The ASEAN e-Commerce Inflection Year 2015

What are Needed for a Big Leap?

Paul Srivorakul | Ardent Capital | December 2015

Content

About Paul Srivorakul

ARDENT CAPITAL

Founder & Partner

- Ardent Capital (Venture Builder & Investor)
  - Incubated (B2C, B2B, E2E)
  - Investments (12 Startups)

- Early stage investments focused on Ecommerce in S.E. Asia
- Exited 4 companies in the last 5 years (Newmedia, Admax, Ensogo, Wow.lk)
- Experienced venture team with strong backing (Recruit Holdings, Sinarmas, Siemer Ventures)

acommerce
Powering eCommerce

Founder & Group CEO

- aCommerce (Ecommerce Enabler)
  - Thailand
  - Indonesia
  - Philippines

- Battle-tested team that can execute and scale across S.E. Asia
- Strong reputation across the region to recruit top talent and raise capital
- Closing Series B in December to scale across all of SEA

Our experience building companies in ASEAN

Exclusive Partner to MSN & Yahoo
150 Staff, 4 Countries
Est. 2004, Acquired by STW
IMPAQ INTERACTIVE

$8m

Media (Content)

Digital Ad Agency
100 Staff, 4 Countries
Est. 2006, Acquired by STW in 2011
newmedia

Ad Network
90 Staff, 6 Countries
Est. 2008, Acquired by Komli
ADMAXNETWORK

$36m

Marketing (Ads)

Daily Deals
450 Staff, 3 Countries
Est. 2011, Acquired by LivingSocial (IPO ENSOGO:ASX)
ensogo Let's save together .com

$68m

E-commerce (Sales)

Logistics (Fulfillment)

ARDENTCAPITAL

Ecommerce focused VC

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Powering eCommerce

Ardent Capital Portfolio

playbasis
Engagement

HUBBA
Ecosystem Co-working

e27
Ecosystem Media

PicoCandy
Digital Marketplace

SALE STOCK
M2C

SHOPLINE
Ecommerce Storefront

B2C
MOXY

B2B
Bizzy
EVERYTHING FOR BUSINESS

acommerce
Powering eCommerce

floship

Fulfillment

lolalola
B2C

SnapCart
Data/CRM/Ad

HappyFresh
B2C Grocery

deliveree
Transportation

WOW.lk
B2C

SPACESHIP
Storage/Logistics

aCommerce Business Overview

OPERATES IN THE KEY MARKETS OF:

Thailand | Indonesia | Philippines

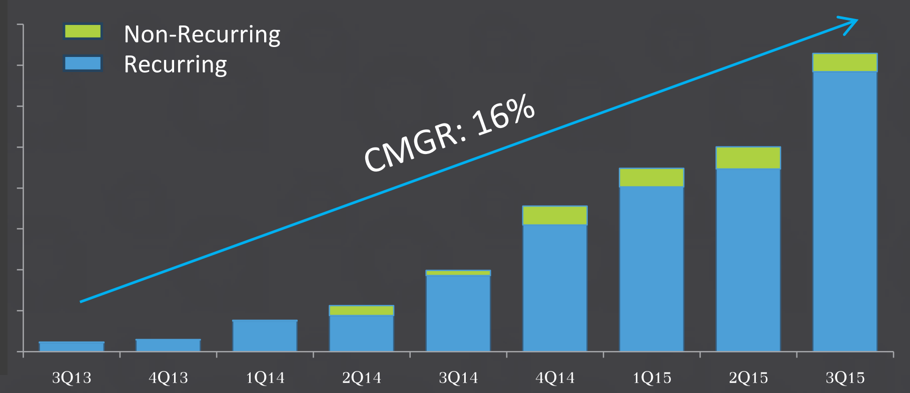
FOUNDED IN
2013
16% average monthly growth

REVENUE
520%
Yearly growth on net revenue

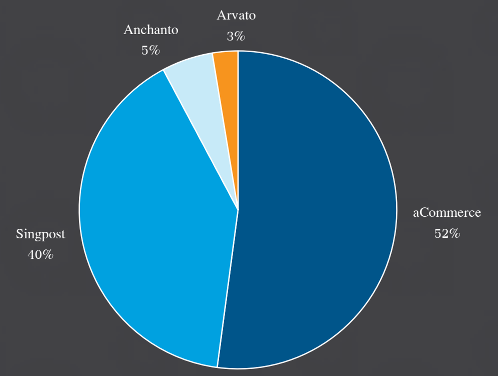
ACTIVE CLIENTS
167
87 Brands
63 Retailers
13 Marketplaces
4 Resellers

STAFF
>850
at Oct 2015,
Including c. 110 tech staff

Net Revenue



Share of ASEAN Outsourced Market (Top 4)



aCommerce Business Overview

Our Services, Technology Stack, and Physical Infrastructure

Services

Demand Generation Services

Agency and consultancy

Site Dev, Payments & Content Production

Marketing, Data & CRM

Marketplace Selling

Demand Fulfilment Services

Customer service and call centre

Warehousing & order fulfilment

Shipping & Delivery + COD

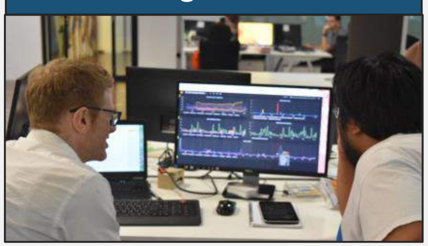
Technology

AMP Acommerce Management Platform (Partner Portal)

eStore Development	Affiliate & Price Comparison	Multichannel Mgmt.Platform	Warehouse Mgmt. System	Multi-Shipping Mgmt. System	Delivery Mgmt. System
	Shopsmartly.co	ChannelSquid	AMP WMS	ShipHawk	aDelivery

Infrastructure

4 Marketing & Tech Offices



3 Customer Service Centers

7 Fulfilment Centers

200 Delivery Fleet

Our 140+ Clients

First warehouse launched in June 2013

Thailand: Rama 3 Fulfillment Center

Thailand: Rama 3 Fulfillment Center

Thailand: Rama 3 Fulfillment Center

Thailand: New! Bangna Fulfillment Center

Indonesia: Halim Fulfillment Center

Indonesia: Halim Fulfillment Center

Indonesia: Mataharimall.com Fulfillment Center

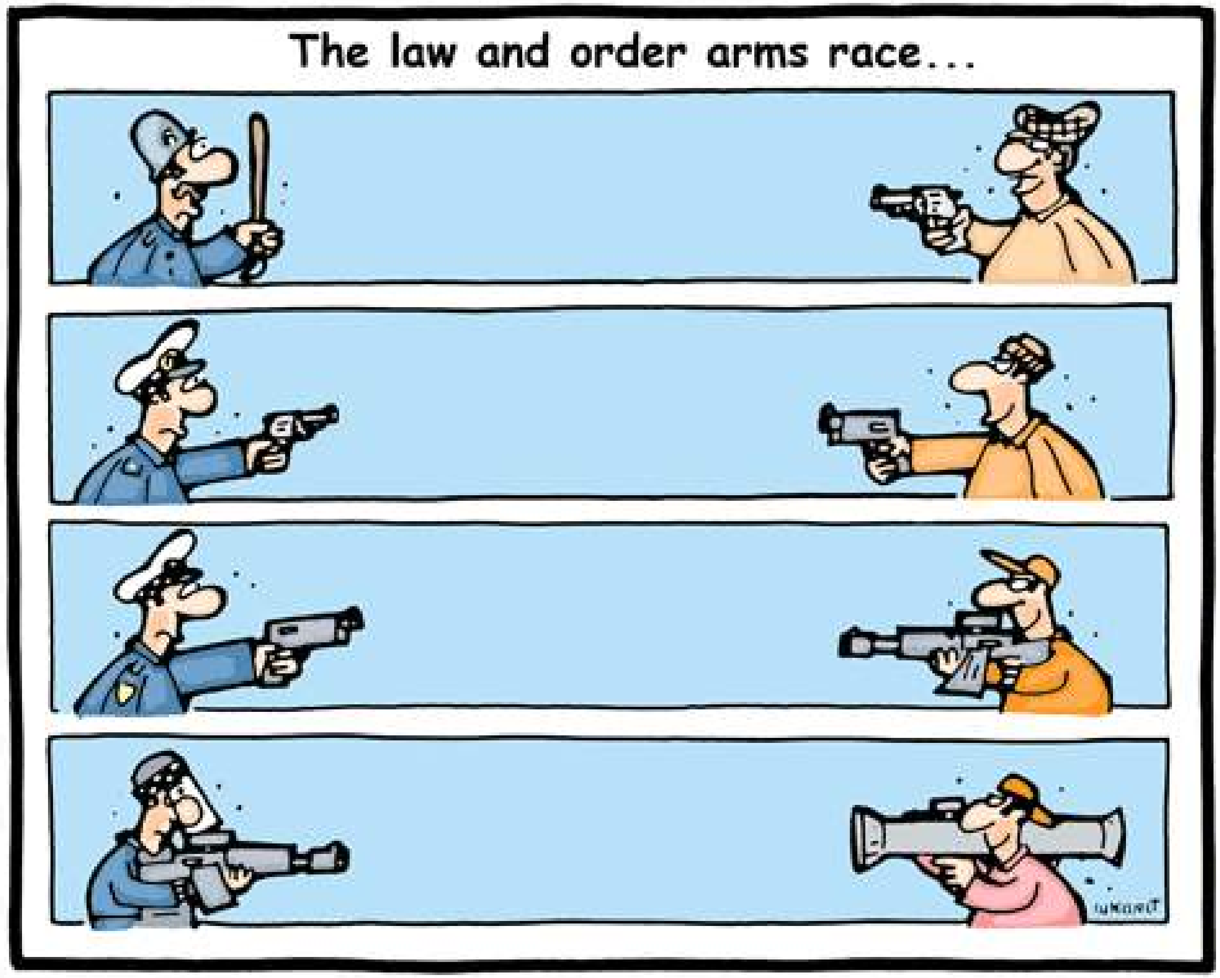
Indonesia: Mataharimall Fulfillment Center

Built and Managed by aCommerce

Mataharimall.com (Lippo Group)

aCommerce Business Model

Ecommerce “arms dealer” in an arms race



Ecommerce “weapons” solutions available:

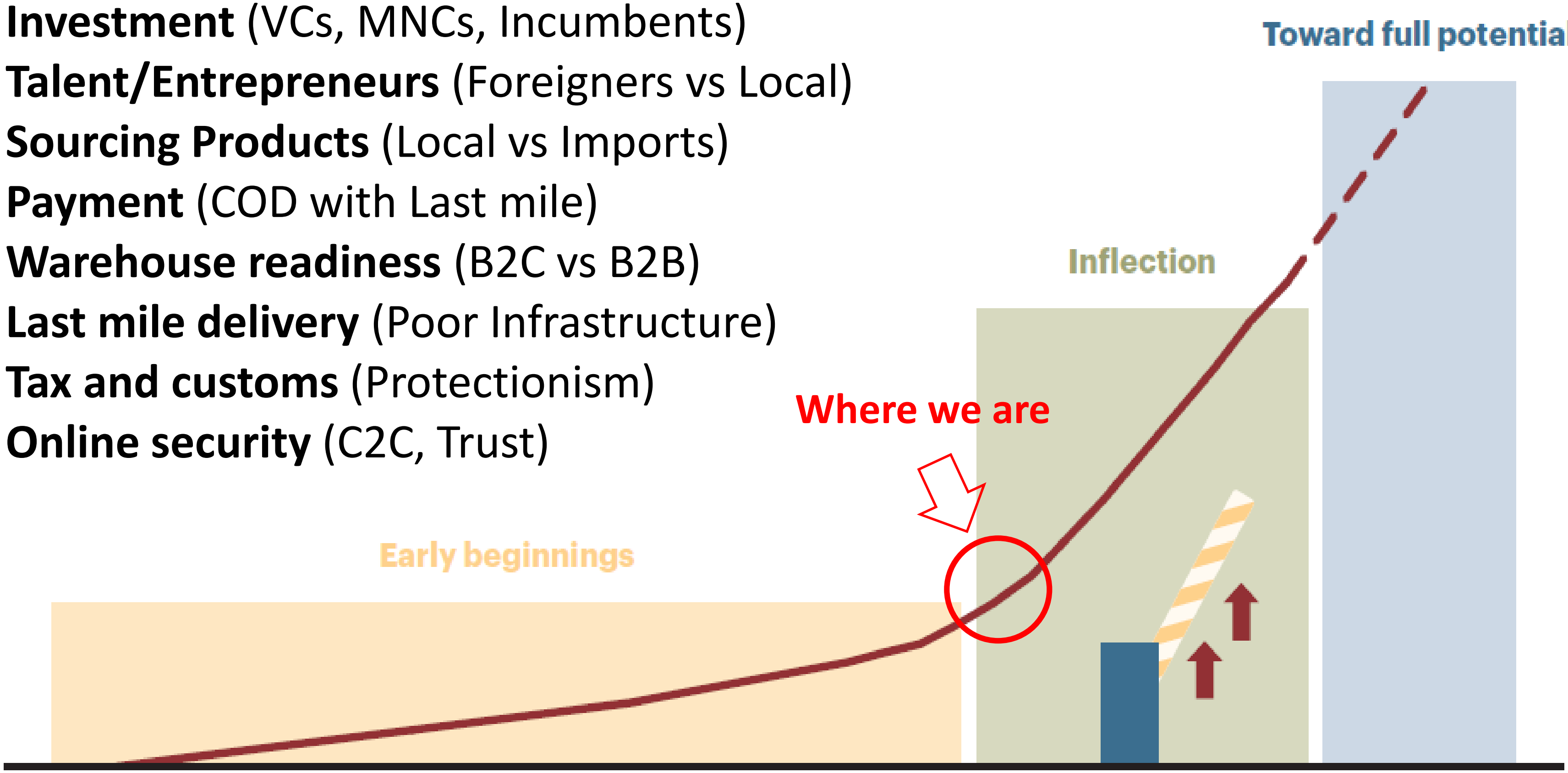
- Ecommerce Storefronts
- Mobile Commerce
- Marketing & CRM
- Site Search
- Content Management
- Multichannel (Marketplace)
- Omnichannel
- Personalization
- Sourcing, Pricing, & Merchandising
- Customer Service
- Payments
- Data Systems
- Analytics
- Warehouse automation and robotics
- On-Demand Delivery
- B2B Ecommerce

- About Ardent & aCommerce
- **The SEA Market & APAC influence**
- The SEA Consumer
- Direct-to-Consumer & Retailers
- Ecommerce Landscape & Trends

ASEAN is at Inflection Point for E-Commerce

Bottlenecks for Ecommerce

- ~~Internet & mobile penetration~~
- ~~Basic regulations~~
- **Investment** (VCs, MNCs, Incumbents)
- **Talent/Entrepreneurs** (Foreigners vs Local)
- **Sourcing Products** (Local vs Imports)
- **Payment** (COD with Last mile)
- **Warehouse readiness** (B2C vs B2B)
- **Last mile delivery** (Poor Infrastructure)
- **Tax and customs** (Protectionism)
- **Online security** (C2C, Trust)

