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## Alibaba pumps US\$2b into Lazada to wage war in SEA e-commerce market

Analyst sees white-knuckle ride ahead for Singapore retailers; others say latest push a plus for consumers, regional e-commerce and logistics

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Lazada chairman Lucy Peng - one of 18 Alibaba co-founders - will take on additional role of CEO.

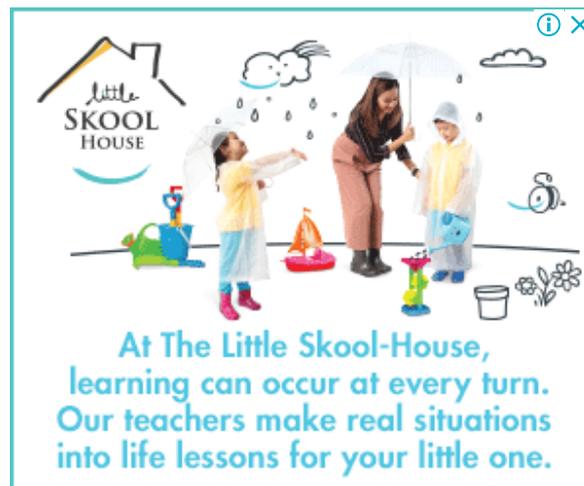
## e-commerce: A costly battle

### Singapore

E-COMMERCE giant Alibaba is pumping another US\$2 billion into Lazada - raising the stakes in the fierce battle for South-east Asia's online shoppers and causing further hand-wringing among Singapore retailers.

Alibaba Group's latest announcement to inject more ammunition into the Singapore-based, South-east Asia-focused startup which it already controls will matter for the next phase of growth for major e-commerce players.

To show that it means business, Alibaba is not only forking out big bucks for Lazada's regional expansion. It also announced on Monday that current Lazada chairman Lucy Peng - one of Alibaba's 18 co-founders - will assume the additional role of chief executive to "drive Lazada's growth strategies".



Lazada founder Max Bittner, who has served as CEO since 2012, will take on the role of senior adviser to Alibaba to "assist in the transition and future international growth strategy".

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Chua Hak Bin, senior economist at Maybank Kim Eng, told The Business Times: "Alibaba's huge investment suggests that South-east Asia is becoming the next battleground for global tech giants." He said that while the region's consumers will benefit from greater price competition and choice, traditional retail players will face an even greater risk of

disruption and displacement. "Many local brick and mortar retail names do not have the deep wallets or tech know-how to compete. Local players will have to find their niche and partner the global tech titans to survive the coming onslaught."

Anuj Jain, chief of startup builder Startup-O, said that "the writing has been on the wall for some time now", as global players including Alibaba, Sea Ltd, JD.com and Amazon increasingly deepen their foray into South-east Asia, a region with "huge growth potential".

"This reiterates their might and strong intent to play hard in this region, which will intensify the competition, ultimately benefit consumers, and hopefully stir up some merger and acquisition activity in the e-commerce startup space."

Alibaba's latest investment will bring its total investment in Lazada to US\$4 billion. In 2016, it acquired control of Lazada with an investment of US\$1 billion, and in 2017, boosted its stake in Lazada to 83 per cent with an additional US\$1 billion investment. BT understands that the new funding will raise Alibaba's stake in Lazada, but Lazada declined to disclose more details.

BT also understands that Lazada's valuation is US\$3.15 billion as of 2017. Its parent company Alibaba has a market cap of some US\$513 billion as of Monday. In comparison, Amazon's market cap is about US\$760 billion and JD.com's is US\$64 billion. Singapore-based, New York-listed Sea, which runs e-commerce platform Shopee, has a market cap of approximately US\$3.66 billion.

A Shopee spokeswoman said: "Shopee will continue to focus on innovating and improving our platform, features and services to cater to the needs and preferences of users across the region. We believe that Shopee's home court advantage and business model provide an exciting platform for long-term value creation." Amazon declined to comment.

A JD.com spokesman said the company's "commitment to authentic products and consistent anti-counterfeit positioning", as well as its "unparalleled logistics capability which offer the fastest delivery service in the world" will serve as the competitive advantages of its local platforms across South-east Asian countries, among them Indonesia and Thailand.

HyunWook Cho, CEO of homegrown player qoo10, told BT that the region's e-commerce sector is "still at its very early stage" compared with markets such as China, Korea, Japan and the US where e-commerce penetration is over 15 per cent, and therefore requires "a lot more investments" to expedite its growth.

He added: "Qoo10's focus is Singapore. We will tackle the rest of the region's markets wisely with a proper strategy. Being No 1 early on in the e-commerce market is a very costly money-game. We will play smart."

Matteo Sutto, chief marketing officer of price comparison site iPrice, noted that the key challenge is still to get more consumers to shop online. "Investments in e-commerce such as Alibaba's could further increase the speed of innovation in South-east Asia's online retail space, making the e-commerce pie bigger for everyone."

Alvin Ea, CEO of PSA-backed container haulage startup Haulio, agreed that Alibaba's investment will lead to greater volumes in the region's e-commerce space, which will engender more trade and activity for supporting industries such as shipping and logistics. "This can help bring talent into the logistics tech industry, as we all attempt to tackle the many pains of this fragmented space."

Paul Coutts, CEO of Alibaba-backed logistics company SingPost, said as much: "Any investment of this magnitude can only accelerate the growth of e-commerce in Singapore and the region. We continue to focus on initiatives that unlock the full potential of the e-commerce market that these investments create, to advance SingPost's transformation into a leading Postal and e-commerce logistics company."

Haulio's Mr Ea noted that the change in leadership in Lazada marks "the beginning of Chinese influence and entry" into the South-east Asian markets, while Startup-O's Mr Jain hailed the appointment of Ms Peng as "a welcome step that provides an experienced executive to lead the charge in the region".

Mr Jain said: "Having a strong woman leader like her in the startup ecosystem will also inspire many other indigenous women entrepreneurs in the otherwise male-dominated startup scene here."

Ms Peng, who joined Alibaba in 1999 as one of 18 co-founders, is a senior partner in the Alibaba Partnership. She is the executive chair of Ant Financial (Alibaba's payments affiliate), at which she was CEO from 2010 to 2016. Ms Peng also served as Alibaba's Chief People Officer for over a decade, and was named one of the world's most powerful women by Forbes for three consecutive years since 2013.

BT understands that Ms Peng had on Monday sent an email to Lazada employees to inform them of the latest developments, in which she also said that Lazada will focus on developing young local staff as well as women employees.

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