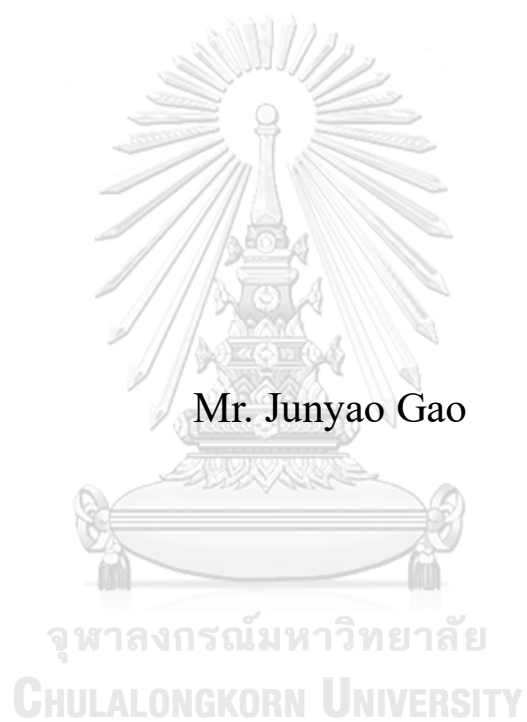
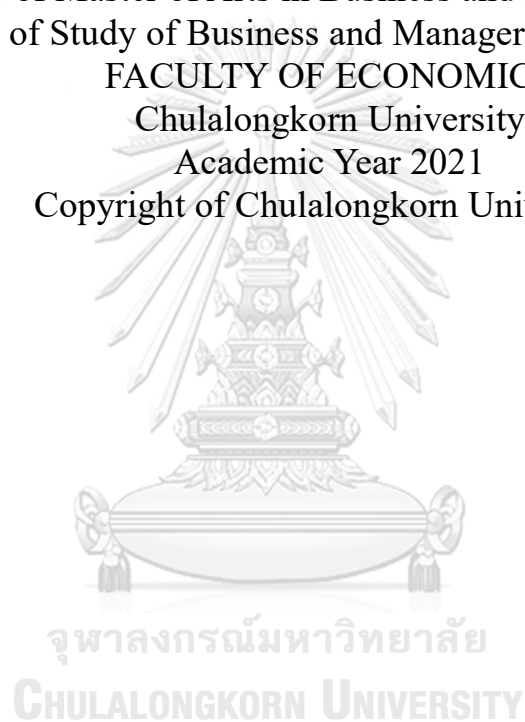


Research on Chinese e-commerce enterprise development in
Southeast Asia – a case study of Alibaba’s acquisition of Lazada



Mr. Junyao Gao

An Independent Study Submitted in Partial Fulfillment of the
Requirements
for the Degree of Master of Arts in Business and Managerial Economics
Field of Study of Business and Managerial Economics
FACULTY OF ECONOMICS
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1. Introduction

1.1 Research background & purpose

As a new commercial model, e-commerce brings massive convenience to people's consuming behavior on time and zone with internet technology and upgrading electronic technologies such as intelligent devices. E-commerce changes the worldwide business mode by changing the real-time information exchange and inventory, warehousing, and logistics, becoming mainstream in the international trade. In this trend, many e-commerce companies have emerged in China, and Alibaba is the giant among them. As an emerging market, e-commerce is also growing rapidly in Southeast Asia, and Lazada is a large player in this market (Yee, Aw Yong Chai, 2019).

Lazada was Founded in 2012 by Rocket Internet in Singapore, running an e-commerce business in Indonesia, Malaysia, Philippines, Singapore, Thailand, and Vietnam. It provides a convenient way to participate in e-commerce for the local supplies and consumers with a total of 155,000 sellers and 3000 brands and serving 560 million consumers (Yee, Aw Yong Chai, 2019). As a Chinese leading e-commerce enterprise, Alibaba is successful in the business. At the foundation of Alibaba, it was an online platform owing to a tremendous branding supply chain and a vast consumer market. In recent years, with the absolute advantages of marketing on Taobao and the T-mall platform, Alibaba expanded its business area and built itself into a giant in e-commerce and internet financial banking.

Although Alibaba is mighty, its market strategic layout and development space are limited due to China's e-commerce industry having formed a "red ocean" situation. In the e-commerce retail field, it suffered from fierce competition from JD.com, VIP shop, Pinduoduo, and other companies. In third-party payment, there are

threatening competitors such as UnionPay and WeChat Pay. It is necessary for Alibaba to find a new growth point that is going global.

