Singapore Consumer

Grasping the new e-commerce reality

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SINGAPORE | CONSUMER | UPDATE

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Overweight

- Variety, price and convenience are the three main drivers for consumer purchases
- Fresh products is the least vulnerable to Amazon's threat
- We maintain our **Overweight** view on Singapore Consumer Sector
- '**Buy**' on both **Sheng Siong (TP: S$1.18)** and **Dairy Farm (TP: US$9.89)**

Consumers are attracted to shopping online due to the low prices, the convenience of purchasing and delivery, wider selection, as well as ability to shop on the go or a 24/7 access. Amazon Prime's entry to Singapore on end Jul-17 had put retailers on the hot seat.

How do we view this?

We do not think that Amazon will grapple all market share away from existing players:

- The fragmented e-commerce market in Singapore imply a lack of customer loyalty to a single platform. Consumers are price sensitive.
- Fresh products are the least vulnerable to Amazon's threat. The three major supermarkets are ramping up their fresh products offerings and we believe that Singaporeans still prefer to handpick perishables or fresh products.
- Local players dwarf Amazon Prime Now in terms of variety and range of offerings. We believe consumers generally prefer one-stop shopping. All three major supermarkets have large storage capacity to support optimal inventory stocking.
- Online players could save on rental and labour costs, but the capital-intensive nature to invest in extensive infrastructure, logistics and marketing shunned e-commerce business. The three supermarket companies have sustainable cost structure to maintain their pricing competitiveness, i.e. maintaining margins and keeping costs low.
- Convenience is king. Physical store are irreplaceable, and click-and-collect is the new way of shopping. In addition, Singapore has a very high store density.

The Unknowns:

- Singapore government intends impose goods and services tax (GST) on online purchase. This could level the playing field between local GST-registered retailers and offshore retailers.
- Response from other brick-and-mortar operators could intensify competition.

Investment actions

We remain Overweight on the Singapore Consumer Sector. After three lacklustre years, we expect the present rebound in economic conditions to continue and filter down to better consumer sentiment.

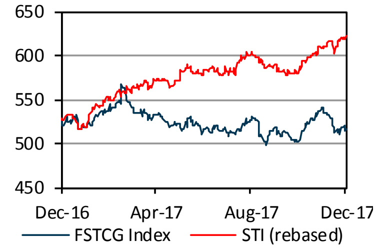
We have '**Buy**' ratings on both supermarkets, **Sheng Siong (TP: S$1.13) and Dairy Farm (TP: US$9.89)**. They have own Fresh distribution warehouse in Singapore, allowing them to ramp up fresh offerings as well as to leverage economies of scale. Fresh products are less vulnerable to Amazon's threat. Improving operating efficiencies will support their profitability and thus more resilient and sustainable. In addition, they are also expanding their stores network, bringing their presence closer to consumers.

On F&B segment, we have '**Buy**' on homegrown curry puff chain, **Old Chang Kee (TP: S$0.98)**, and the dominant spirits manufacturer, **Thai Beverage (TP: S$1.18)**, as well as an '**Accumulate**' on **FNN (TP: S$2.83)**. Food and beverage manufacturers could collaborate with online intermediaries, to complement their existing distribution network. For example, Old Chang Kee's engaging Food Panda for delivery services, products of Thai Beverage and F&N are available on Lazada, Redmart, and Amazon Prime.

INDEX PERFORMANCE (%)

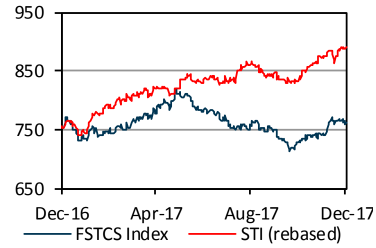
	1MTH	3MTH	1YR
FSTACG RETURN	(4.8)	(0.5)	1.0
FSTACS RETURN	2.6	1.5	3.1
STI RETURN	1.88	4.96	22.15

FSTCG VS. STI



Source: Bloomberg, PSR

FSTCS VS. STI



Source: Bloomberg, PSR

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It's All About Variety, Price and Convenience

A saturated and competitive market

- Singapore e-commerce market is fragmented despite rivals having moved into Singapore years ago. According to Bain's report on SE Asia e-commerce in 2016, over 12 platforms serve 90% of the Singapore market.