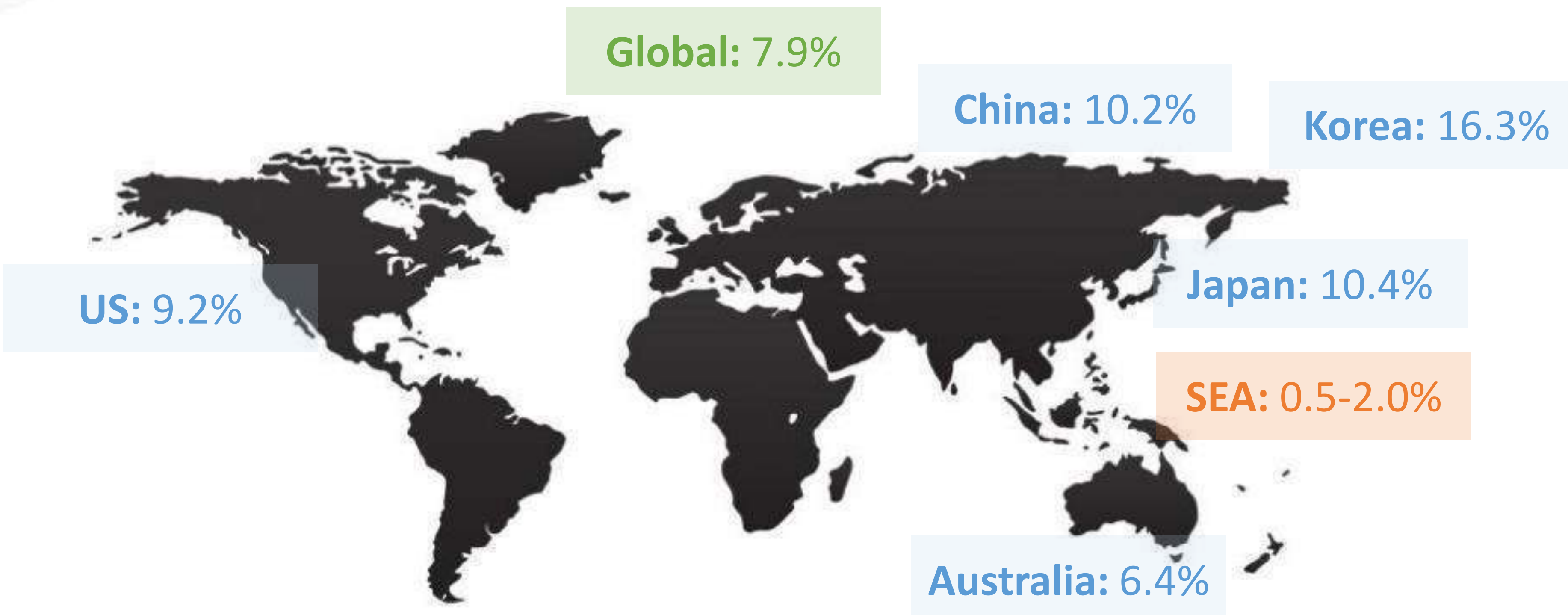


Source: aCommerce 2015, A.T. Kearney Analysis

Still early days…

E-commerce shopping makes up just 1-2% of total retail sales in SEA. This compares with 16% in Korea, 9% in the U.S. and 8% global average

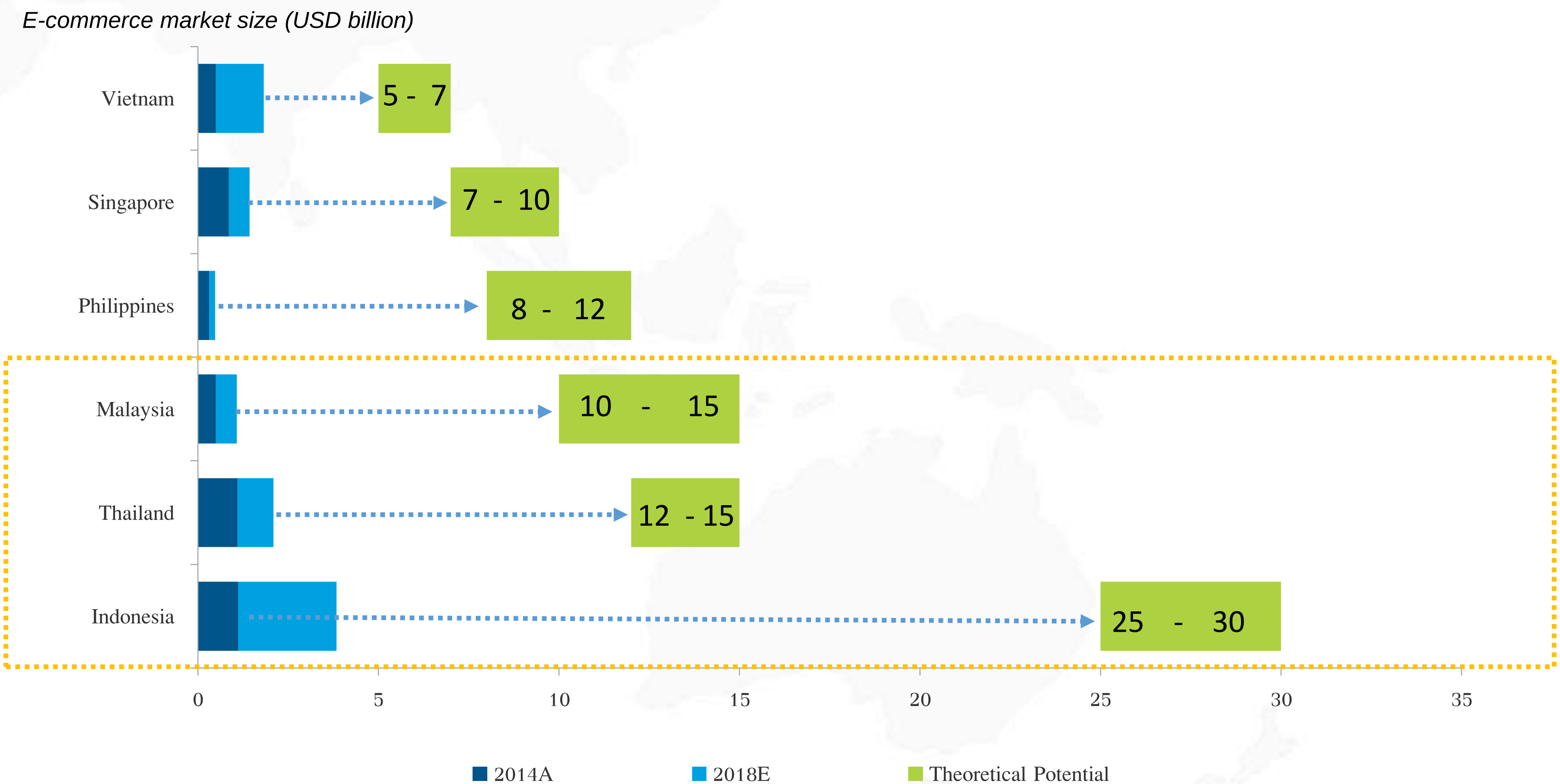
E-Commerce as % of Total Retail Sales (2014)



Source: Euromonitor, BofA Merrill Lynch's eCommerce Report as of May 2015

ASEAN's Market Potential is Massive

A.T. Kearney estimates e-commerce market size of **USD67 – 89 billion** for ASEAN in the future, with Thailand, Indonesia and Malaysia, having biggest growth potential



Source: eMarketer, A.T. Kearney analysis, Euromonitor

ARDENT

In Only 5 Years..

	2010	2015
Internet Population	150M	225M
Internet Penetration	25%	**36%**
Social Platform	FB, Hi5, BBM	FB, LINE, Instagram, Twitter, Path
Mobile Choice	Nokia, Blackberry	Android, iPhone, BB
eCommerce Revenue	**1Bn**	**7Bn**
Payment Method	Bank transfer	COD, Bank Transfer, Credit card, e-Wallet, e-banking, OTC
eCommerce Model	B2C retail, C2C Forum, Classifieds, Auction	B2C retail, B2C Marketplace, C2C Mobile, B2B Marketplace
Mobile Commerce	0%	**30%**

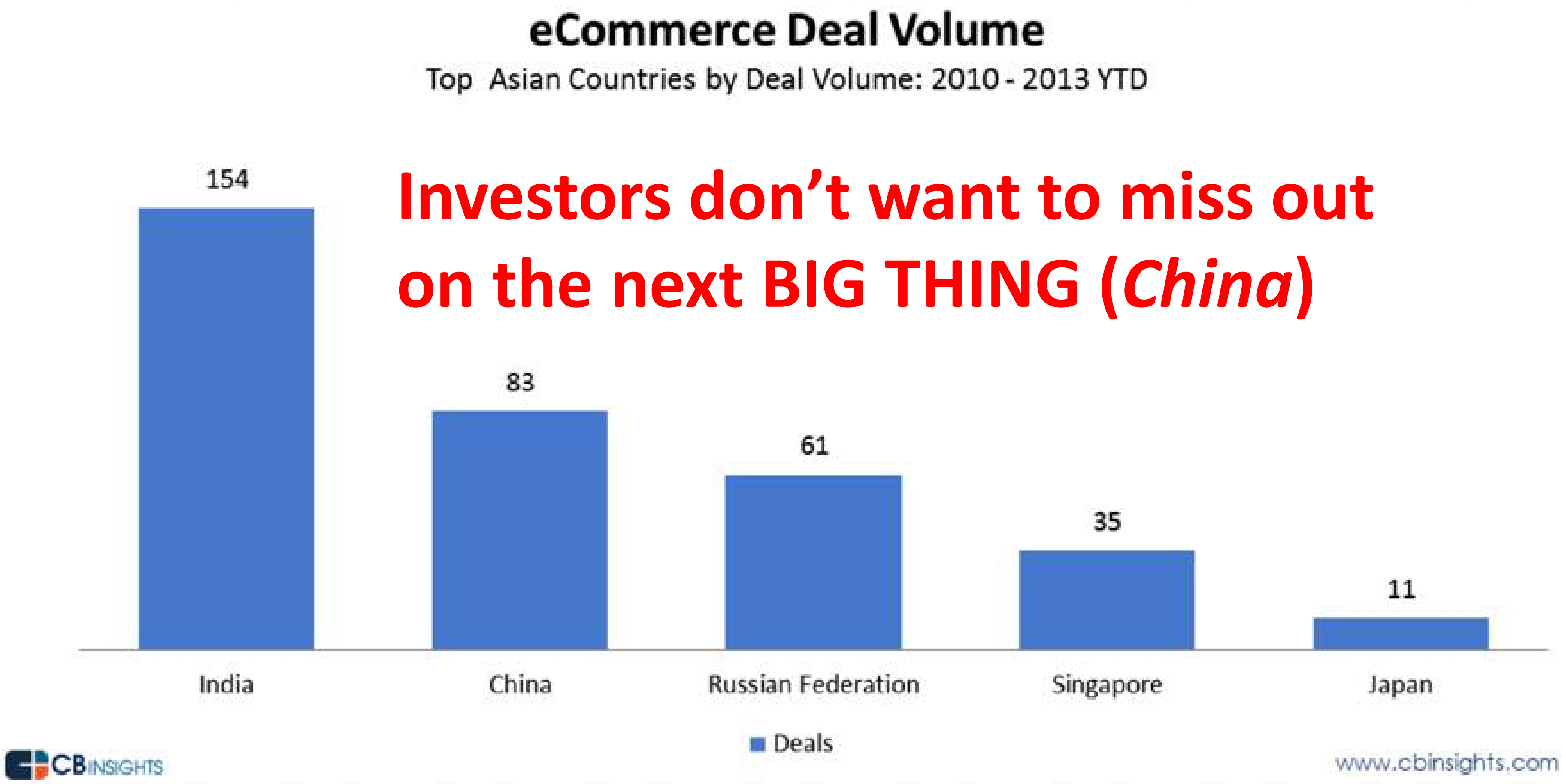
Source: We Are Social, Euromonitor, East Ventures, 2015

The Alibaba "Asia Ecommerce" effect

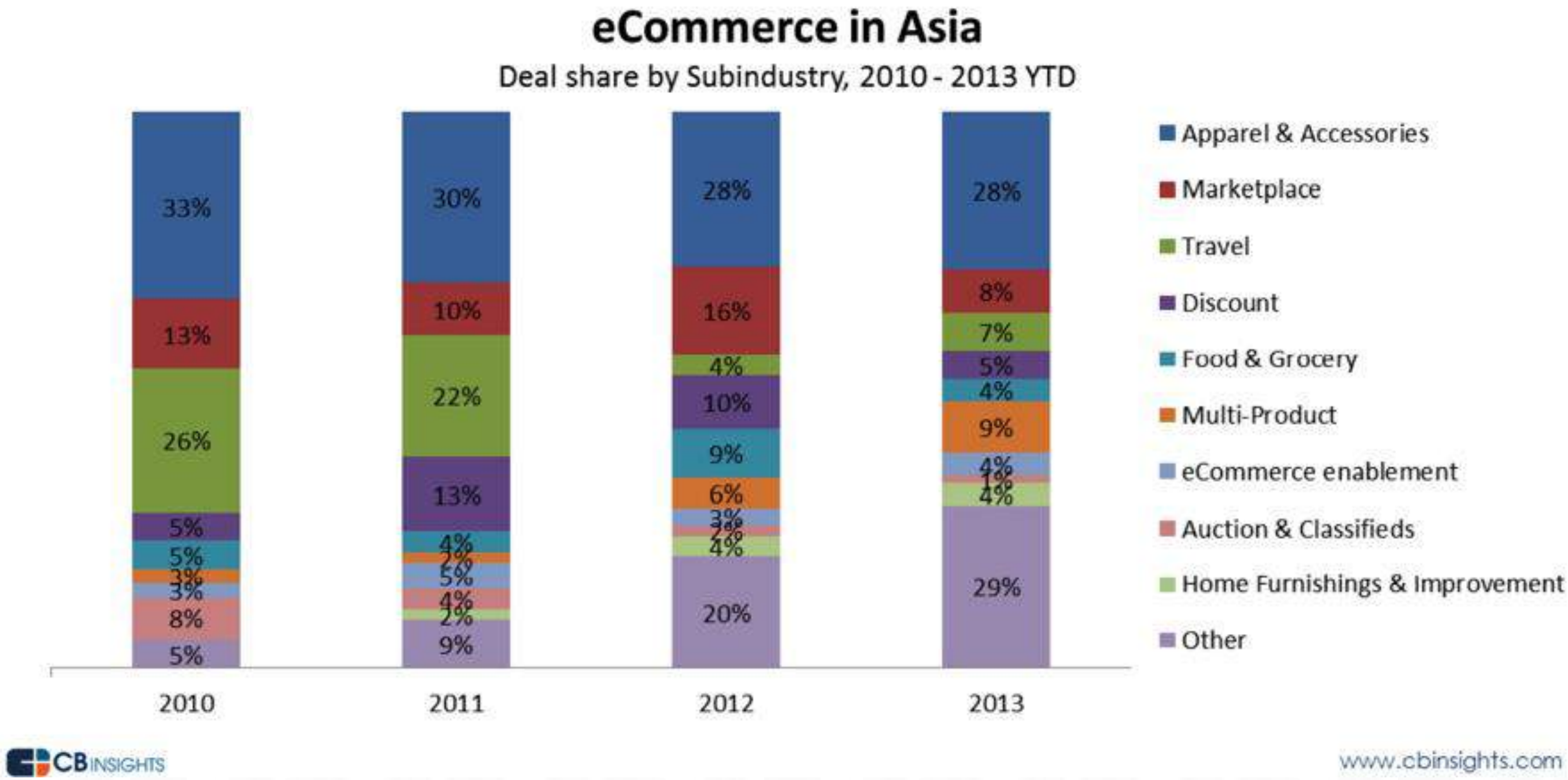
$25B IPO

Ecommerce Deal Volume in Asia

Investors don't want to miss out on the next BIG THING (*China*)



Ecommerce Deal Share in Asia



2015 Largest Deal Goes to Mobile Commerce

Korea’s Coupang raises $1B from SoftBank in world’s largest round so far in 2015

- Founded in 2010
- Korea’s largest online retailer
- Mobile commerce accounts for 75 percent of revenues
- Focuses on speed of delivery using a combination of logistics technology coupled with customer service reps

Source: http://venturebeat.com/2015/06/03/koreas-coupang-raises-1b-from-softbank-for-5b-valuation/