Unlike its domestic competitor, Kaola, JD Worldwide, VIP international use its brand and the same platform to develop international business with the advantage make full use of its brand awareness and keeping operating from headquarters directly, Alibaba entered the Southeast Asia market by acquisition. In March 2016, Lazada's annual Gross merchandise volume (GMV) achieved 1.36 billion US dollars. This attractive amount made Alibaba announce that it intended to acquire Lazada. From 2016 to 2018, Alibaba invested in Lazada three times with a cumulative amount of US\$4 billion and completed the entire acquisition process.

At present, many analyses about enterprise overseas acquisition exist. However, as an emerging market and Chinese e-commerce enterprises started to go global in the recent years, fewer studies related to the Chinese e-commerce companies and the Southeast Asia market, especially about the e-commerce company acquisition. This study will analyze the motivation and effectiveness of Alibaba's acquisition of Lazada to summarize the reason for Alibaba's strategies to enter Southeast Asia. Based on this analysis to present the environment in Southeast Asia's e-commerce market regarding the business acquisition and further operation, as well as the opportunities and challenges Alibaba is confronting. As the most extensive e-commerce company in China, this case study is a typical example for other Chinese e-commerce enterprises to reference and study for entering Southeast Asia's emerging e-commerce market.

1.2 Cross-border mergers and acquisition theory

Cross-border mergers and acquisitions belong to corporate mergers and acquisitions; it is one of the ways of foreign direct investment. Merger refers to the union of two or more independent enterprises into one. There is usually one enterprise in a dominant position among the many enterprises involved in the merger. Through mergers, complementary advantages and rational allocation of resources can be

achieved, and enterprises with low returns and a lack of competitiveness can be eliminated. The acquisition is the obtaining of complete control over an enterprise. The acquirer usually acquires the controlling stake of the target enterprise by cash payment to achieve the purpose of actual control over it. The market share, advanced technology, and sales channels occupied by the target company can be quickly obtained through the acquisition. The production and operation activities of the post-acquisition company can also return to normal as soon as possible. In addition, compared with a merger, an acquisition has the advantage that it will not dilute the equity of the acquirer's shareholders, and the actual control of the acquirer will not be affected.

Cross-border M&A is divided into horizontal M&A, vertical M&A, and hybrid M&A according to the relatedness of the industry. If the companies on both sides of the M&A are in the same industry, their products are the same or similar, and they are in the same position in the product industry chain, then the cross-border M&A between the two companies is horizontal. If the companies are in the same industry but are in different positions in the same product industry chain, the cross-border M&A between the two companies is vertical. If the companies are in different industries, their business scopes do not overlap and are unrelated to the industry chain; the cross-border M&A between the two companies is hybrid. Alibaba and Lazada are e-commerce companies, and their product and service are of the same types, so the acquisition is horizontal.

1.3 The overview of Alibaba's acquisition of Lazada

1.3.1 The overview of Alibaba

In 1999, Ma Yun found Alibaba Group, its first headquarter is in Hangzhou, Zhejiang province. Their first goal is to create an online platform for small and medium-sized enterprises, change the previous sales, operation, and marketing mode,

empowering enterprises via the Internet. In May 2003, Alibaba group spent one hundred million RMB to establish Taobao, a B2C and C2C online shopping platform. In October 2004, a third-party payment tool– Alipay, was established. In 2010, Alibaba launched AliExpress, a cross-border online retail platform. To improve the effectiveness of operation and make the working procedure more fixable among the business department, Alibaba rebuilt the organizational structure and settle it into nine divisions. Alibaba also proposed the "Five New Strategies"¹ that comprised New Retail, New Finance, New Manufacturing, New Technology, and New Energy.

Figure1: Alibaba Business department

Division 1	Alibaba Cloud				
Division 2	B2B China	B2C China			
Division 3	B2B International	B2C International			
Division 4	JUHUASUA N	Alibaba Life Service			
Division 5	Alibaba Wireless	Want Want			
Division 6	Data platform	Information platform	Cloud OS		
Division 7	Logistics	Finance	Air travel		
Division 8	Things sharing	Merchant business	Alimama	YITAO and search	
Division 9	Category operation	Digital business	Integrated Services	Consumer Portal	Interactive business

Source: <https://www.alibabagroup.com/cn/global/home>

¹ <https://www.thedrum.com/news/2017/10/17/jack-ma-outlines-new-strategy-develop-alibaba-economy>

The retail business is in Divisions 2 and 3, involving the integrated retail service platform Taobao, Tmall provides services to brand retailers, and cross-border e-commerce retail platforms AliExpress and Lazada. And 1688, an online procurement and wholesale platform for B2B business. Information and financial services include divisions 7, 8, and 9, involving the Cainiao logistics network system that provides logistics and supply chain management for small and medium-sized enterprises, and Alimama, which offers information consulting services for platform franchise partners. Ant Financial provides financial services to SMEs and consumers.