  In addition, Singapore has a high level of cross-border trade with more than half of Singapore's online consumers are buying from international merchants. Consumers have been shopping overseas online for years, for items that are not available locally in Singapore or that are available at a lower price.

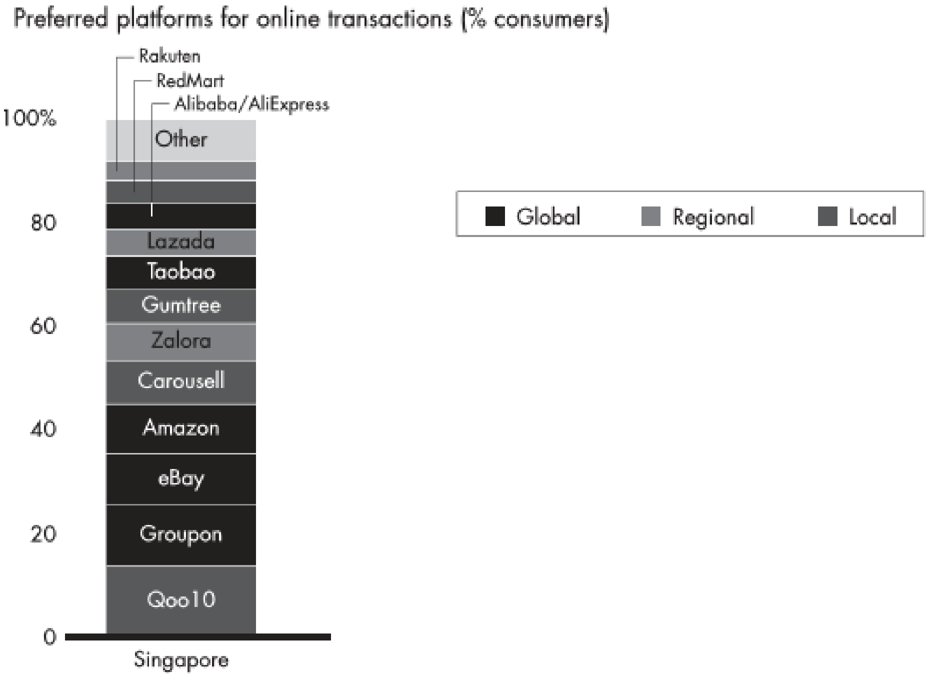
  This also implied **lack of customer's loyalty to a single platform**. The online world has increased price transparency, leading to more bargain-hunting consumers.

Figure 1: Examples of entry of online businesses in Singapore up till 2015

Year	Firm	Industry
2009	Reebonz	Luxury products and services
2010	Qoo10	B2C Marketplace
	Clozette	C2C Marketplace
	Luxola	Beauty and cosmetics
	Groupon	Marketplace for daily deals
	Deal.com.sg	Marketplace for daily deals
2011	NoQ Store	Books
	Bellabox	Cosmetics/Groceries
	VanityTrove	Beauty
2012	Kwerkee	Home and lifestyle
	Zalora	Fashion marketplace
	Carousell	C2C Marketplace
	Food Panda	Food
2013	Taobao	B2C and C2C marketplace
	HipVan	Home furnishing, fashion accessories
	Omigo	B2C Marketplace
2014	Rakuten	B2C Marketplace
	Lazada	B2C Marketplace

Source: Competition Commission Singapore (E-Commerce in Singapore, Dec 2015)

Figure 2: Fragmented market with no retail platform is the preferred platform for >20% of consumers



Source: Bain & Company (Can Southeast Asia Live Up to Its E-commerce Potential, 2016)

Amazon's arrival in Singapore will not gobble up all the market share.