SEA Companies Recently Raised Over $100M

Company	When?	Deal	Round Size
GRABTAXI	Aug 2015	Chinese investors	USD 350 mm
	Dec 2014	Soft Bank	USD250 mm
Lazada	December 2014	Led by Temasek Holdings	USD249 mm
tokopedia	October 2014	Raised from Softbank and Sequoia Capital	USD100 mm

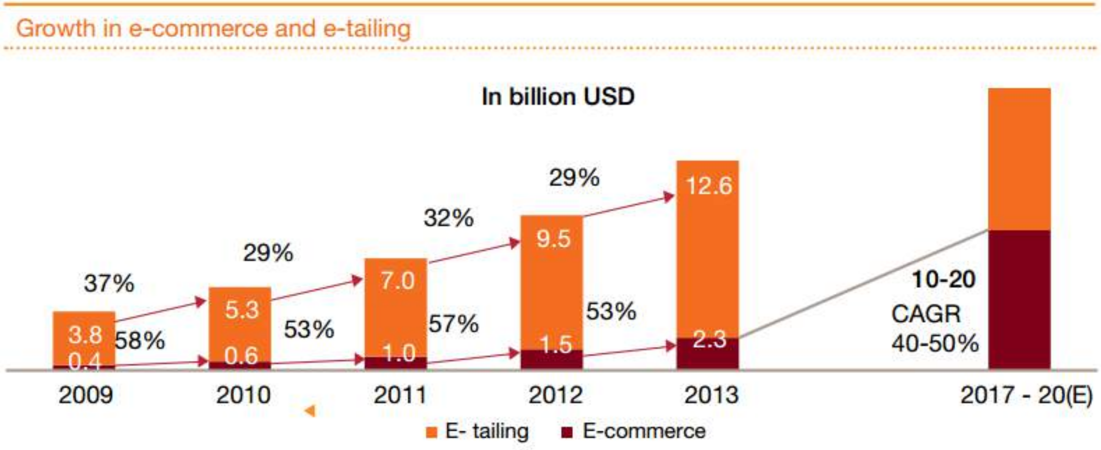
Closer Look into the Unicorns ($1B+)

Company	Valuation	Country	Sector
Xiaomi	46.0	China	Hardware
Flipkart	15.0	India	eCommerce/Marketplace
DJI Innovations	10.0	China	Hardware
Lufax	10.0	China	Fintech
Kuaidi Dache*	8.8	China	On-Demand
Meituan	7.0	China	eCommerce/Marketplace
Dianping	4.1	China	eCommerce/Marketplace
VANCL	3.0	China	eCommerce/Marketplace
Snapdeal	2.5	India	eCommerce/Marketplace
Olacabs	2.4	India	Transportation
Trendy Group International	2.0	China	Clothing & Accessories
Coupang	2.0	South Korea	eCommerce/Marketplace
One97 Communications	2.0	India	Fintech
Mu Sigma	1.5	India	Big Data
Koudai Gouwu	1.4	China	eCommerce/Marketplace
Lazada	1.3	Singapore	eCommerce/Marketplace
Quikr	1.0	India	eCommerce/Marketplace
Zomato Media	1.0	India	Social
InMobi	1.0	Singapore	Adtech
Mogujie	1.0	China	Social
Fanli	1.0	China	eCommerce/Marketplace
iwjw.com	1.0	China	eCommerce/Marketplace
Panshi	1.0	China	Adtech
BeiBei	1.0	China	eCommerce/Marketplace
GrabTaxi	1.0	Singapore	Transportation
Yello Mobile	1.0	South Korea	Mobile Software & Services

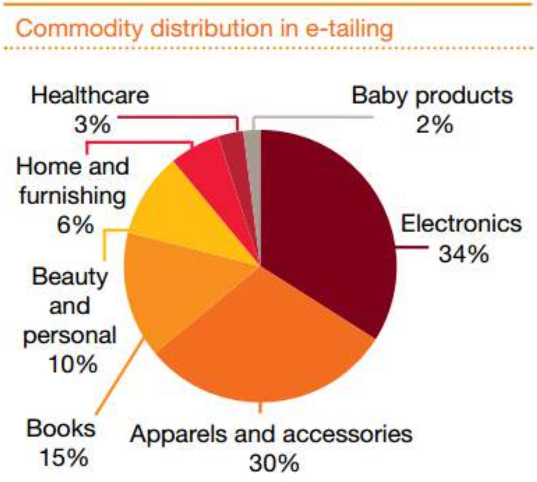
Source: CB Insights

Out of 130 unicorns earlier this year, 30 are from Asia, of which 13 are in eCommerce

The rapid growth of e-commerce in India



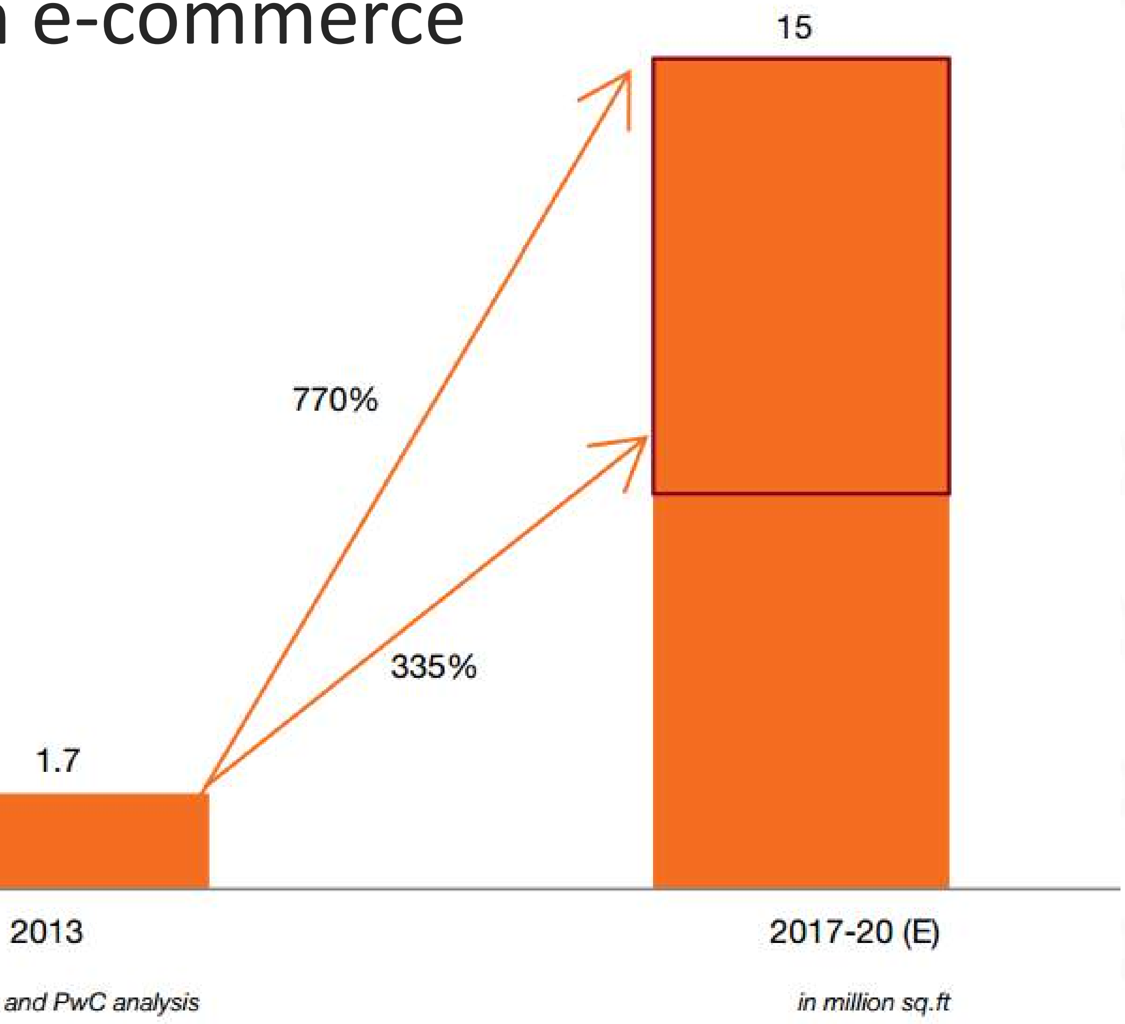
Source: Crsil, IAMAI, PwC analysis and Industry experts



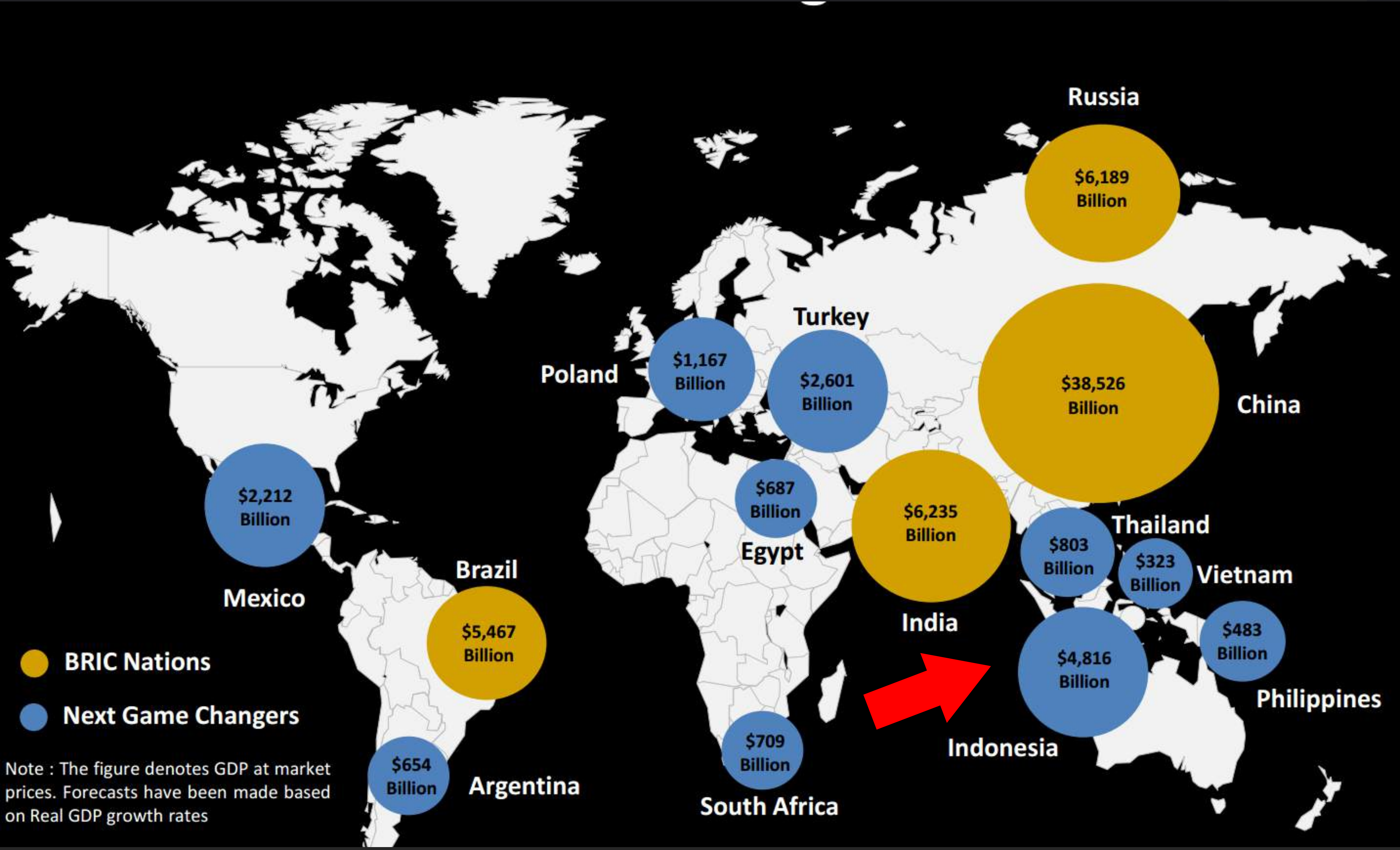
Source: Internet and Mobile Association of India research

India warehousing requirements

Infrastructure will demand a large proportion of investment in e-commerce



Next Game Changers in 2025 (Frost & Sullivan)



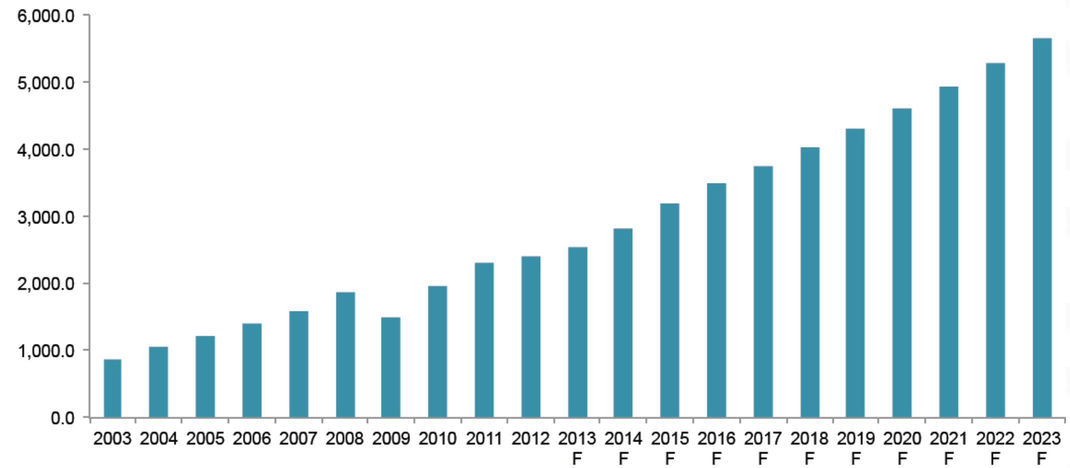
Increasing regional trade in Asia

ASEAN's Position

- Strong economic growth and consumer demand
- Centrally located between India and China (Close to major trade networks)
- Strong growing e-commerce

Major Trade partners (over US$ 1 billion)

Figure 11: Total ASEAN Trade, Excluding Brunei and Myanmar 2012 (USD billions)



Source: IHS Global Insight

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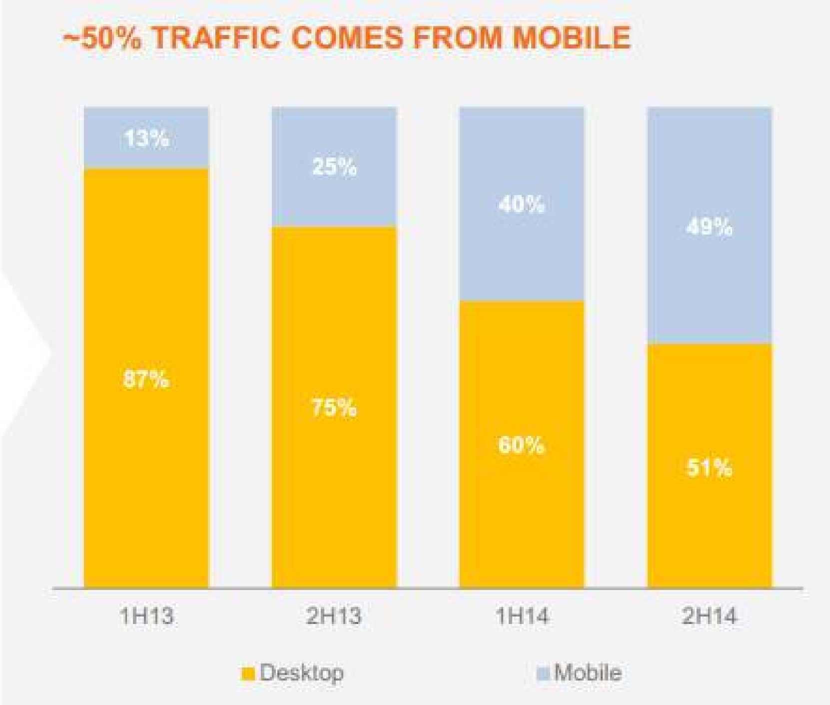
Comparing SEA Online Landscape