1.3.2 The overview of Lazada

As a cross-border e-commerce leader in the Southeast Asian market, Lazada was founded by the German startup incubator company Rocket Internet in 2012. It has developed rapidly since its establishment, and the GMV (Gross Merchandise Volume) has exceeded one billion US dollars in three years. In the developing process, at initial, by copying Amazon's operating mode, Lazada establish its inventory, warehouse, and logistics to be a self-operated online retailer. Lazada's core e-commerce business is based on the B2C model. Besides that, Lazada created a self-owned brand mall and a third-party payment method which is Hello pay. With settled up a headquarter in Singapore, Lazada's business also presence in Malaysia, Thailand, Indonesia, the Philippines, and Vietnam, a total of six countries. Lazada connects this vast and diverse region through our technology, logistics and payments capabilities, and it also carried out the C2C model to attract more suppliers and consumers in Southeast Asia. Consumers in Southeast Asia can buy goods from more than 10,000 cooperative suppliers on the Lazada, including shoes and clothing, electronic products, cosmetics, home appliances, digital goods, and others, a total of 18 categories. The entire platform has more than 210 million stock-keeping units to meet consumers' shopping demands.

Lazada's primary business includes (1) Self-operated mall: The main business is selling self-operated inventory products, actively expanding product types, effectively reducing inventory risks, and controlling the entire process of products and transaction processes. (2) B2C business: imitating Amazon's business model to meet the needs of merchants' services and brand promotion, provide online platform service support for large dealers and brand owners, and increase platform satisfaction. (3) C2C business: Through Lamido by Lazada, it can facilitate the service of individual sellers and small merchants, convenience the e-commerce behavior between individual consumers, and conduct transactions of second-hand products and refurbished products. (4) Logistics service: Through the self-built warehousing center and the Lazada express logistics system, the logistics and transportation hubs between the six Southeast Asian countries have been opened, providing high-quality logistics and distribution and after-sales services for consumers and merchants who conduct transactions on the platform. It improves the user shopping experience and operational efficiency. (5) Third-party payment services: it conducted COD payment method, self-built third-party online payment tool Hello Pay, providing users with a safe, reliable, and convenient payment platform, reducing transaction costs and risks, and cultivating new payment habits of users.

Figure 2: Business section on the Lazada online trading platform

Operation mode	Similar platform		Advantage
B2C	Lazada	Amazon, Tmall, JD	Effectively control the supply chain, high customer service satisfaction
C2C	Lamino by Lazada	Taobao	Convenient for small companies and individuals to set up shops selling used and refurbished products
Self-operated mall	Lazada	Amazon, JD	Expand product categories and reduce inventory risk

Self-built logistics	Lazada express	Amazon, JD	Improve operational efficiency, provides e-commerce logistics services for mall and C2C
Self-build payment	Hello pay	Alipay	Reliable payment platform, Funding for more possibilities

1.3.3 The process of Alibaba's acquisition of Lazada

Rocket Internet, the former holding company of Lazada, founded Lazada with the hope that it would occupy most of the e-commerce market share in Southeast Asia and become the largest e-commerce platform outside the US and China markets. Facts have proved that since Lazada was put into operation in the market, relying on its effective business operation model and considerate and comprehensive e-commerce support services, it has indeed achieved a very significant growth rate and great success in the field of e-commerce in Southeast Asia. However, in 2014, Rocket Internet's internal operations went wrong; unprecedented challenges have failed its strategic goals to achieve the expected results. In addition, Alibaba announced that it would expand its e-commerce business to the international market after listing in the United States in September 2014. The first step of its internationalization strategy selected emerging markets in Southeast Asia as the primary target. In 2016, after evaluating its own company's strategic target, operating status, and challenges of the e-commerce market in Southeast Asia, Rocket Internet intended to sell Lazada.

In April 2016, Alibaba and Rocket Internet signed an M&A agreement on Lazada. It stated that Alibaba would acquire a controlling stake in Lazada for US\$1 billion and had the right to continue to receive all remaining shares within 18 months of the initial acquisition. Of the \$1 billion in the initial investment of Lazada, \$500 million was used to subscribe for new shares issued by Lazada, and the remaining \$500 million was used to subscribe for the original equity, including Rocket Internet's

9.1%, Tesco's 8.6%, Kinnevik's 3.8% and 12% of other shareholders. In August 2017, Alibaba increased its stake in Lazada by \$1 billion, raising it to 83%, and has completed the entire acquisition process of Lazada. In the following years, Alibaba invested more funds in Lazada. In 2018, Alibaba made a \$2 billion non-equity investment in Lazada. In June 2020, Lazada received a \$1.3 billion capital injection from Alibaba.