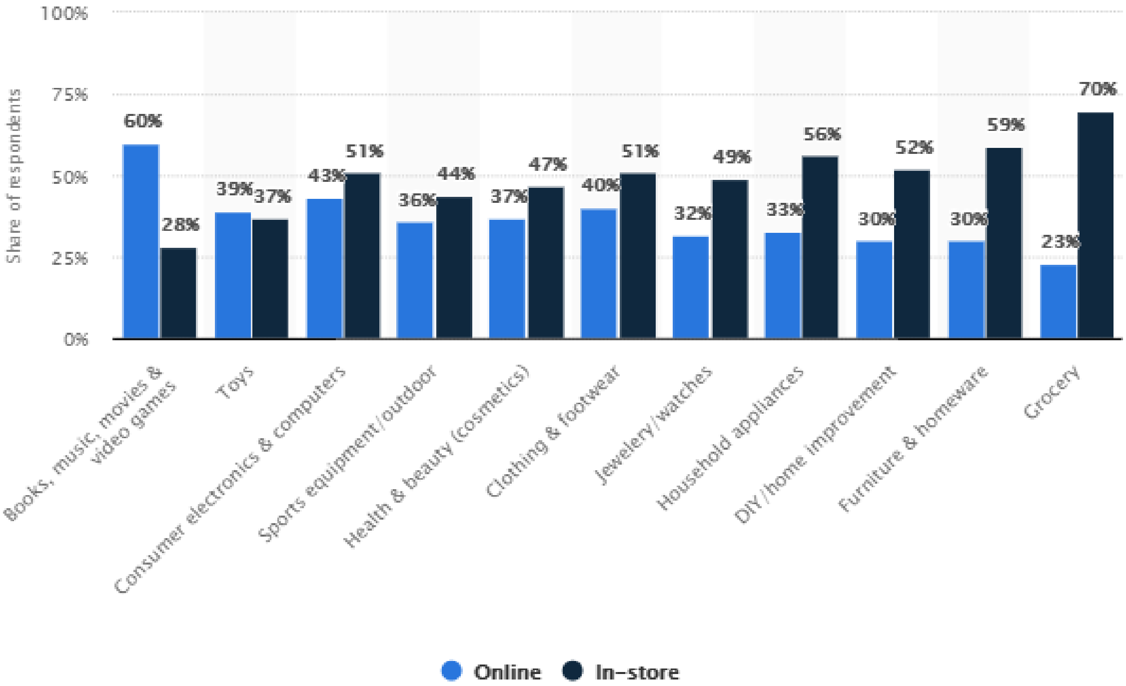
In terms of number of offerings, Lazada dwarfs Amazon locally, offering more than 30mn products compared with tens of thousands via Amazon Prime.

***Note:** Rakuten closed its marketplaces in Singapore in Mar-16*

Fresh products, a sweet spot and the least vulnerable to Amazon's threat

- Products with long shelf life and can be easily delivered to a consumer, are the most vulnerable to online threats. E.g. electronics, clothing, sporting goods, footwear and accessories, toys, homewares and dry goods.
- On the other hand, products that involve expensive shipping costs, large return costs, high investment costs in distribution and logistics, requires high customer engagement, or simply consumers' preference to purchase in-store, raised the barrier to entry. E.g. cars, luxury products, and fresh groceries.

Figure 3: Online or in-store shopping preference for selected product categories by consumers worldwide as of 2017



Source: Statista

- Amazon's core product offerings are the electronics, video games, books and clothing, shoes & jewellery. **Groceries are available, but limited.**

  Amazon Fresh was launched in 2007, offering a greater selection for groceries. However, in order to enjoy same-day delivery for fresh and frozen products, Prime members would have to fork out an additional monthly Amazon Fresh membership fee of US$14.99 (approximately S$20.39).

  After a decade since launched, this service is currently only available in some US states, London, Tokyo, and Berlin. In fact, three months after acquiring Whole Foods, instead of expanding its grocery distribution network, Amazon is scaling back its Amazon Fresh delivery service. Amazon had just announced to shut down Amazon Fresh in at least 9 states in the US. The reason to cut back service, and whether Amazon Fresh would return to affected areas, are unknown.

  Perhaps, PwC's 2017 Total Retail Survey managed to shed light on the issue. According to the Survey, **only about 10% of shoppers in US purchase their groceries online.**
- The Survey also suggests that **about two-thirds of Singapore consumers prefer to make grocery purchases in-store**, roughly in-line with global average at 70%.
- Driven by rising demand on quality and safety awareness, **we believe Singaporeans will still prefer to handpick perishables or fresh produce**, such as fresh meat, and fish.