SEA Total	**630M** Total Population	**220M** Internet Users	**211M** Social Networkers	**749M** Mobile phones
SEA %	**45:55** Urban: Rural	**36%** Internet Penetration	**34%** Social Network Penetration	**119%** Mobile Penetration
Global %	**53:47** Urban: Rural	**42%** Internet Penetration	**29%** Social Network Penetration	**98%** Mobile Penetration
Analysis	Effective reach to upcountry population	Low internet penetration but growing fast	Crazy about social media	Everyone has at least 1 cell phone

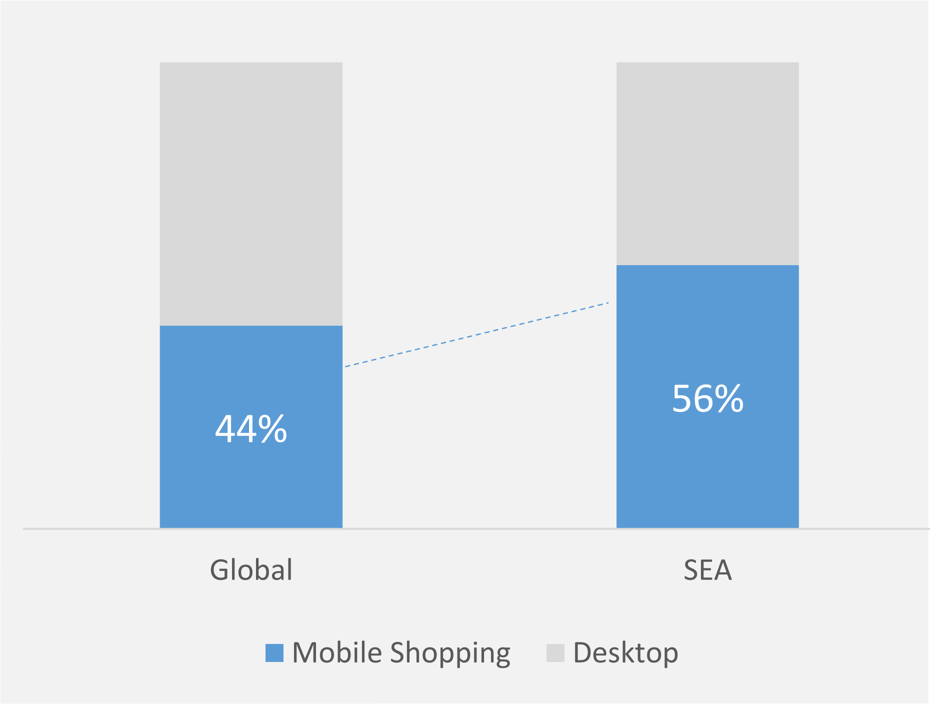
Source: Global Digital Statistics Jan 2015

Mobile-First Behavior

Lazada Traffic Overtime



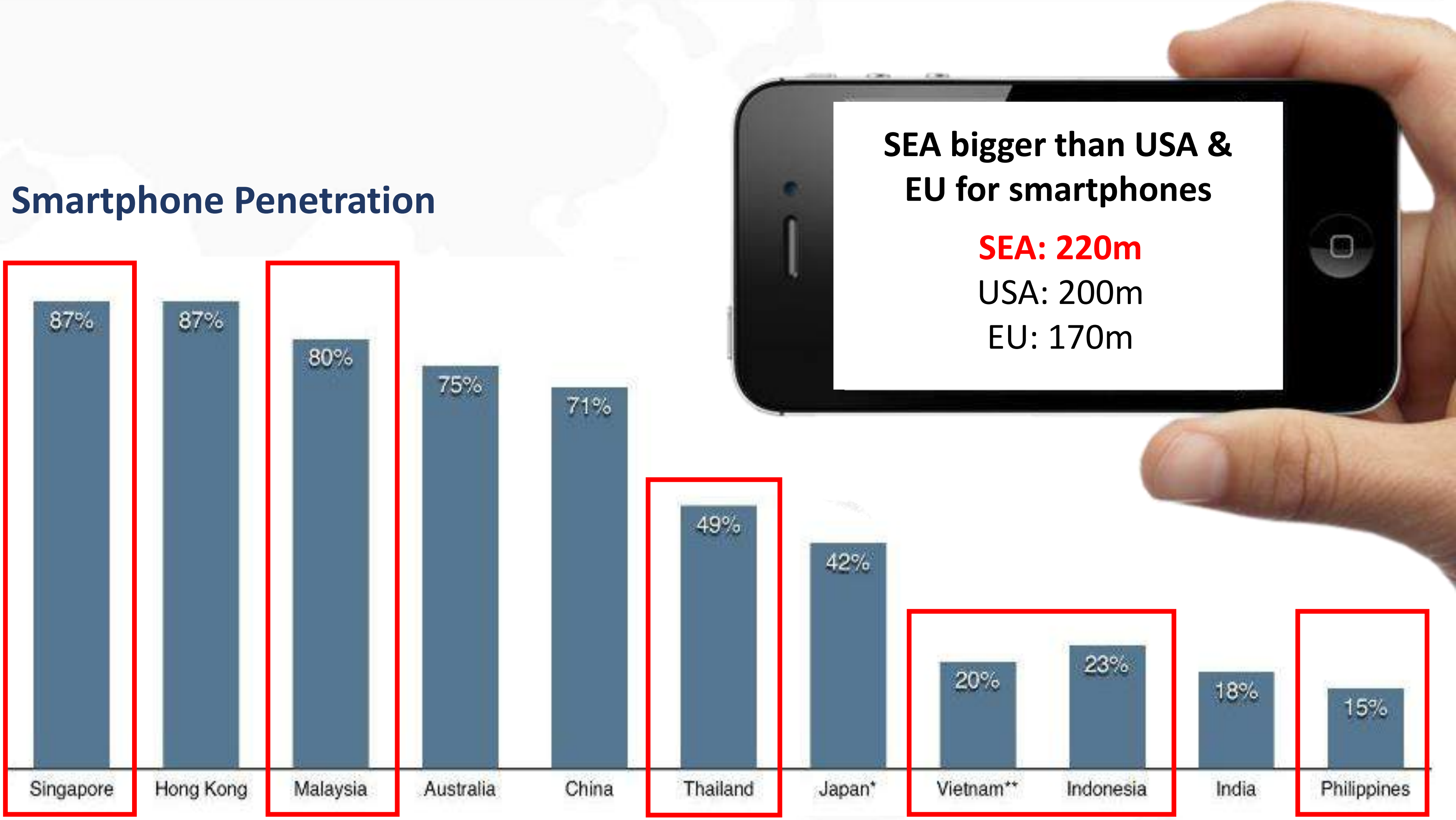
Online Shopping Source



Soure: Rocket Investor Presentation May 2015,

Room for Smartphone Growth in SEA

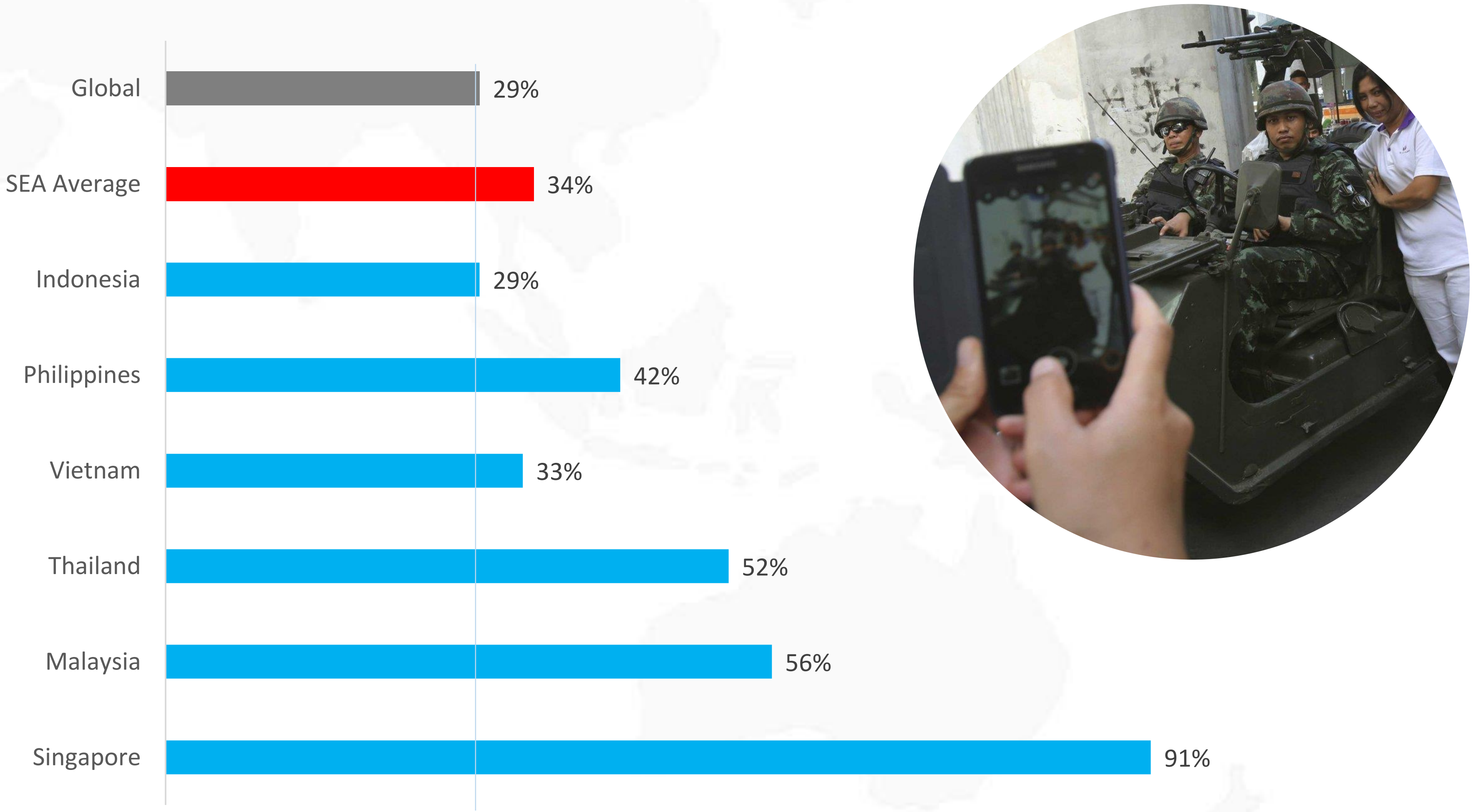
Smartphone Penetration



Source: Nielsen 2014 Asian Mobile consumer report, http://www.chandlernguyen.com/blog/2014/04/12/is-mobile-first-the-right-strategy-for-apac/