2. Literature review

There has been a long history of overseas M&A activities, and many studies have analyzed the motivations of overseas M&A in different aspects. In terms of market expansion, Chipriyanov and Borisov (2003) believe that an essential way for multinational companies to expand their market size, and business scope and carry out a global strategic layout is through cross-border mergers and acquisitions. Gaining superior technology and sufficient asset liquidity is the factor to be considered when conducting the acquisition, for the purpose of technology advancement (Healy, 2012). M&A can improve the company's operating and management's efficiency when the efficiency of the acquired company is lower than that of the acquiring company (Jensen, 1983). Through a logistic analysis of the acquisition model, Dong (2015) found that the economic environment is the most critical factor in Chinese companies' overseas acquisitions. The economic environment of China and the acquisition target country positively correlate with the Chinese companies' acquisition intention. In recent years, with the development of the Internet economy, studies had a deeper analysis of the area of Chinese internet companies. In Zhang and Gao (2014)'s case study of BAIDU, ALIBABA, and TENCENT, the purpose of mergers and acquisitions of Internet companies is to occupy market share in the Internet era and drive traffic to their related business. Internet companies also will conduct different types of

acquisitions due to different motivations. Ruan and Li (2011) believe through horizontal acquisition, Internet companies can increase the user scale without increasing the cost of business promotion; through vertical acquisition, companies can minimize the transaction costs and dependence on external enterprises caused by product and technical problems. This study of Alibaba's overseas acquisition will follow the basic direction of the previous research due to Alibaba is a Chinese Internet company. And to analyze the similarities and differences between the earlier studies when it comes to the e-commerce enterprise and the Southeast Asia market. Effectiveness analysis is a method to evaluate the company's overseas M&A. And it can present what the acquisition brings to the company. Martin (1998) found that acquisition can improve companies operating performance, increase revenue through expanding the market, and increase market share in the case study of American companies. An overseas acquisition also can improve a company's financial performance (Tang, 2009), net profit margin and return on equity continued to improve, and accounts receivable turnover days increased steadily after the acquisition. However, A failed acquisition or wrong integration action will be led to negative effects. Peng (2011) compared Lenovo's overseas acquisition with SAIC motor's overseas acquisition and found that a wrong integration of the management team will lead to lower profitability for the company. In this study, the effectiveness analysis of Alibaba's acquisition of Lazada also includes the operating performance and financial aspects by following the previous studies' analysis direction, and the previous studies will be a reference. Besides motivation and effectiveness, risk also exists during the acquisition and after the acquisition. The lack of information sharing between the two enterprises in terms of technology and market and the lack of effective integration strategies in the integration stage of mergers and acquisitions are the main reasons that lead to the failure. Risk existed in political, economic, social, and cultural aspects in the integration stage and further operation since the overseas acquisition are conducted in different countries' companies (Hou, 2016). It is an

essential factor to be considered in this study.

As a rapidly growing emerging market, studies have analyzed e-commerce in Southeast Asia on its current state, market size, and potential. The e-commerce market scale in Southeast Asia in 2021 exceeded 120 billion US dollars at a 62 percent year-on-year growth rate compared to the previous year at 74 billion US dollars. The e-commerce market scale in Southeast Asia is growing rapidly. And with the penetration in Southeast Asia (except Singapore) is less than 5% now, which means the market e-commerce market potential is enormous (Li, 2022). In Ayob's (2021) regression analysis of e-commerce in ASEAN countries, the results show that a country's GDP is significant and positively related to e-commerce adoption. The GDP will be the primary economic aspect of e-commerce in Southeast Asia. The unique part of Southeast Asia consumers is that they access e-commerce platforms primarily through mobile phones. More than one-third of all consumers surveyed preferred the "cash on delivery" option (Hoppe, Lamy & Cannarsi, 2016). The analysis of mobile phone users in Southeast Asia will be considered in the macro-environment analysis due to the consumer behavior in this area. The previous studies in the literature are mostly from economic perspectives related to e-commerce, such as market size and consumer behavior. The previous researchers analyzed e-commerce in Southeast Asia based on the aspects of economy and society. And it is also essential to analyze the political and technological factors when taking the macro-environment related to e-commerce in Southeast Asia. This study will complement it with a total of four factors polity, economy, society, and technology.

3. Methodology and analysis

3.1 PEST analysis method

PEST analysis is a measurement tool for understanding market growth or decline, business position, potential and direction for operations. PEST analysis is based on the macro-environment, it can help to identify the changes and the effects of the external macro-environment on a firm's current situation and affect the company's operation.