By making a trip to an entrusted local supermarket, consumers are more confident in the food source and quality that they could bring home.

- **Both Dairy Farm and Sheng Siong are strengthening their fresh product offerings** as a defense against growing competition from Amazon. With larger fresh products storage space as compared to Amazon, we believe that the two supermarkets are well-positioned.

Figure 4: Storage capacity

Company	Warehouse Size
NTUC FairPrice	730,000 sqft Distribution Centre in Joo Koon
Dairy Farm	260,000 sqft Warehouse in Tampines
	+ 75,000 sqft Fresh Distribution Centre
Sheng Siong	500,000 sqft (+ 50,000 sqft by 2018) Distribution Centre at Mandai Link
Amazon Prime	100,000 sqft Warehouse at Mapletree Logistics Hub, Jurong
Redmart	100,000 sqft Warehouse at Fishery Port Road, Jurong

Source: Companies

Price sensitive Singapore e-consumers

- From the groceries price comparison between online platforms, we observed that:

(a) Amazon Prime is the cheapest among the five retailers, with majority of the products priced 5% lower than peers.

(b) However, Amazon Prime lacks some items as compared to other grocery peers. Amazon Prime does not sell Maling Premium Pork Luncheon Meat, which is available in NTUC FairPrice, Giant, Sheng Siong, and Redmart.

(c) Amazon Prime may require consumers to place minimum quantity for a single order. It lacks the flexibility to meet the changing expectations of consumers.

(d) For a full 14 items basket, NTUC FairPrice offers the cheapest, followed by Redmart and Sheng Siong.

(e) If we exclude China Fuji Apple, Maling Pork Luncheon Meat, and the two Baby Products, Redmart's basket is the cheapest at $54.75, followed by Sheng Siong ($55.30), Amazon Prime ($55.35), Giant ($55.55), and lastly, NTUC FairPrice ($55.85).

Although Amazon Prime is relatively cheaper compared to peers, consumers may not be able to find their preferred type and brand of products in the preferred amount in one single online store.

Physical supermarkets will have greater depth and breadth of products as compared to one particular online marketplace – stocking a full line of fresh and processed meats, dairy, fruits, vegetables, bakery products, etc., each with wide variety of brands.

- This comparison also exemplifies that among groceries, fresh products are least vulnerable to online threat**. NTUC, Giant and Sheng Siong have an edge in both aspects of availability and price.** As supermarket chains have larger scale, they can benefit from lower input prices.

Figure 5: A typical household grocery basket

Typical Grocery Basket	NTUC	Giant	Sheng Siong	Amazon Prime	Redmart
Fruits & Vegetables					
China Premium/Large Fuji Apple (4S)	$3.30	Not Available	$4.29	Not Available	$3.45
Xiao Bai Chye	$0.75 for 220G	$0.75 for 350G	$0.90 for 250G	$1.90 for 200g	$0.75 for 220G
Meat, Poultry & Seafood					
Fresh Chicken (Whole Chicken 1.4KG)	$7.45	$7.20	$6.85	$7.10	$7.10
Dairy & Fresh Produce					
Fresh Eggs (10 Eggs)	$1.45	$1.80	$1.35	$2.35	$1.80
Nestle Milo (1.4KG)	$13.20	$13.20	$13.20	$13.20	$13.20
Marigold HL Milk - Plain (1L)	$3.20	$3.20	$3.20	$2.75	$3.20
Carnation Full Cream Evaporated Milk (390G)	$1.60	$1.60	$1.60	$1.60	$1.60
Rice, Noodles & Oil					
Royal Umbrella Fragrant Rice (5KG)	$15.80	$15.80	$15.80	$14.80	$15.20
Naturel Canola Oil (1L)	$4.90	$4.50	$4.90	$4.50	$4.50
Canned Food & Instant Food					
Maling Pork Luncheon Meat (397G)	$2.85	$2.85	$2.85	Not Available	$2.85
Bakery					
Gardenia White Bread (400G)	$2.00	$2.00	$2.00	$1.90	$1.90
Baby Products					
Enfamil A+ S-2 360DHA+ Pdx+Gos (900G)	$52.75	$55.75	$55.75	$52.75	$55.75
Huggies Platinum Diapers - New Born (< 5KG) (66S)	$19.95	$19.95	$19.95	Not Available in single unit	$19.95
Personal Care & Household Items					
Beautex Box Tissue (3PLY x 120S x 5)	$5.50	$5.50	$5.50	$5.25	$5.50
TOTAL	$134.70	$134.10	$138.14	$108.10	$136.75