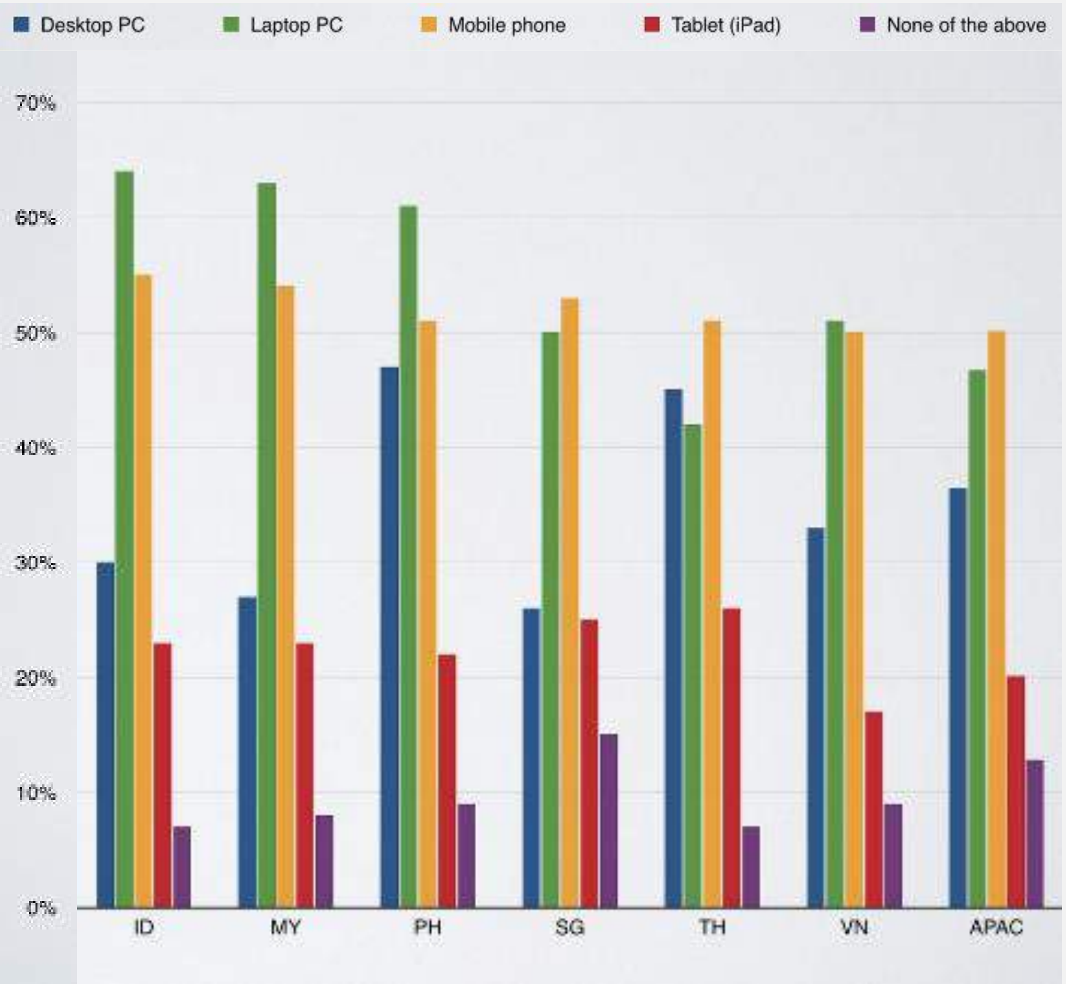
Social is the Foundation

Active Social Media Users to Total Population



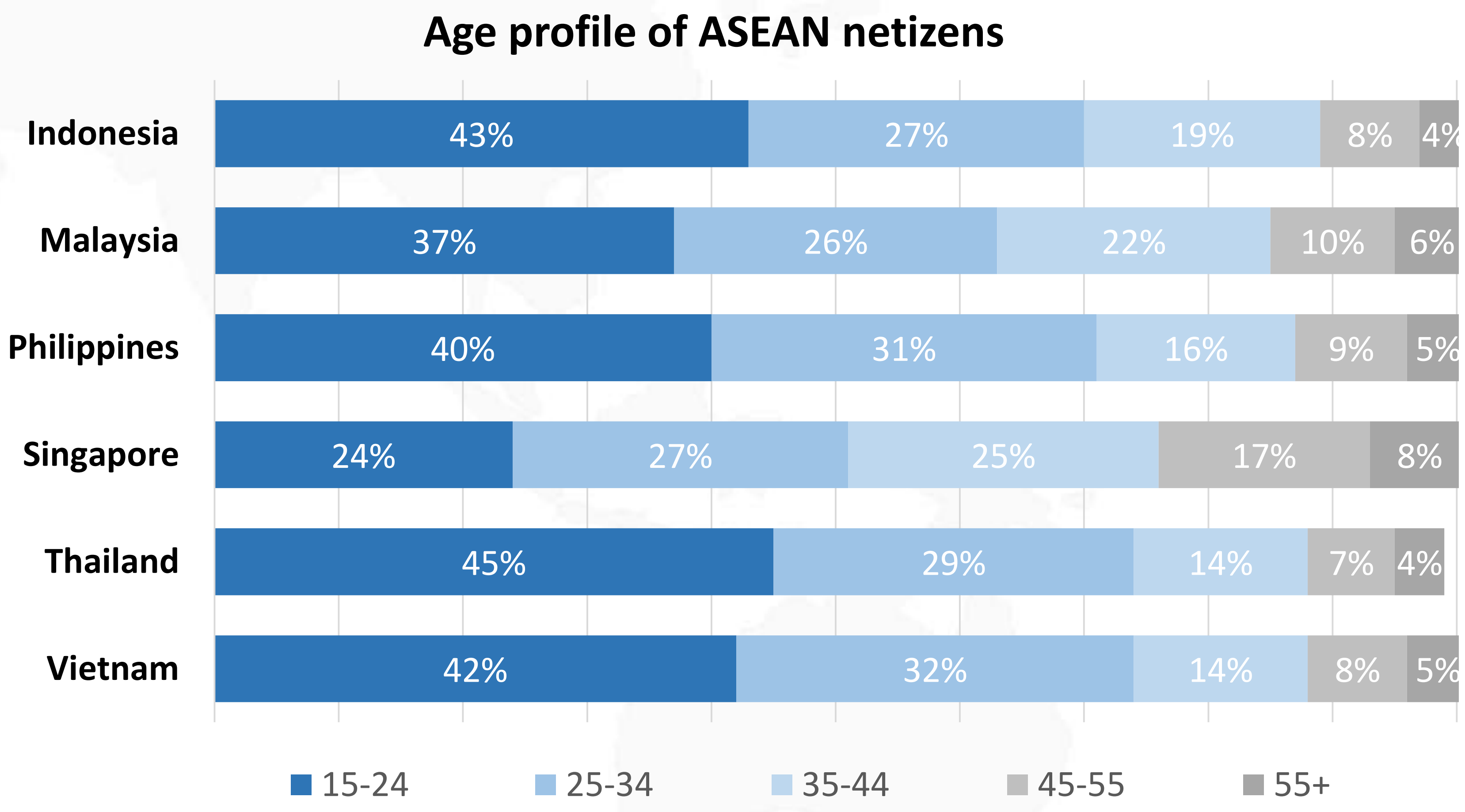
Source: We Are Social Mar 2015 Report, Active internet users figure includes access via fixed and mobile connections, Active social media users represents active user accounts on the most active social platform in the country, not unique users

50%+ Use Mobile While Watching TV



Source: GlobalWebIndex Which of the following devices have you used while watching TV?

Young: More Than 67% Are Under 35 y.o.



Source: UBS report "ASEAN E-commerce" / Global Demographics 2014

Demographic Shift - Millennials (21-34yo) Lead

Global average % of generations that make up online purchase intenders for 22 categories:

Generation	Will Browse Online	Will Buy Online
Gen Z (Under 20)	6-9%	5-9%
Millennials (21-34)	**49-59%**	**52-63%**
Gen X (35-49)	25-28%	25-30%
Baby Boomers (50-64)	7-13%	6-13%
Silent Generation (65+)	1-3%	1-3%

Source: Nielsen Global Survey of Economics 2014

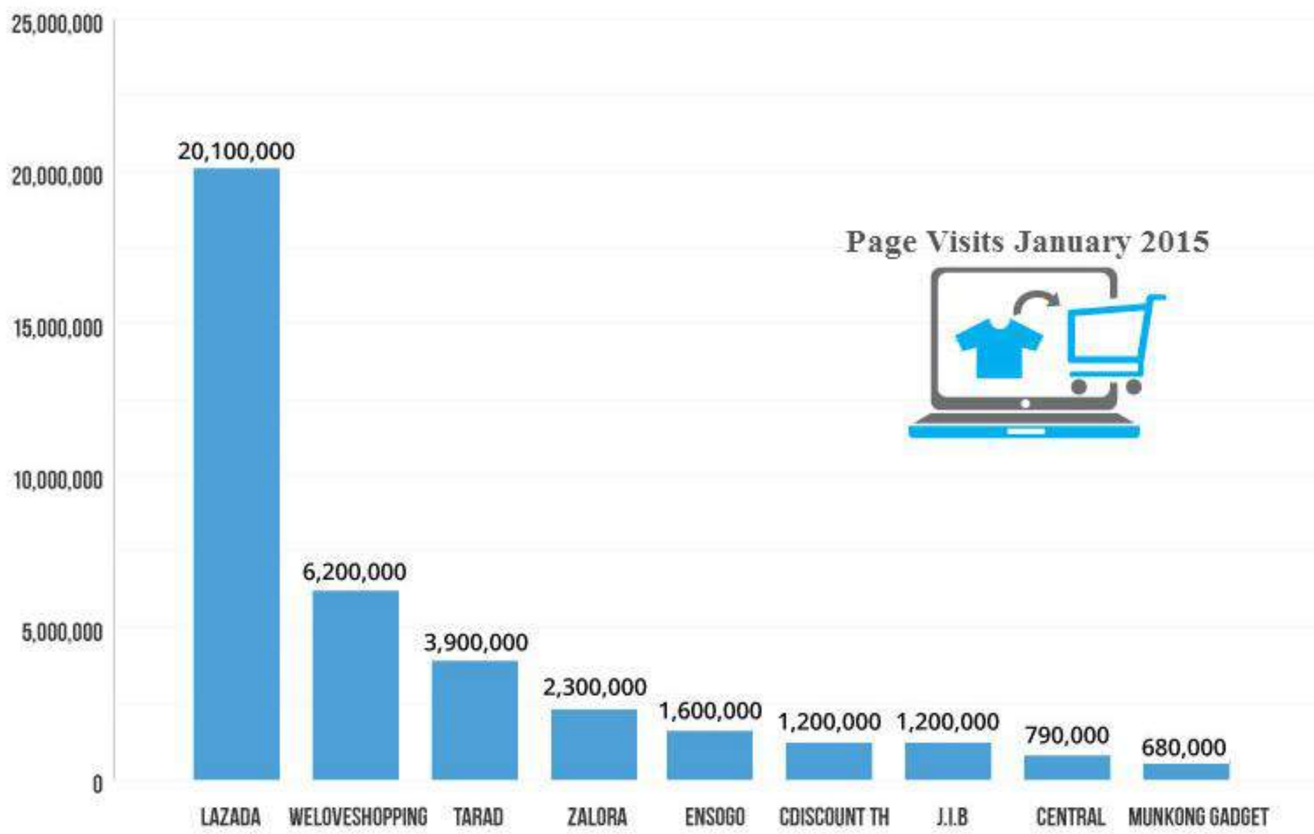
In TH 65+ Browse the Least, Buy the Most

In Thailand, data from multi-category ecommerce marketplace:

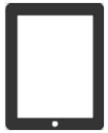
Generation	Ecommerce Conversion Rate	% of Sessions
18-24	0.7%	24%
25-34	**1.1%**	**42%**
35-44	1.7%	22%
45-54	1.1%	9%
55-64	0.8%	3%
65+	**2%**	**1%**

Source: aCommerce Internal Data

Top Ecommerce sites in Thailand



Top Categories



Electronics

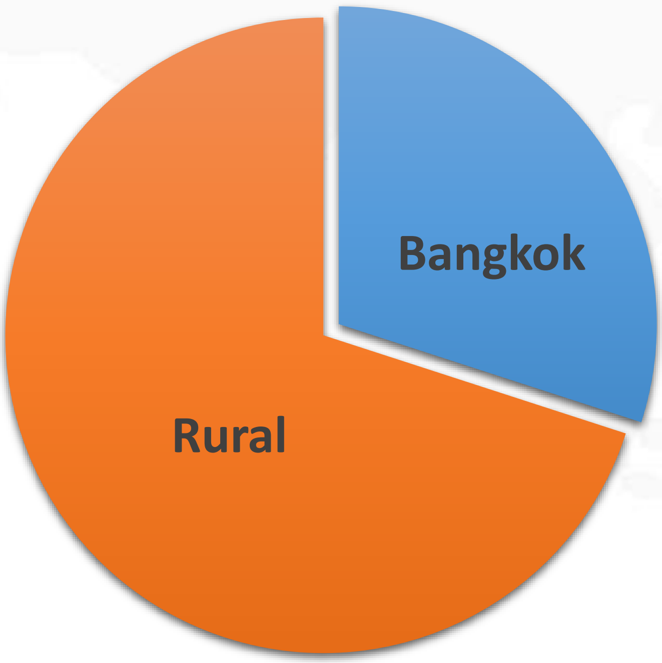
Fashion

Beauty

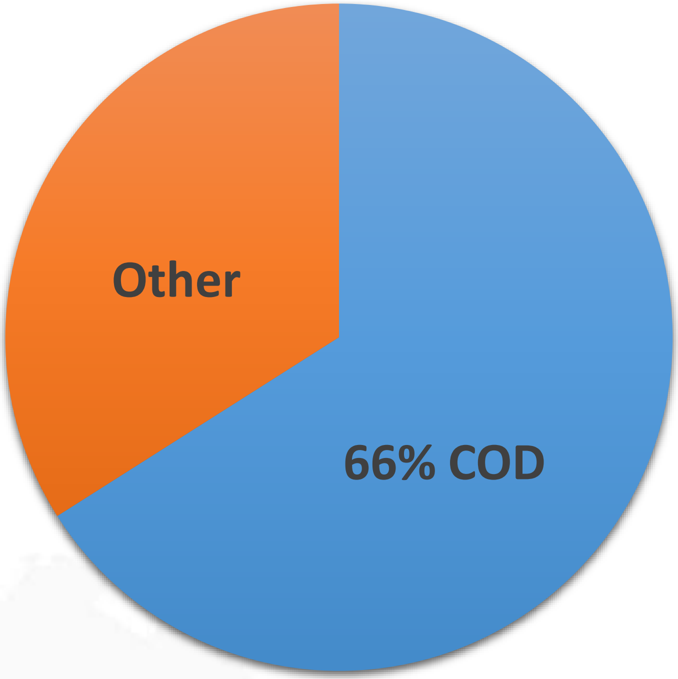
Source: aCommerce

2015 Ecommerce Outlook in Thailand

Spenders: Bangkok vs. Rural



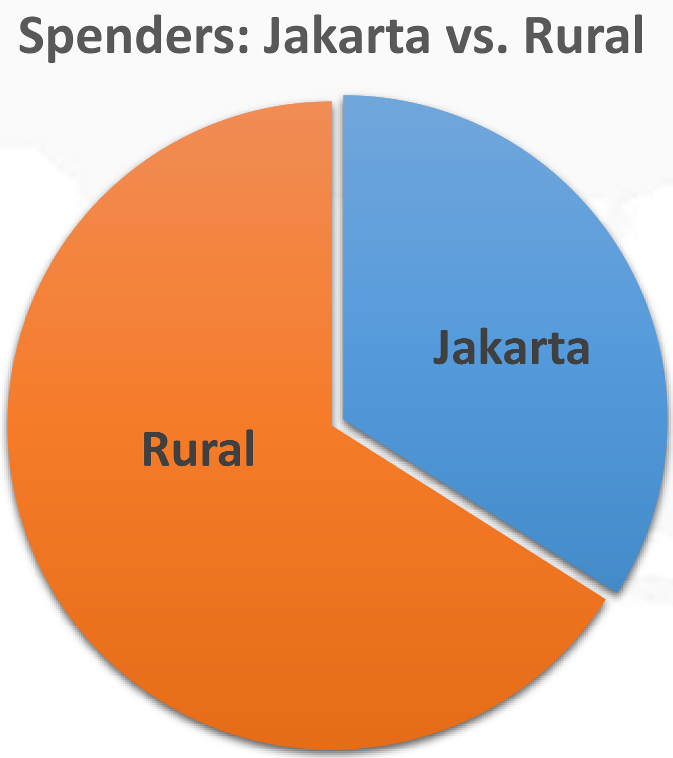
Payment Method

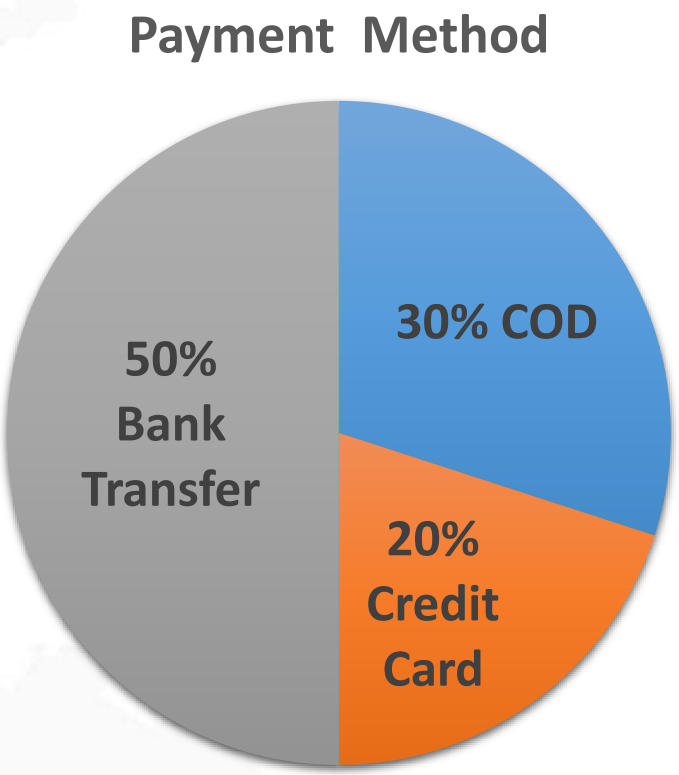


- Average Order Value = 24% more for Bangkok orders compared to rural
- Most popular browser = Google Chrome

Source: aCommerce Internal Data

2015 Ecommerce Outlook in Indonesia





52% shoppers are women

- Most popular browsing hour: 1am
- Peak buying hours: 12pm-3pm (lunch)

Source: aCommerce Internal Data

Generational Implications for Retailers

Generational distribution and purchase behavior is consistent across every product category

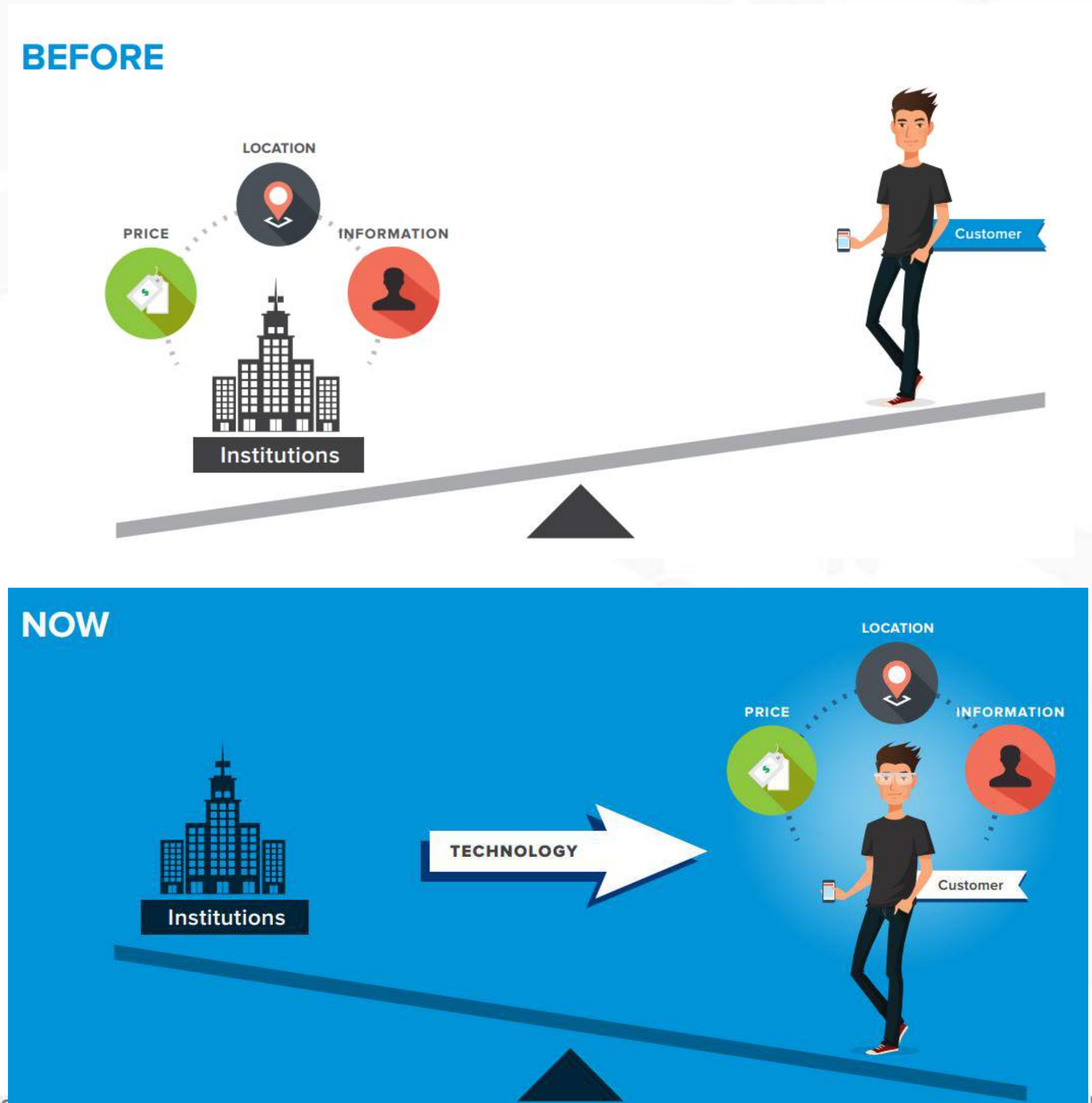
- **Once an online shopper, always an online shopper**

Retailers should focus across all generations

- As consumers age, online prominence will also increase
- Focus on CLV at the earliest stage, even at 65+
- Building ecommerce trust early in SEA is critical
- **SEA online shoppers are deal and promotion driven**

Content

The age of the customer!