PEST stands for Political, Economic, Social, and Technological factors. Political factors refer to how the government intervenes in the domestic economy, including macro-control of the economy, tax policy, commercial law, and trade restrictions. Economic factors include economic growth, exchange rates, inflation rate, and interest rates. Social factors include the cultural aspects and health consciousness, population growth rate, age distribution, and consumption habits. Technological factors include automation, technology incentives, and the rate of technological change.

In this section, PEST analysis is used to analyze the factors in the macro-environment related to the e-commerce company acquisition and the Southeast Asia e-commerce business, it includes the political factors in China and Southeast Asia, the economic, social, and technological factors in Southeast Asia. Then based on these external factors analysis to explore the motivations of Alibaba's acquisition of Lazada and the challenge after the acquisition.

3.2 PEST analysis

Political environment

In China, with "The Belt and Road Initiative" and "Go Global" strategies, the

Chinese government has published a series of policies and regulations to further develop the Chinese cross-border e-commerce industry. In 2014, the Chinese government issued “The Notice on Tax Policies for Cross-border E-Commerce Retail Exports”², which rectified the regulation and reduced the tax on transactions, further increasing e-commerce transaction volume. In 2015, the Chinese State Department issued “Guiding Opinions on Promoting the Healthy and Rapid Development of Cross-border E-commerce”³, one of its supporting measures is to provide financial support to Chinese overseas e-commerce enterprises on global business and provide suitable credit insurance services to them. From 2015 to 2019, there was 59 Cross-border E-commerce Comprehensive Pilot Zone (ECPZ)⁴ set up in different cities in China. ECPZ refers to demarcating some urban areas and adopting a specific management mode and giving particular policy preferences to overseas e-commerce trade activities, to achieve more convenient cross-border e-commerce enterprises. In ECPZ, by the data exchange between customs, national inspection, taxation, and foreign exchange management, formed a government management model of “information exchange, mutual recognition of supervision, and mutual assistance in law enforcement”. This management model realizes the integration of customs clearance. Through the data exchange of e-commerce, logistics, banks and other institutions, more convenience in financial services and logistics services can be realized, and the financing, remittance difficulties and logistics and transportation costs of e-commerce enterprises can be reduced.

The Chinese government played a supportive role in the domestic overseas e-commerce enterprise and created a friendly domestic environment for those enterprises in their overseas operation, notably by reducing costs. “Go global” is China’s current strategy to encourage its enterprises to invest overseas, attaching

² <http://www.chinatax.gov.cn/chinatax/n810341/n810765/n812141/n812277/c1079667/content.html>

³ http://www.gov.cn/zhengce/content/2015-06/20/content_9955.htm

⁴ <https://www.cifnews.com/article/61234>

importance to both inward and outward foreign investment. For Alibaba, its acquisition of Lazada matched the “Go global” strategies and it could get financial support from the Chinese government according to “Guiding Opinions on Promoting the Healthy and Rapid Development of Cross-border E-commerce”. With the domestic Cross-border E-commerce Comprehensive Pilot Zone set up, the cost of business or operation related to Lazada also could be reduced. In domestic aspects, the policies and foundation are positive for Alibaba’s oversea acquisition.

In Southeast Asia, under the influence of the financial crisis and the European debt crisis, the governments of Southeast Asian countries have adopted more open overseas merger and acquisition policies, actively issued preferential policies to attract foreign investment and reduced restrictions on investment in Internet technology companies. For example, In Indonesia, the government promulgated Decree No. 44⁵, which provides a 3-hour fast investment registration for the enterprises. For foreign cross-border e-commerce enterprises, if the investment amount reaches 7.4 million US dollars, 100% wholly-owned shares can be approved. Thailand established the Eastern Economic Corridor (EEC), a special economic zone of three provinces in eastern Thailand, aiming to encourage investment, uplift innovation, and advance technology for the future generation. And The Thai government has formulated a series of preferential policies for attracting foreign investment, including only 20% corporate income tax on investment in the region, reduction of customs duties and product taxes on import and export of goods, and tax exemption on the import of raw materials for export products⁶.

In the Southeast Asia area, the governments promoted the development of cross-border e-commerce and actively attracted foreign-invested enterprises, which is conducive for Alibaba to conduct overseas investment activities in emerging markets

⁵ https://www.bkpm.go.id/images/uploads/prosedur_investasi/file_upload/REGULATION-OF-THE-PRESIDENT-OF-THE-REPUBLIC-OF-INDONESIA-NUMBER-44-YEAR-2016.pdf