Source: Respective online website (as at 1st Nov17)

Note: *Highlighted are the lowest prices offered among the five marketplaces*

A sustainable cost structure to maintain pricing competitiveness

- Online players could save on rental and labour costs, but the capital-intensive nature to invest in extensive infrastructure, logistics and marketing shunned e-commerce business. We have seen Rakuten closing its marketplaces in Singapore, Malaysia and Indonesia in Mar-16.
- Meanwhile, being a new player, Amazon Prime cut prices and absorb delivery costs to attract buyers. In its limited free trial, consumers in Singapore can get items delivered to their door with free delivery on orders of more than S$40.
- Amazon has a deep pocket, but this situation is unsustainable in the long run. It is unknown when Amazon will launch the membership service in Singapore. However, the hype could cool off when Amazon starts to charge an annual membership fee.

  While the Prime annual membership fee could be as low as S$31.52, we expect the annual fee to be revised upwards when it gains a stronger foothold in the country. A company cannot sustain itself with profitability being compromised forever.

Amazon Prime is a paid subscription service offered by Amazon.com that gives users access to free two-day delivery, streaming video or music, unlimited photo storage, and other benefits for a monthly or yearly fee.

Figure 6: Prime annual membership ranges from S$31.52 to $142.20 globally

Sovereignty	Local Currency	Monthly	Annual	FX rate	Annual fee (SGD equivalent)	Remarks
United States	USD	$10.99	$99	1.36	$134.64	
Canada	CDN	N/A	$79	1.07	$84.53	
United Kingdom	GBP	£7.99	£79	1.80	$142.20	
Germany	EUR	€ 8.99	€ 69	1.58	$109.02	
France	EUR	€ 3.99	€ 49	1.58	$77.42	Monthly fees will revise to EUR 5.99/month in Apr-18
Italy	EUR	N/A	€ 19.99	1.58	$31.58	
Spain	EUR	N/A	€ 19.95	1.58	$31.52	
Japan	JPY	¥400	¥3,900	0.012	$46.80	
Singapore	SGD		*Free on trial period*			

Source: Amazon Prime websites

- Another example would be Redmart. Redmart started its operations in Aug-11, but the business was still in the red in 2015. According to Tech in Asia, Redmart has an operating loss of $21 million for 2015 and an operating loss margin of 78%.

  Recently, Redmart has joined the subscription-based service, LiveUp. LiveUp is similar to Amazon Prime, but it pools together benefits from a range of companies and services, including Lazada, Redmart, Taobao Collection, Netflix, Uber and UberEats. It comes with an annual fee price tag of about S$49.90. The introductory price is now offered at S$28.8 per annum.

- So, the next question would be – Will Singaporeans pay an annual fee of over S$30, just to have their groceries delivered within a two-hour period, when a supermarket or a shopping mall is a stone's throw away?

- Therefore, in order to defend market share and outlast the e-tailers, brick-and-mortar retailers needs a sustainable cost structure.

  Both Dairy Farm and Sheng Siong have been benefiting from economies of scale and bulk handling via expanding store count and leveraging on their central distribution centres. By increasing automation and higher margin offerings (e.g. fresh products and private labels) enable both companies to remain price competitive, while sustaining high margin and keeping costs low.

Physical stores still matter and irreplaceable by e-commerce

- Physical stores are able to offer **wider breadth and depth of products**, as well as more flexible quantity to meet the changing expectations of consumers. Consumers may not be able to find their preferred type and brand of products in the preferred amount in one single online store. **Consumers generally prefer one-stop shopping.**

- **Ability to showcase products.** Seeing is believing. Having a physical store could also build customers trust and credibility as well as brand equity.

