI Winner, Cuts Internal Valuation as Growth Slows." The Information. Retrieved from https://www.theinformation.com/articles/jasper-an-early-generative-ai-winner-cuts-internal-valuation-as-growth-slows

28. 20VC with Harry Stebbings. (2024, April 15).
Sam Altman & Brad Lightcap: Which companies will be steamrolled by OpenAI? | E1140 [Video file]. Retrieved from https://www.youtube.com/watch?v=G8T1O81W96Y

29. Petrova, M. (2024, August 10).
The rise of OpenAI and Microsoft's $13 billion bet on the AI startup. Retrieved from https://www.cnbc.com/2024/08/10/rise-of-openai-microsofts-13-billion-artificial-intelligence-bet.html

30. Dignan, L. (2024, April 25).
"Here's why Meta is spending $35 billion to $40 billion on AI". Retrieved from https://www.constellationr.com/blog-news/insights/heres-why-meta-spending-35-billion-40-billion-ai-infrastructure-roadmap

31. Databricks. (2023, July 19).
Databricks completes acquisition of MosaicML. Retrieved from https://www.databricks.com/company/newsroom/press-releases/databricks-completes-acquisition-mosaicml

32. GenAI Fund. (2024, July 25).
Top GENAI-Focused Accelerator Programs for ASEAN Startups - GENAI Fund. Retrieved from https://genaifund.ai/2024/07/03/top-genai-focused-accelerator-programs-for-asean-startups/

33. SCB 10X. (2024, February 06).
An Introduction to "Typhoon" The Market's Most Capable Thai Large Language Model (Thai LLM). Retrieved from https://www.scb10x.com/en/blog/typhoon-innovative-thai-language-model

34. Arcanic AI. (2024, May 30).
Arcanic AI is proud to be one of 13 startups selected for the AWS x Accelerating Asia ASEAN GenAI Reactor. Retrieved from https://arcanic.ai/2023/11/30/arcan-ic-ai-proud-to-be-one-of-13-startups-selected-for-the-aws-x-accelerating-asia-asean-genai-reactor-program/

34. Arcanic AI. (2024, May 30).
Arcanic AI is proud to be one of 13 startups selected for the AWS x Accelerating Asia ASEAN GenAI Reactor. Retrieved from https://arcanic.ai/2023/11/30/arcan-ic-ai-proud-to-be-one-of-13-startups-selected-for-the-aws-x-accelerating-asia-asean-genai-reactor-program/

35. Hyphen Partners. (2024, May 23).
Southeast Asia on a road to recovery. Retrieved from https://www.linkedin.com/pulse/southeast-asia-road-recovery-hyphenpartners-luoec/

36. Bonzom, A. (2024, July 17).
The downturn in Southeast Asia's funding landscape. Retrieved from https://www.linkedin.com/pulse/downturn-southeast-asias-funding-landscape-arnaud-bonzom-arsqe/

37. Svanqvist, S. (2024, January 11).
Cutting through the noise in the generative AI landscape as an Early-Stage investor. Retrieved fro https://www.scalecapital.com/stories/cutting-through-the-noise-in-the-generative-ai-landscape-as-an-early-stage-investor

38. Bornstein, M., Appenzeller, G., Casado, M., Bornstein, M., Appenzeller, G., & Casado, M. (2024, September 10).
Who owns the generative AI platform? Retrieved from https://a16z.com/who-owns-the-generative-ai-platform/

39. Hu, K., & Tong, A. (2023, March 23).
AI chatbot Character.AI, with no revenue, raises $150 mln led by Andreessen Horowitz. Reuters. Retrieved from https://www.reuters.com/technology/ai-chatbot-characte-rai-with-no-revenue-raises-150-mln-led-by-andreessen-horowitz-2023-03-23/

Citation

40. De Vynck, Gerrit, and Nitasha Tiku. (2024).
"Google Hires Top Start-up Team, Fueling Concerns Over Big Tech's Power in AI." Washington Post. Retrieved from https://www.washingtonpost.com/technology/2024/08/02/google-character-ai-noam-shazeer/

41. Business Times. (2024, June 10).
Creativity takes flight with AI power at Malaysia's Pixlr Group. NST Online. Retrieved from https://www.nst.com.my/business/corporate/2024/06/1061643/creativity-takes-flight-ai-power-mlAysias-pixlr-group

42. Goldman, S. (2024, July 23). .
A day after raising $500 million, AI startup Cohere told staff it was laying off about 20 employees. Retrieved from https://fortune.com/2024/07/23/after-500-million-funding-ai-startup-cohere-layoffs/

43. Mansuri, S. (2024, August 30).
How Grab beat Uber as best ride-hailing app in Southeast Asia. Retrieved from https://www.yelowsoft.com/blog/grab-defeat-uber-becomes-biggest-ride-hailing-company-in-southeast-asia/

44. Nolan, S. (2024, September 4).
BYD overtakes Tesla as top electric vehicle manufacturer. EV Magazine. Retrieved from https://evmagazine.com/news/byd-overtakes-tesla-as-top-ev-manufacturer

45. Kasikorn Bank (2024, July 15).
"KX Venture Capital and AI Fund Announce Strategic Partnership to Build AI Startups - ธนาคารกสิกรไทย." ธนาคารกสิกรไทย. Retrieved from (https://www.kasikornbank.com/en/news/pages/ai_fund.aspx).

46. Satoh, R. (2024, August 15).
SoftBank, SK, LG, and Hanwha to join AI startup fund. Nikkei Asia. Retrieved from https://asia.nikkei.com/Business/Technology/Artificial-intelligence/SoftBank-SK-LG-and-Hanwha-to-join-AI-startup-fund