⁶ <https://www.eeco.or.th/en>

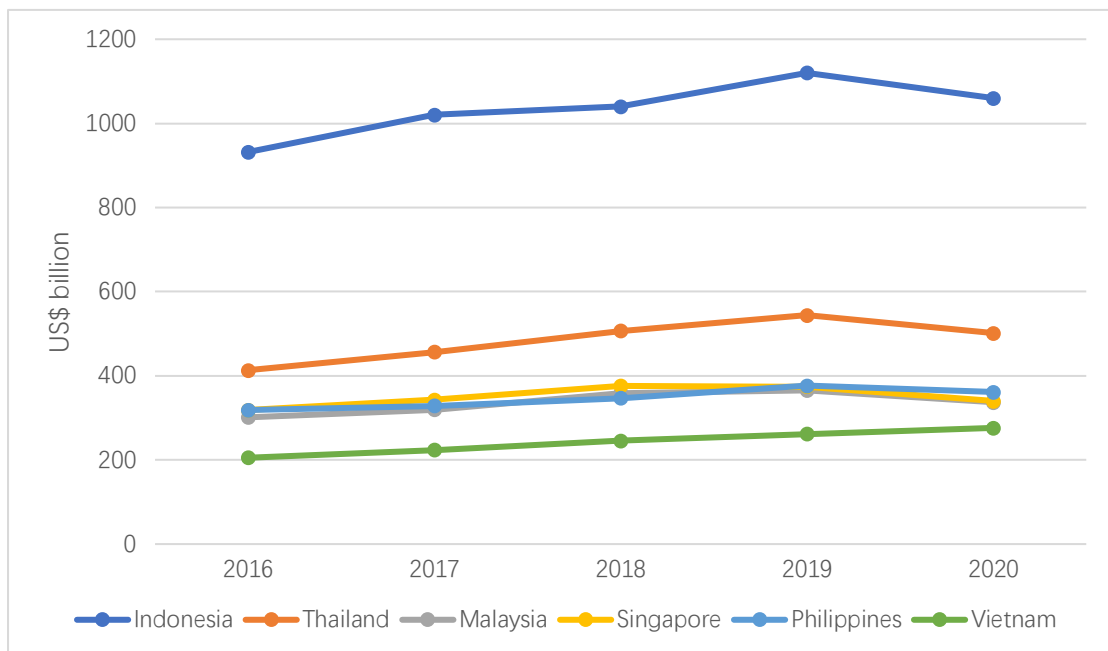
in Southeast Asia. So, in the acquired aspects, the policies also are positive for Alibaba's overseas acquisition.

However, countries in Southeast Asia have joined the global digital era in drafting and implementing new rules on e-commerce activities in recent years. The Indonesian government started collecting VAT from e-commerce activities in July 2020. In Malaysia, a registered foreign individual or entity ("RFP") is required to charge a service tax of 6% on "digital services" provided to consumers from January 2020. The Royal Thai Government announced the Act Amending Revenue Code No.53 (the "Act") in February 2021, This Act stipulates that overseas electronic service providers and online platforms must now register for and pay VAT on electronic services. In Vietnam, the Digital Economy Law 38/2019 and Decree 126/2020 set out the mechanisms for taxation of e-commerce and digital business activities. In Singapore, The Goods and Services Tax Act provides for GST to be levied on the provision of web-based digital services by an overseas supplier to local customers.

With more taxation on e-commerce business in Southeast Asia countries, especially to the overseas suppliers, there will be more challenges for Lazada and its operations. It could directly reduce the profit margin, also reduce the trading volume, reduce the level of investment, and cause other financial problems. Lazada needs to deal with the problems that more tax on e-commerce brings.