- **Provide a personalised in-store experience.** Retailers could engage and intrigue customers via all 5 senses – sights, smells, touch, tastes and sounds, creating that immediate gratification.

- **Enhance customers' interactions.** E.g. offer in-store educational classes; having knowledgeable in-store sales assistants for pre-sales and post-sales services. Warranty and follow-up sales are harder to achieve without brick-and-mortar.

- **Close proximity to a store or shopping mall.** Shopping in air-conditioned malls has become one of the favourite pastimes for all Singaporeans. China's lack of physical stores due to the country's expansive geography is one of the drivers for its booming e-commerce market.

According to JLL, Singapore has about 11.6 sqft of retail space per capita, compared with Hong Kong's 11.5 sqft, Bangkok's 8.6 sqft and Shanghai's 4.8 sqft.

Figure 7: Pervasive brick-and-mortar network

Company	Store count
NTUC FairPrice	Over 290 outlets as at 31 Dec-15, which includes its FairPrice supermarkets, FairPrice Finest, FairPrice Xtra, FairPrice Xpress and Cheers and convenience stores
Dairy Farm	531 stores as at 31 Dec-16, which includes its hypermarkets, supermarkets and convenience stores
Sheng Siong	43 stores as at 30 Sep-17; 4 new stores in 4Q17 and 1Q18 (from recent biddings)

Source: Companies

- **Click and collect is the new way for shopping.** Having said the above, as it is easy for Singaporean consumers to switch from offline purchase to online, all three major grocery retailers have adopted the omnichannel strategy, offering a convenient and seamless shopping experience.

  By integrating online commerce into their business model, they could (a) expand via digital footprint; and (b) utilize big data to manage product listings and inventory.

  Meanwhile, their physical stores are all-in-one locations – acting as showrooms, distribution centres, pick-up points and point of sale locations.

- **More and more pure e-commerce players are adopting online-to-offline strategy**, highlighting the importance of physical store

  (a) Amazon buying Whole Food with 456 stores worldwide and setting up pop-up stores showed that Amazon needs more of brick-and-mortar, not less. It has opened 8 physical bookstores with 5 more in the pipeline. Its recent acquisition of 5% stake Shoppers Stop Ltd. in India further reflects its increased focus on having physical presence.

  (b) Alibaba's recent acquisition of 36% stake in Sun Art Retail Group, one of China's biggest hypermarket operators. The deal underscores the indispensable role of physical stores. Sun Art operate 490 multi-format stores across 224 cities in China.

  (c) Online shopping portals opening up pop-up stores, e.g. Reebonz.

  (d) Lazada teaming up with CapitaLand Ltd, allowing customers to shop online and pick up merchandise at a nearby mall.

Factors to drive traffic to the online platform:

(a) Variety of offerings;

(b) Speed and responsiveness of website, including waiting time to load;

(c) User friendliness, including ease to navigate and search, accurate and high-quality photos, detailed descriptions, as well as customer reviews to help consumer's decisions;

(d) Smooth processes and payments, acceptance of all payment methods would be a plus; and

(e) Trusted vendors, thoughtful packaging, fast delivery times with real-time tracking and easy return policies, as well as offering loyalty benefits.

The Unknowns

Potential goods and services tax (GST) levy on online purchase could change consumer's mind on purchasing online.

- Currently, online purchases of goods and services under $400 are not taxed in Singapore. The Government is still in the midst of reviewing ways to tax e-commerce, which could lead to (i) Foreign e-commerce players to register for GST in Singapore if they sell to Singapore customers, or (ii) Singapore customers to pay tax on goods and services they buy online.

- This could level the playing field between local GST-registered retailers and offshore retailers.