This is the Age of the Customer!

Access to Internet, smartphones and social media gives consumers new levels of power and control.

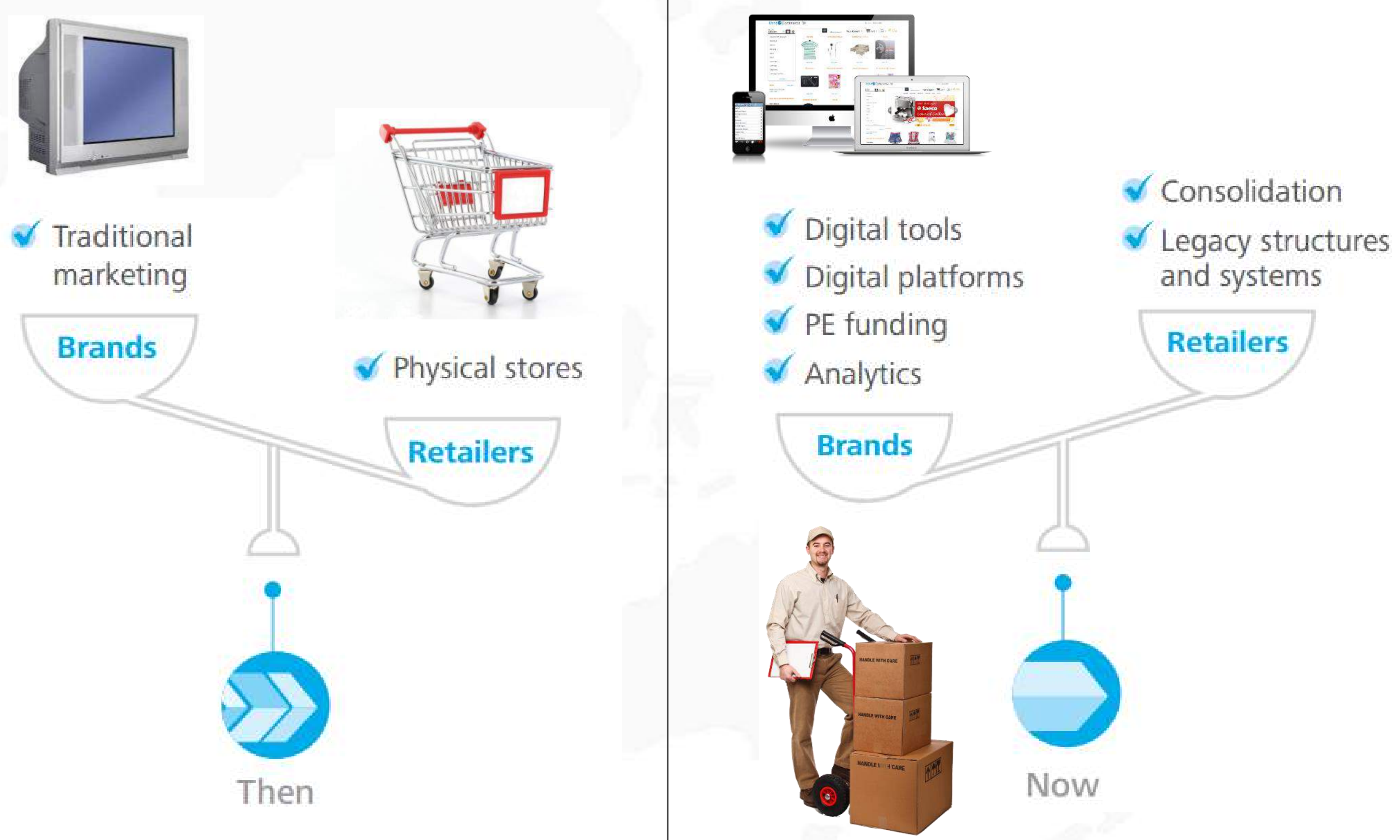
Source: Forrester Research

Retailers and marketplaces create house brands

Retailers are building their own brands and leveraging their strengths:

- Access to internal and brands' data
- In-store marketing
- End-customer ownership
- New channel growth (Ecommerce)
- Access manufacturing supply-chain

Ecommerce creates opportunities for brands



Deloitte: Going digital, going direct

Brands are scrambling to move online

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How Carey Helped Build Fox Into a Major Player

BUSINESS

Western Firms Caught Off Guard as Chinese Shoppers Flock to Web

Unilever, Nestlé and other consumer-goods makers feel the pain after overestimating sales from brick-and-mortar stores

By LAURIE BURKITT in Beijing and
PETER EVANS in London
June 14, 2015 5:30 a.m. ET

After enjoying nearly three decades of steady growth in its China business, Unilever PLC last year watched sales fall off a cliff.

The maker of Dove soap, Lux shampoo and Comfort fabric softener warned in October of a 20% drop in its third-quarter China sales. The next quarter, the company announced another 20% fall.

Key challenges for retail incumbents

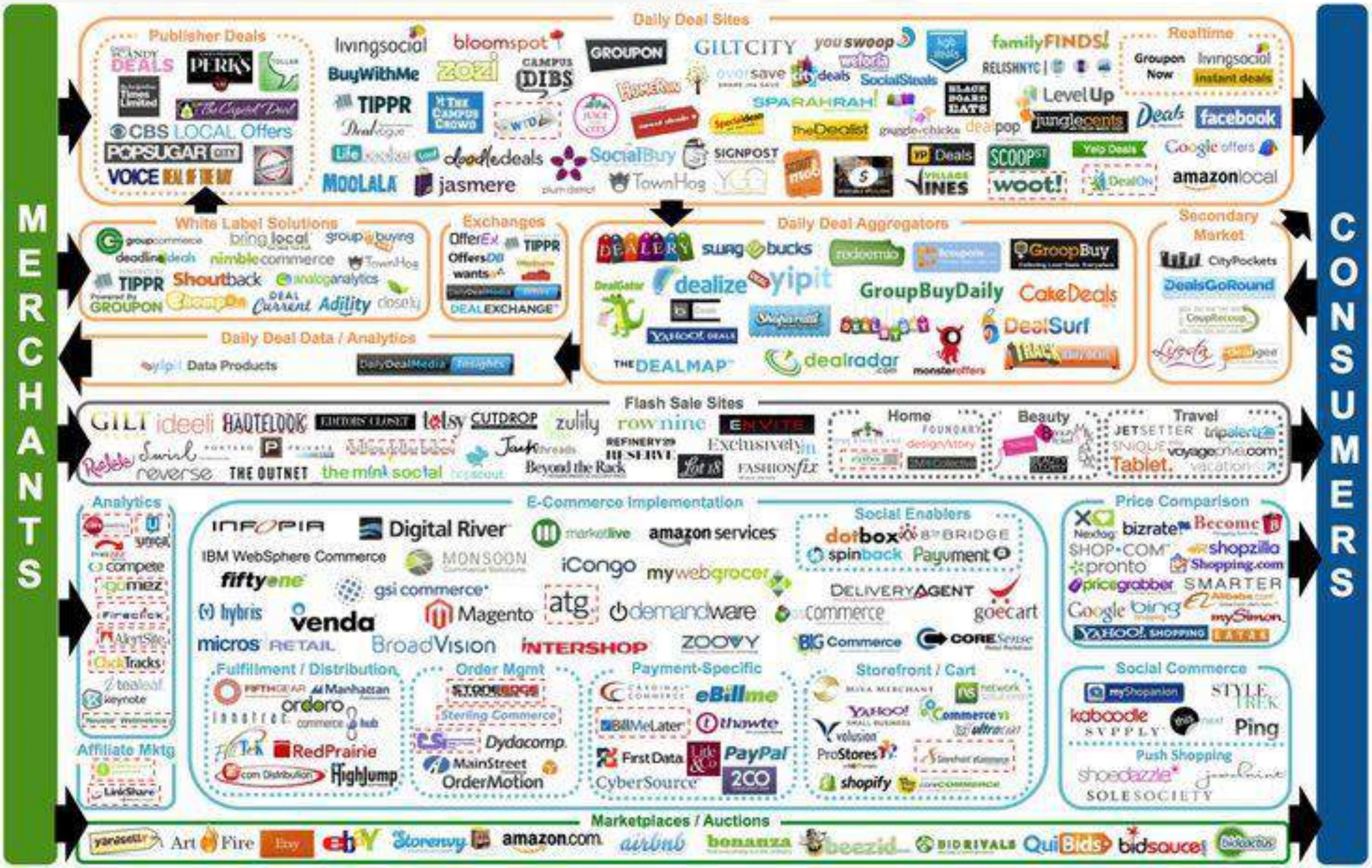
- Sales cannibalization of offline operations
- Discounted prices and margin pressure
- Offline store-opening opportunity overstated
- Channel integration will be a major challenge
- Profit focus can be a disadvantage
- New online ventures will initially be loss-making
  - Lazada at a $1B GMV runrate!! (EBITDA margin % of net revenue: -95%)
- Matahari Mall as example – raising $200M

Source: CLSA report Sept 2015, Rocket 2014 Results

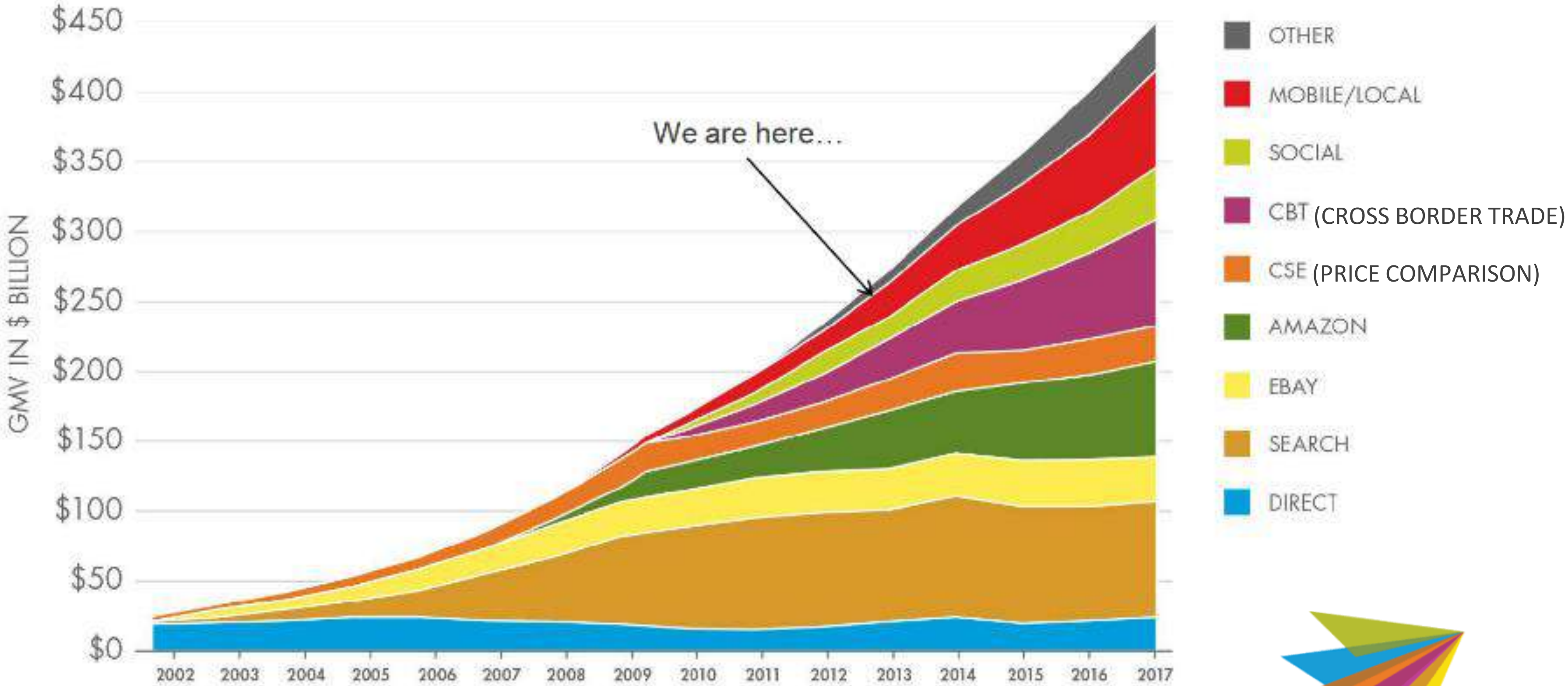
1) 2014 performance of listed offline retailers under CLSA coverage