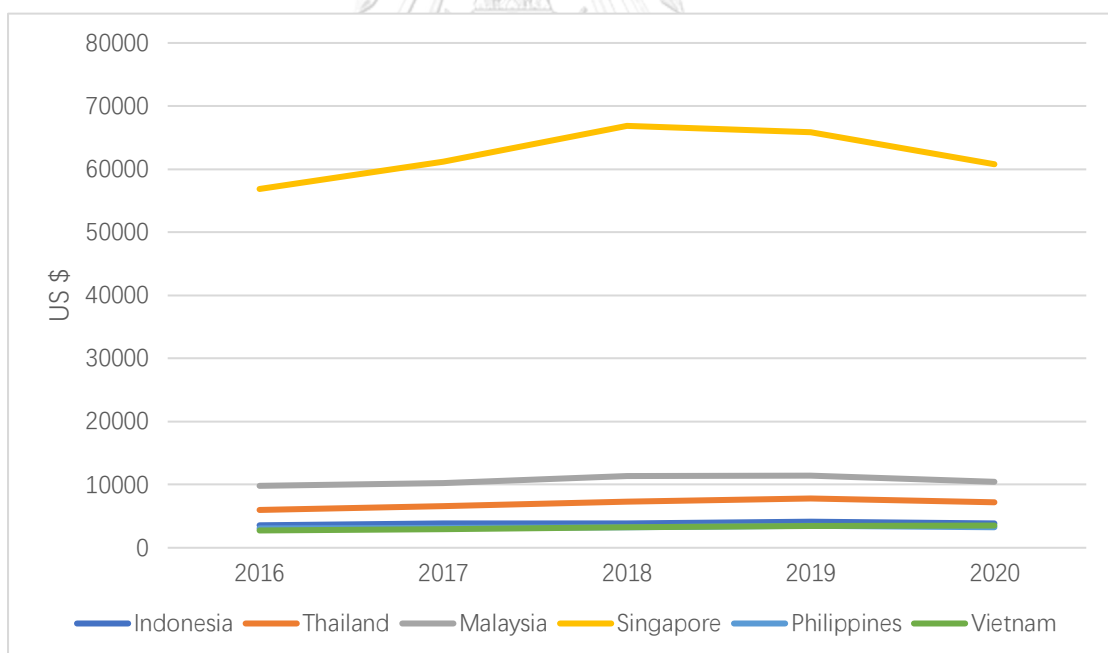
Economic environment

Figure 3. GDP of major Southeast Asian countries from 2016 to 2020



Source: www.data.worldbank.org

Figure 4. GDP per capita of major Southeast Asian countries from 2016 to 2020



Source: www.data.worldbank.org

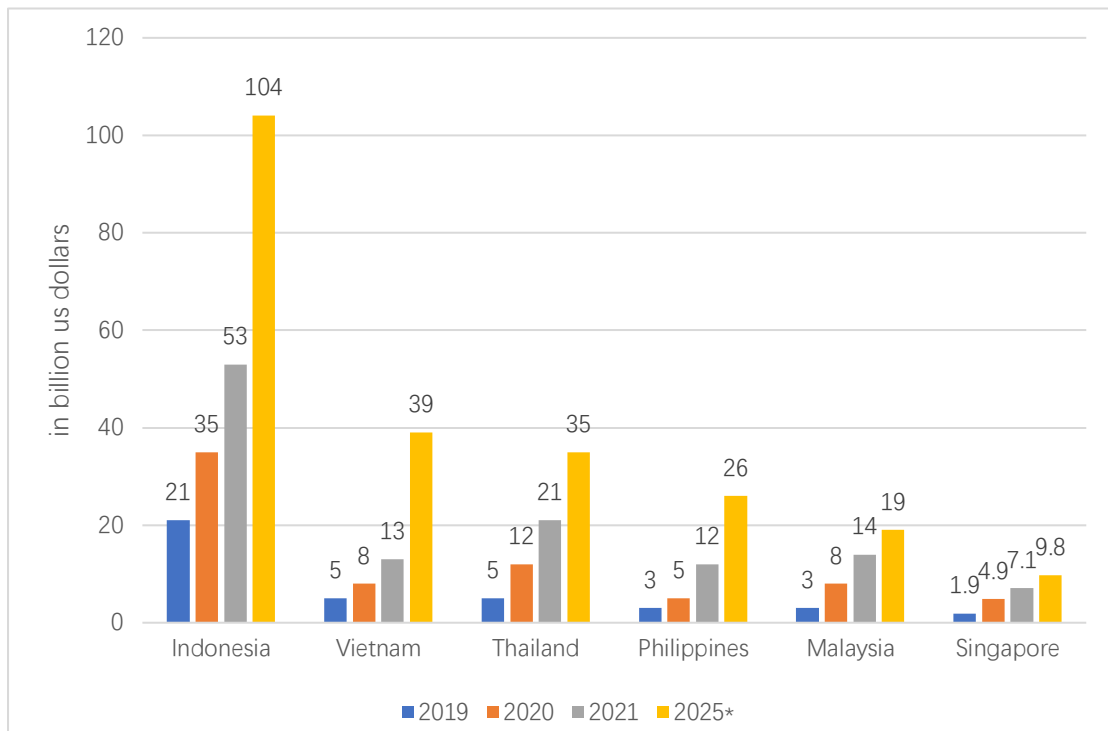
From figure 3, Indonesia's GDP each year far exceeds that of other Southeast Asian countries, which means it is the largest economy in Southeast Asia. In 2017, Indonesia's GDP exceeded one trillion US dollars. Indonesia's GDP reached 1.12 trillion in 2019, with an increase of 5.02% compared to 2018. From 2016 to 2019,