Figure 8: Comparison on cross-border e-commerce tax

Country	Cross-border e-Commerce tax	Tax relief	Remarks
Singapore	7%	Tax-free for online purchases under $400	In the midst of review
China	17%	Currently with temporary 30% discount (i.e. 70% x 17%) Tax-free for a maximum of RMB2,000 of single transaction and a maximum of RMB20,000 per person per year	
Japan	10%		Started with 8% in 2015; revised up to 10% in Apr-17
South Korea	10%		
Australia	Nil		10% levy starting in 1 Jul-18
Indonesia	Nil		In the midst of review
Thailand	Nil		In the midst of review
Malaysia	Nil		In the midst of review

Response from other brick and mortar operators

- Physical retailers without online presence: Turning online competitors into partners. Offline retailer could leverage on their online retail knowledge and infrastructures, while its physical store network will serve as omnichannel locations.
- Retailers with own online platforms: Ramp up marketing and promotional activities to gain market share.

APPENDIX: E-COMMERCE LANDSCAPE IN SOUTHEAST ASIA

Less exciting in Singapore

Singapore has:

- An entirely urban population with relatively high purchasing power,
- A mature e-commerce market,
- Comprehensive logistics infrastructure, and
- High internet penetration rate with fast internet speed.

However, this also indicates that Singapore has lesser headroom to grow as compared to other emerging countries. In fact, Singapore pales in comparison with its Southeast Asian neighbours.

Figure 9: e-commerce growth in Singapore is at 10.5% vs China's 13.9% and SE Asia's 17.0%

Country	2017 eCommerce revenue (US$ mn)	5-year CAGR (2017-2022) (%)	2017 Average revenue per user (ARPU) (US$)	2017 User penetration (%)	2022 User penetration (%)	Largest segment in 2017	Market volume contributed by the largest segment (US$ mn)	Percentage contribution by the largest segment (%)
US	$409,208	9.3%	$1,819.35	69.1%	73.5%	Toys, Hobby & DIY	$122,254	29.9%
Japan	$83,433	6.4%	$1,013.84	65.0%	72.6%	Toys, Hobby & DIY	$22,411	26.9%
China	$499,150	13.9%	$858.32	42.0%	67.0%	Fashion	$164,219	32.9%
Singapore	$3,326	10.5%	$1,067.19	54.7%	71.9%	Electronics & Media	$918	27.6%
SE Asia (ex-SG)	$14,517	17.0%						
Indonesia	$7,056	18.5%	$251.35	10.6%	15.7%	Fashion	$2,466	34.9%
Malaysia	$1,076	18.7%	$70.87	47.9%	63.0%	Electronics & Media	$426	39.6%
The Philippines	$1,237	16.2%	$36.58	32.2%	47.0%	Electronics & Media	$543	43.9%
Thailand	$2,962	14.5%	$248.49	17.3%	20.7%	Electronics & Media	$1,258	42.5%
Vietnam	$2,186	14.7%	$62.31	37.4%	44.9%	Electronics & Media	$841	38.5%

Source: Statista

Battle of the titans in Southeast Asia

Current challenges in SE Asia provided home advantage for local e-commerce players

(i) Fragmented market with several local players

Products need to be curated to appeal to local tastes in the different countries and will be offered in the respective local languages.

Each country having a different market and localised product preference – one would have to understand the cultural dynamics and localise its product offerings.

(ii) Immature infrastructure in some emerging economies; unable to support large number of sellers

Logistical barriers like the huge number of islands that make up the Philippines, or Jakarta's paralysing traffic.

In order to create a functional logistics ecosystem that can improve regional level trade, it requires collaboration from various parties, companies and more.

(iii) Complex regulatory differences could deter cross-border trade

The more dominant e-commerce players in the region are Tokopedia, Lazada, and Qoo10. E-commerce giants, Alibaba and JD.com, are penetrating the region via partnerships with these local players.

(a) Alibaba, expanding its strong logistics network and enhancing last-mile-logistics

Alibaba has picked Malaysia as the SE Asia base…

- Alibaba owns 83% of Lazada

Lazada (SE Asia's largest online shopping company and #1 in Malaysia)

- Launched in 2012, is headquartered in Singapore and also operates in five other markets: Malaysia, Indonesia, the Philippines, Thailand and Vietnam.
- In Jun-16, Alibaba invested $1bn for a controlling stake in Lazada. A year later, Alibaba invested an additional $1bn in Lazada to boost its stake to 83% from the earlier 51%.
- Alibaba's investment has boosted Lazada's financial support, expanded range of merchants, and improved its logistics and vendor systems.
- It will sell selected items from Alibaba's Taobao marketplace in three more countries in SE Asia. Taobao Collection will be offered in Indonesia, the Philippines and Thailand through Lazada's platform. Lazada began selling Taobao products in Singapore and Malaysia earlier this year.