Content

Ecommerce landscape is complex with lots of opportunity



MultiChannel Ecommerce Explosion & Opportunity



channeladvisor

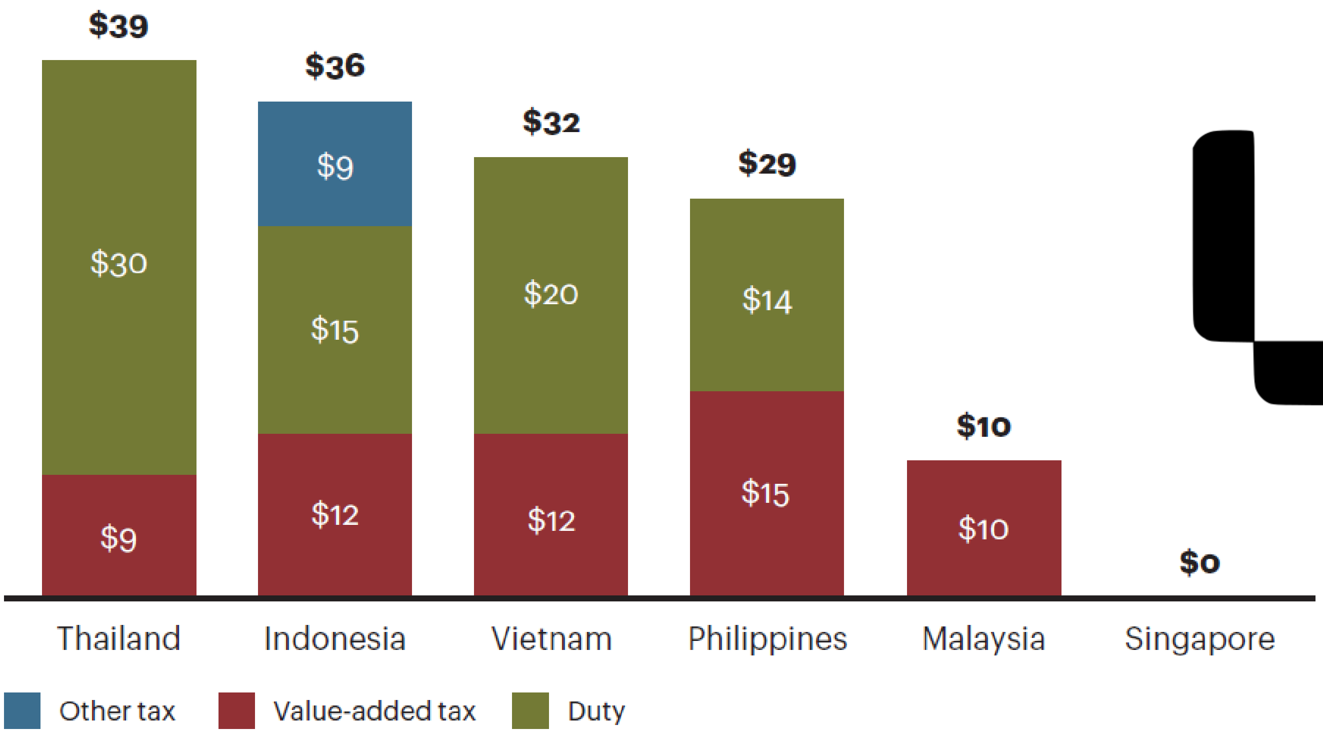
Multichannel Marketplaces & E-tailers in SEA

Country	B2C Marketplaces	B2C Multi-brand Retailers	B2C Private Sales & Daily deals	C2C Marketplaces & Classifieds
Singapore	Rakuten, LAZADA, Qoo10, ebay, AliExpress	ZALORA, COURTS, Omigo, redmart, clozette.co, Luxola	DEAL.com.sg, GROUPON, REEBONZ, brandsfever	淘宝网 seataobao.com, ShopSpot, carousell, craigslist, duriana
Thailand	Rakuten, LINE, WeLoveShopping.com, LAZADA, Lazada, AliExpress	ZALORA, LAZADA, ShopAt7.com, Venbi, Cdiscount, itruemart, WearYouWant, TESCO Lotus	ensogo, GROUPON, MYSALE, ThaiCityDeals, REEBONZ	OLX, WeLoveShopping.com, PantipMarket, ebay, craigslist, ThaiSecondhand.com, LINE
Indonesia	Rakuten, blanja, Qoo10, LAZADA, elevenia, AliExpress	ZALORA, LAZADA, BHINNEKA, Grazera, Lojai.com, electronic city, blibli.com, BERRYBENKA	GROUPON, livingsocial, REEBONZ	OLX, KASKUS, tokopedia, LINE, craigslist, ebay
Philippines	HalloHalloMall, ebay, LAZADA, lamido, shopinas.com	ZALORA, LAZADA, Gourdo's, e-Shopping, kimstore, Beauty bar	ensogo, AVA, GROUPON, CASHCASHPINOY, MetroDeal	OLX, LINE, ebay, AyosDito.ph, craigslist

Inbound cross border has some hurdles

Fastest growing segment in Ecommerce globally

The total customs value of a $100 dress purchased from another ASEAN country



Sources: Duty Calculator; A.T. Kearney analysis

Outbound cross border (Exports) is massive

Logistics firms launching e-commerce sites

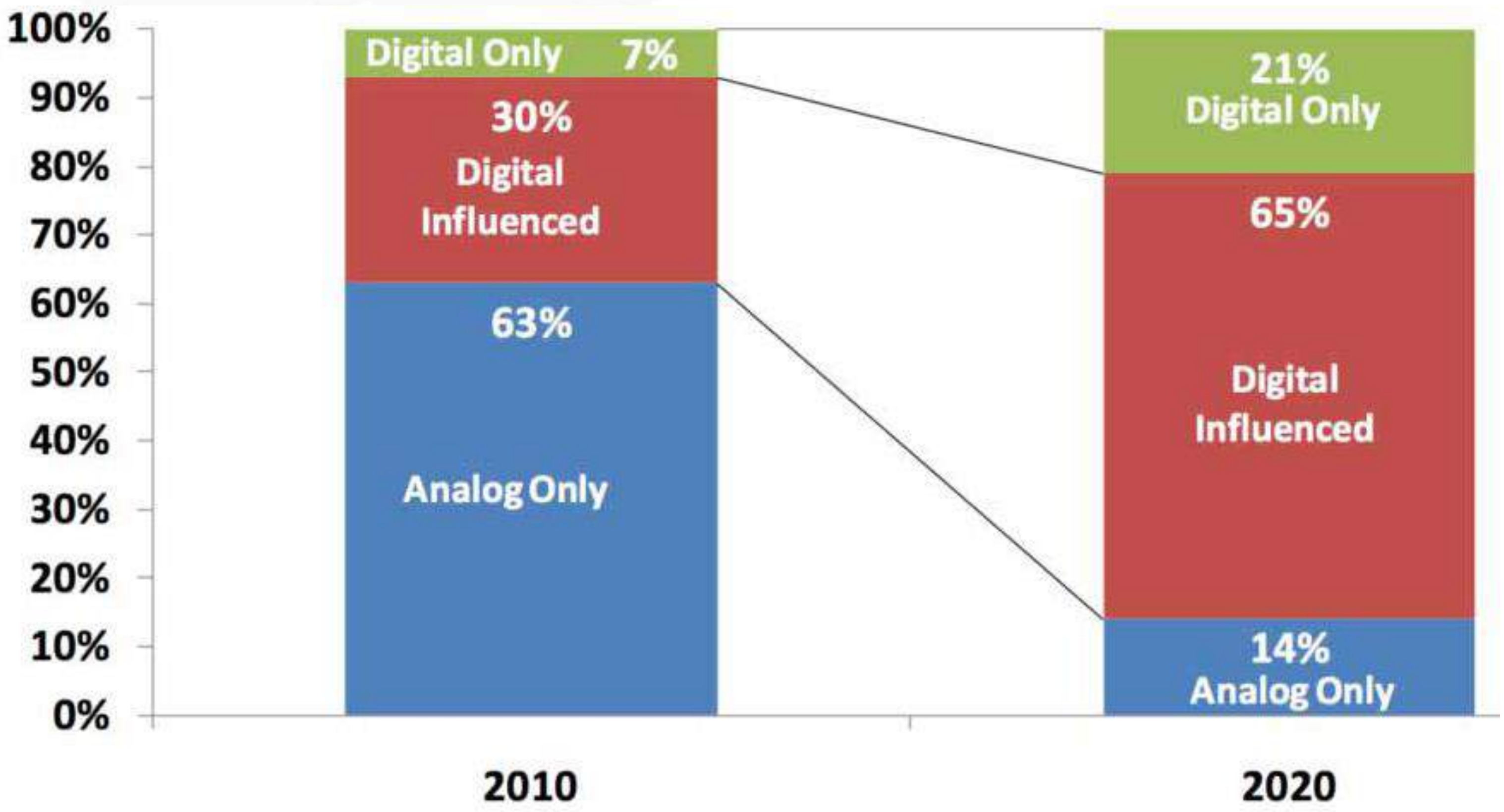
aramex
delivery unlimited

SF EXPRESS 顺丰速运

Singapore POST

Online-to-Offline (O2O)

Over the next 5 years, 65% of transactions will start online and finish offline



Source: Mastercard Online Shopping Survey 2013

The Last 100 meters: Pick-up Lockers

Skybox BTS Stations enable collect, delivery, and returns

850,000 Daily Foot Traffic

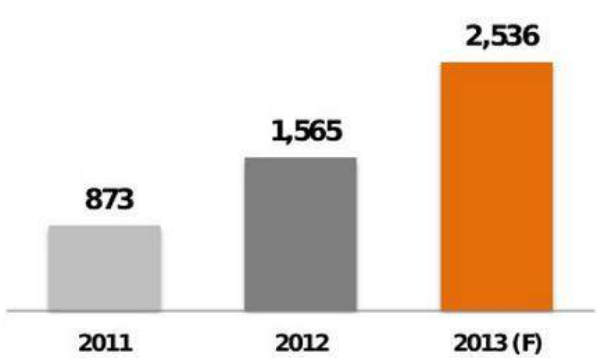
Cash & Card-Swipe-On-Delivery (COD, CSOD) will grow

B2B Ecommerce has massive potential

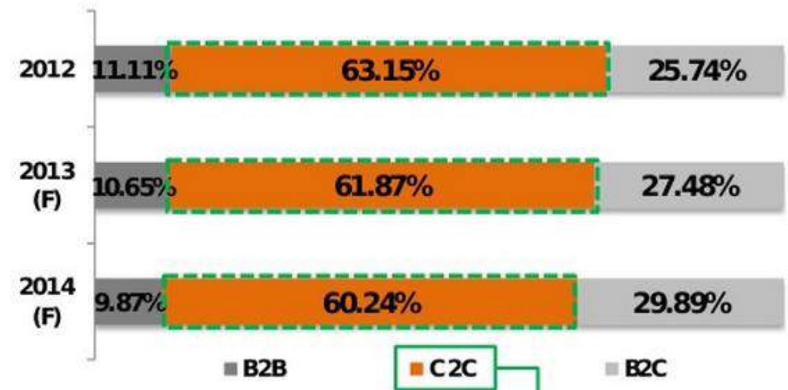
E-marketplace/ B2B Exchanges	Online Retail Shop	Market Place	Daily Deal Service	Classified Ads	Social Network / Forum
AliExpress, kucart.com	BHINNEKA.COM, GlodokShop	Lazada, blibli.com	GROUPON, livingsocial	tokobagus.com, tokopedia	KASKUS, modifikasi.com

B2B B2C C2C

Indonesia E-Commerce Market Share (US$ Mio)



Indonesia E-Commerce Proportion (US$ Mio)



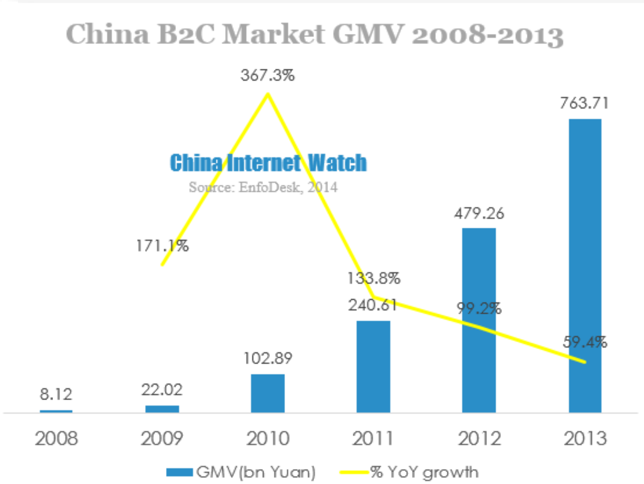
C2C e-commerce is predicted to be the most popular type of e-commerce in Indonesia in the coming years. C2C sites provides complete categories of goods that can be sold.

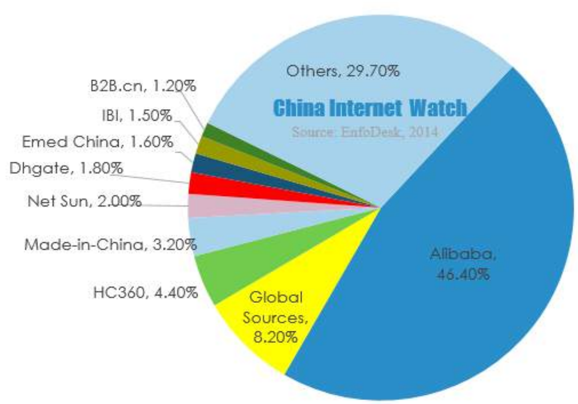
Source: Spire's internal data and analysis, and other secondary sources

B2B vs B2C in China

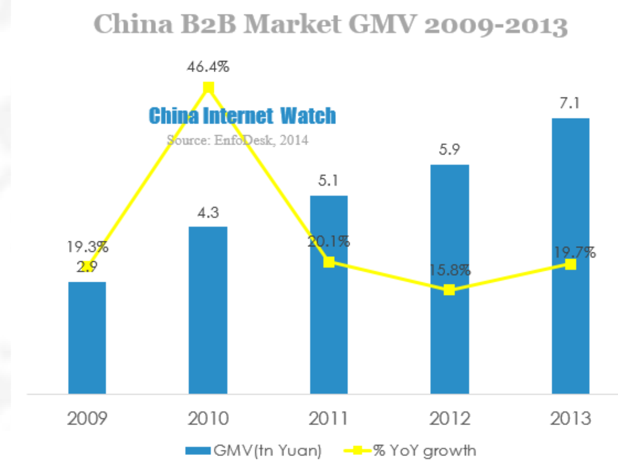
32
TIMES
BIGGER

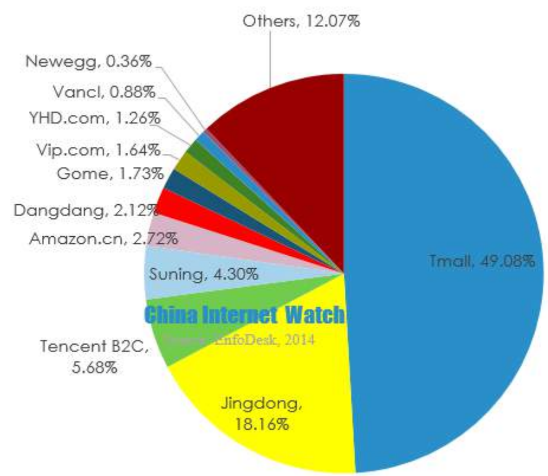
China B2C Market in 2013
764B Yuan ($32B USD)