- Working to set up a **Digital Free Trade Zone (DFTZ) in Malaysia**, and has signed a Memorandum of Understanding with the Malaysian government and municipal authorities in the Hangzhou region of China to simplify cross-border trade between the two regions.

Digital Free Trade Zone in Malaysia

- In Mar-17, Malaysia launched the DFTZ initiative at the Global Transformation Forum – a joint initiative with Alibaba to accelerate Malaysia's digital roadmap that aims to double e-commerce growth from 10.8% to 20.8% by 2020. This is the first digital global trade platform beyond China.
- The regional distribution hub (e-hub) will act as a centralized customs clearance, warehousing and fulfilment facility for Malaysia and the SE Asian region in order to speed up clearance for imports and exports. It will also connect to Hangzhou's Cross-Border e-commerce pilot zone, Alibaba's HQ, via Alibaba's OneTouch platform.
- The hub is set for a launch in 2019. It is estimated to support US$65bn worth of goods moving through DFTZ.

- To **invest $807mn in its affiliate Cainiao Network**, raising its stake to a majority 51% from 47%, and put in an additional $15.2bn over the next five years to expand its logistics network. Alibaba targets to fulfil orders in China within 24 hours and within 72 hours anywhere in the world.

Cainiao Network

- Alibaba co-founded Cainiao in 2013. It operates a logistics data platform that leverages the capacity and capabilities of logistics partners to fulfil transactions between merchants and consumers at a large scale. It also uses data insights and technology to improve efficiency across the logistics value chain.
- The additional investment of $15.2bn over the next five years will be used to increase R&D in logistics data technology, as well as for development of smart warehousing, smart delivery and global logistics infrastructure.
- These investments are expected to enhance the overall logistics experience for

consumers and merchants across the Alibaba ecosystem, as well as to enable greater efficiencies and lower costs in China's logistics sector.

(b) JD.com, the largest retailer in China by revenue

- Identified Thailand as a regional hub and collaborates with **Central Group** (Thailand's largest retail conglomerate) **and Provident Capital** (its strategic partner for its Indonesian e-commerce business) to expand further into SE Asia.

…while JD.com has chosen Thailand

Central Group's JVs with JD.com and Provident Capital

- To establish two joint ventures (JVs) in Thailand with an aggregate investment of up to $500mn. One of the joint venture firms will cover e-commerce services and the other will be a fintech company.
- The partnership will leverage Central Group's retail resources including its physical store network, its brand and merchant relationships, as well as the retail behaviour insights. It will open multiple flagship stores of its omnichannel businesses on the JV e-commerce platform. Meanwhile, JD.com will provide its extensive expertise in technology, e-commerce and logistics to the e-commerce JV.
- JD.com will also transfer its financial know-how technology in developing markets with artificial intelligence and cloud computing for the fintech JV.

(c) Tokopedia, #1 in Indonesia

- Rumoured that both Alibaba and JD.com are considering to invest as their foray to expand geographically outside of China.

Both Alibaba and JD.com are eyeing on Indonesia's high potential growth market

(d) 11street (the second largest e-commerce player in Malaysia)

- Launched in Apr-15. A partnership between Celcom Axiata Berhad and SK Planet. The two partners behind 11street Malaysia looking to exit, Alibaba and JD.com are said to be in talks to acquire the platform.

(e) Shopee, a Singapore-based online shopping platform backed by Sea (earlier known as Garena)

- Sea raised raising $1bn via its listing US. The company, backed by Tencent, is one of the region's biggest homegrown start-ups.

(f) Qoo10 (owned by Giosis, which is a joint venture company formed with eBay)

- Qoo10 was founded in 2010.
- Giosis currently operates 7 localized online marketplaces in 5 countries including Japan and Singapore and plans to expand into more Asian countries in the near future.

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