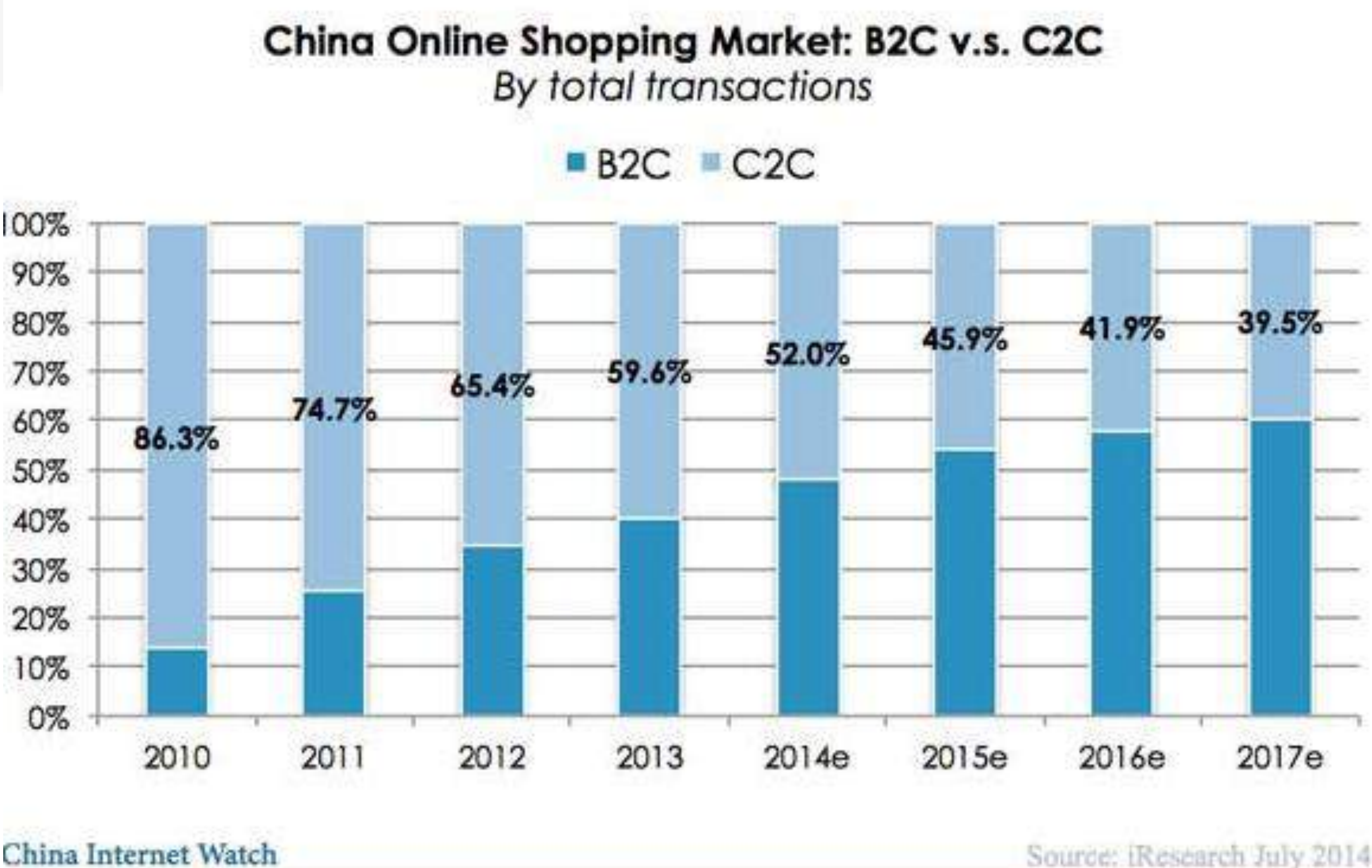


China B2B Market in 2013
7,100B Yuan ($1,170B USD)





China Online Market: B2C vs C2C



Businesses online are demanding like consumers!

"We're the first company to have figured out how to make winning a Golden Globe pay off in increased sales of power tools and baby wipes,"

– Jeff Bezos, Founder of Amazon

Amazon winning product search in US

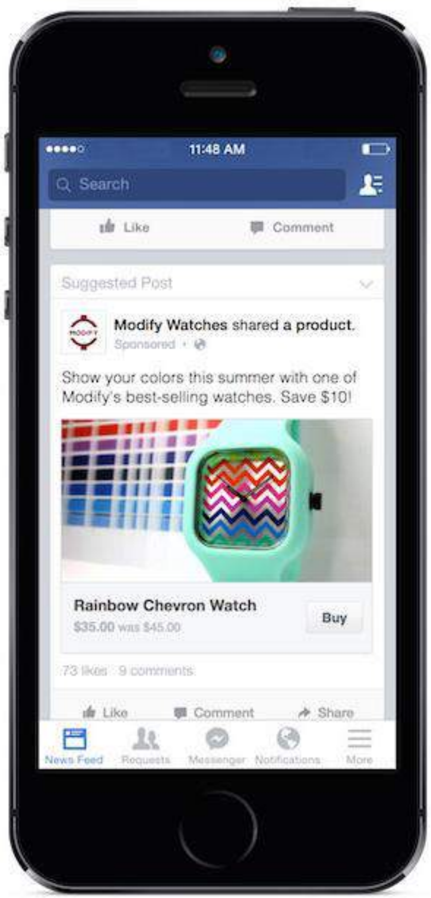
amazon vs Google vs facebook

Source: BloomReach Survey 2015

Buy Buttons on mobile makes purchasing easy

Twitter
Buy Button

Facebook
Buy Button



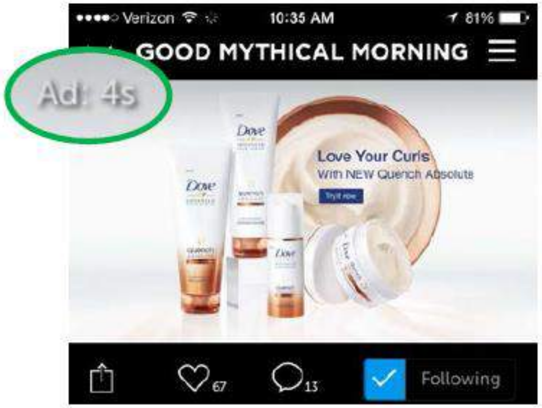
LINE Groceries
Buy + COD

"Some retailers worry the "Buy Button" move will turn Google from a valuable source of traffic into a marketplace where purchases happen on Google's own websites" - Forbes

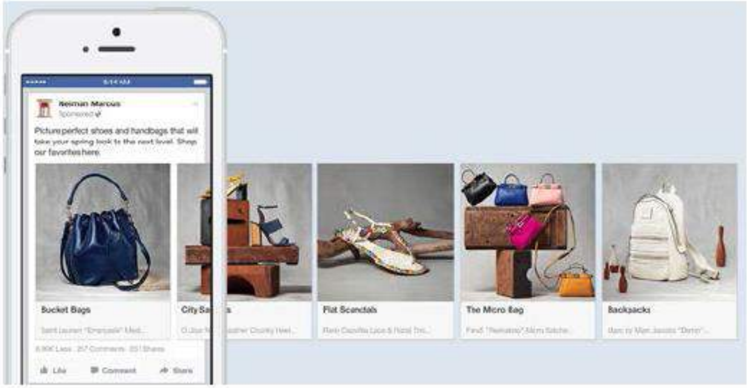
New Ad formats built for engagement and commerce

Pinterest Cinematic Pin
Video Moves as User Scrolls

Vessel 5-Second Ad
Short-Form Video



Facebook Carousel Ad
Scroll to Browse Multiple Images



Google Local Inventory Ad
Shows Products Available In-Store Nearby

Local inventory ad | Local storefront

@KPCB Image: Pinterest, Vessel, Facebook, Google.

~~Ecommerce~~ Internet Companies

Ecommerce evolving into a customer-acquisition strategy for a BIGGER internet horizontal play

Amazon | Apple | Google | Facebook | Ebay | Alibaba | Rakuten | Tencent | Baozun | DaumKakao | LINE | Yahoo | Microsoft | Disney | Garena

~~Ecommerce~~ Internet Monetization Funnel

Media (Content)
News, Blogs, Portals, Community, Video, Social Networks, Apps, Forums, Ratings & Reviews

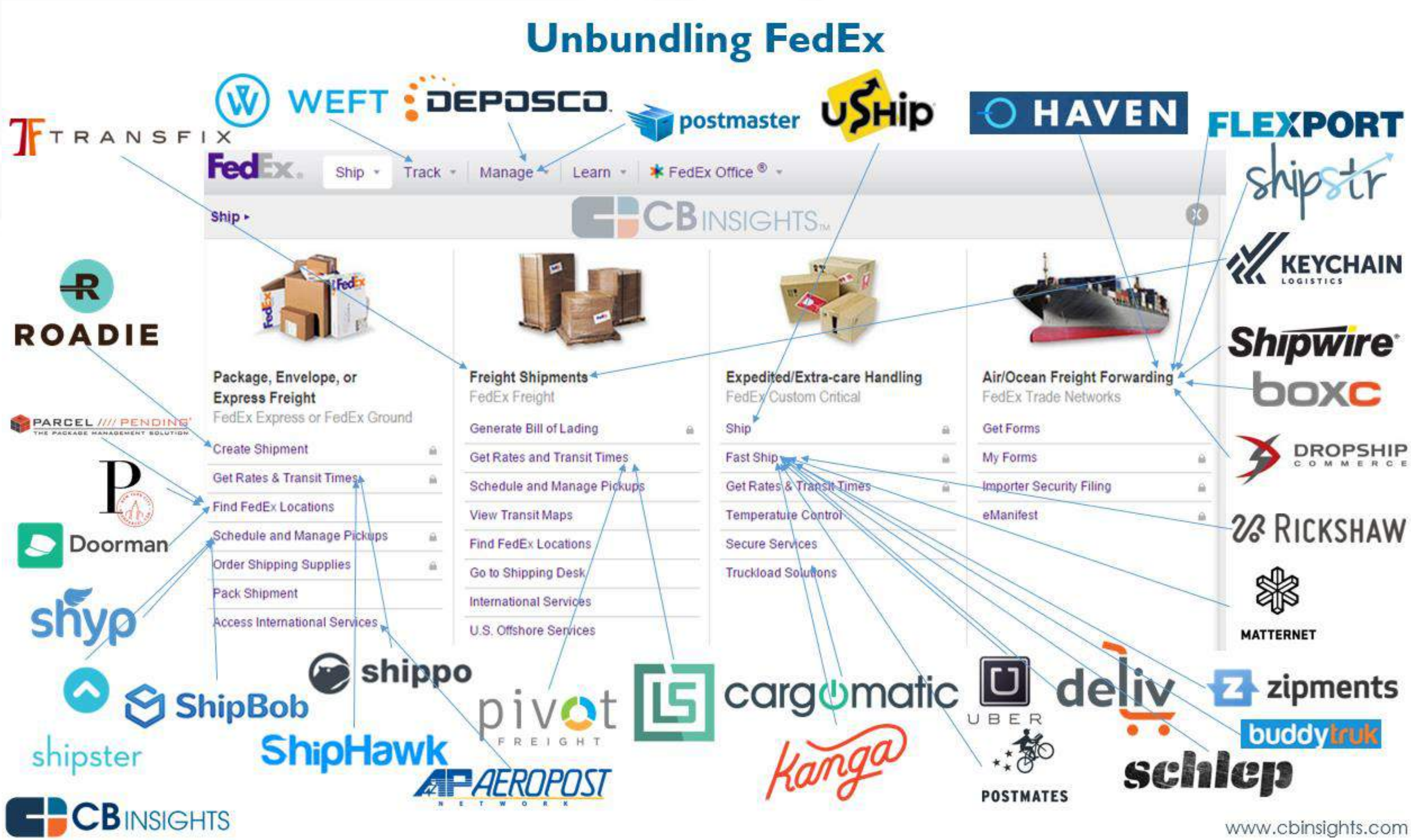
Marketing (Ads)
Adnetworks, Affiliate, Social, RTB, Video, Retargeting, Search, Display, Text, Native Platforms

Ecommerce (Sales)
Ecommerce, Verticals, Digital Goods, Subscription, Flash, Vouchers Marketplaces, Payments

Logistics (Fulfillment)
In-store Pick up, Cross-Border, O2O, Warehousing, Delivery, COD

acommerce
Powering eCommerce

Army of startups unbundling logistics industry



What Next?

Themes shaping SEA eCommerce in the next 5 years

1. M&A consolidations in B2C
2. Internet companies (Google, FB) will enter SEA Ecommerce
3. Digital agencies will adapt or go extinct
4. The marketplace space will get overcrowded and go niche/vertical
5. Cross-border eCommerce will accelerate with AEC
6. Foreign companies and entrepreneurs will flood the market
7. The Uber-ization of logistics and everything else
8. Mobile commerce still crippled by poor UX
9. B2B eCommerce will be the new black
10. COD will remain necessary to win SEA

https://www.techinasia.com/10-trends-shape-southeast-asian-ecommerce-2015/

Thank You

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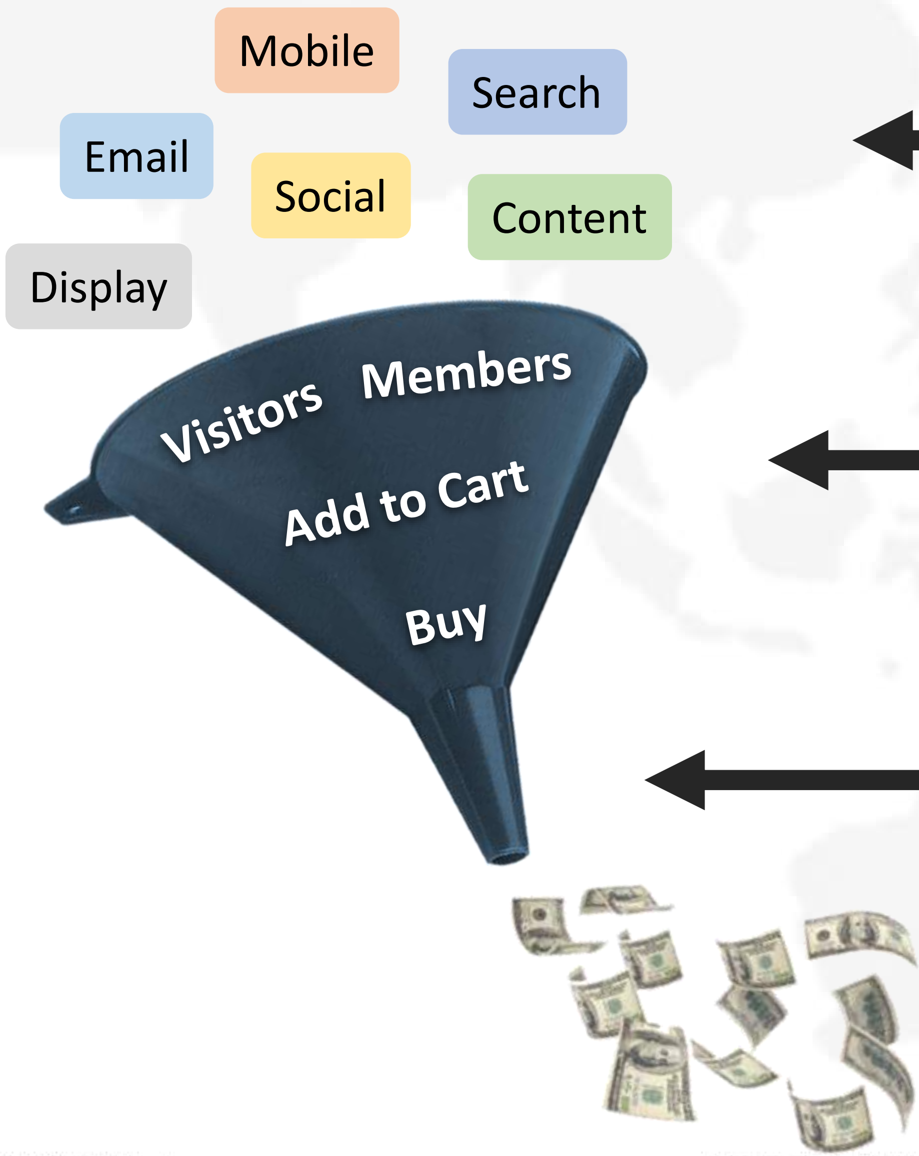
aSpace Manila, 3rd flr., 110 Aboitiz bldg, Legaspi Street, Makati, Philippines 1200

Ecommerce Creates Smarter Media & Ads



Media, Marketing, Social Networks, Apps

Sales Conversion Funnel (Analysis & Data)

eCommerce (Sales)

Ecommerce changing B2B & B2C Logistics

1) 100s of big orders
2) Delivered in Bulk
3) Easy Business Locations

B2B

1) 1000s of small orders
2) 1000s of orders fulfilled and delivered with COD
3) Difficult Home & apartment locations

B2C

The media > ads > sales cycle has been disrupted

Traditional consumer behavior

2
Weeks
(Drives Ad Spend)

New digital consumer behavior

2
Minutes
(Drives Sales)