Indonesia's GDP showed an upward trend and has remained at a relatively high level, and it dropped to 1.06 trillion US dollars in 2020 due to the impact of covid-19. Singapore is the only developed country among all countries in Southeast Asia. Due to its Population and country size, its GDP was low compared with Indonesia, but its GDP per capita was the highest among them with a US dollar 66679 in 2018⁷. The GDPs of Thailand, Malaysia, Singapore, the Philippines, and Vietnam from 2016 to 2019 all keep increased, their GDP in 2019 was US dollar 543.65 billion, 364.695 billion, 372.062 billion, 359.354 billion, and 259.917 billion, with an increase of 2.4%, 4.3%, 0.7%, 5.9% and 7.02% respectively compared to the previous year. However, due to the impact of covid-19 outbreak, the GDP of Indonesia, Thailand, Malaysia, Singapore, Philippines both decreased in 2020, and the respective growth rate is -2.1%, -6.1%, -5.6%, -5.4%, -9.6%. The covid-19 brought the greatest impact on the Philippines among them. Only Vietnam's GDP growth is positive with a 2.9% increase.

Before the impact of covid-19 in 2020, all these southeast Asia countries' economies grew steadily. In general, the growing GDP means the economy is doing well with increasing income and higher consumption, it was one of the motivations for Alibaba's acquisition. But the with the impact of covid-19 outbreak, those countries' economies suffer different level's negative effects, also due to the different epidemic prevention policies, the speed of economic recovery in different countries will be different.

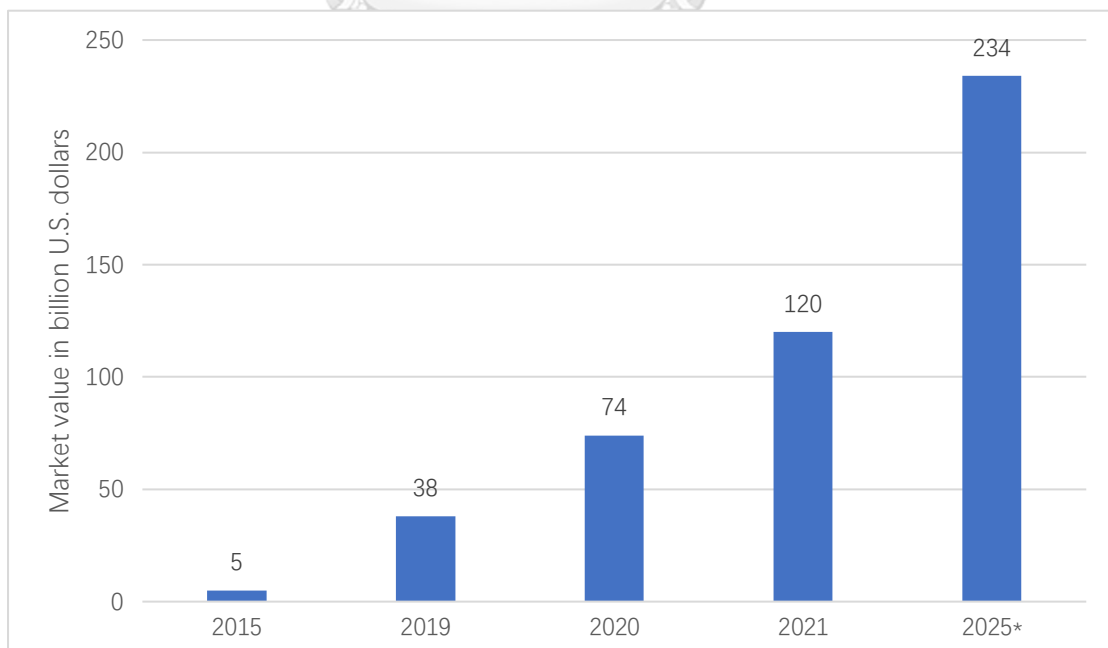
**Figure 4. Retail e-commerce market volume in Southeast Asia from 2019 to 2021
with a forecast for 2025**

⁷ <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=SG>



Source: e-economy SEA research 2021 by Google, Temasek, Bain&Company

Figure 5. E-commerce value in Southeast Asia market from 2015 to 2021 and a prediction for 2025



Source: e-economy SEA research 2021 by Google, Temasek, Bain&Company

Based on 2021 e-economy in southeast Asia research⁸, in 2015, the e-commerce market in Southeast Asia was in its infancy. But it grows rapidly in the next decade.

For each country, by 2025, the Indonesian e-commerce market was forecasted to achieve 104 billion U.S. dollars in e-commerce retail business, owing for over 50 percent of the Southeast Asian e-commerce market. This makes Indonesia becoming the biggest regional e-commerce retail market in Southeast Asia. For other countries, Vietnam, Thailand, and the Philippines are predicted to have over fifty percent increment in online retail in 2025 compared to 2021. Malaysia and Singapore are predicted to increase comparative slightly.

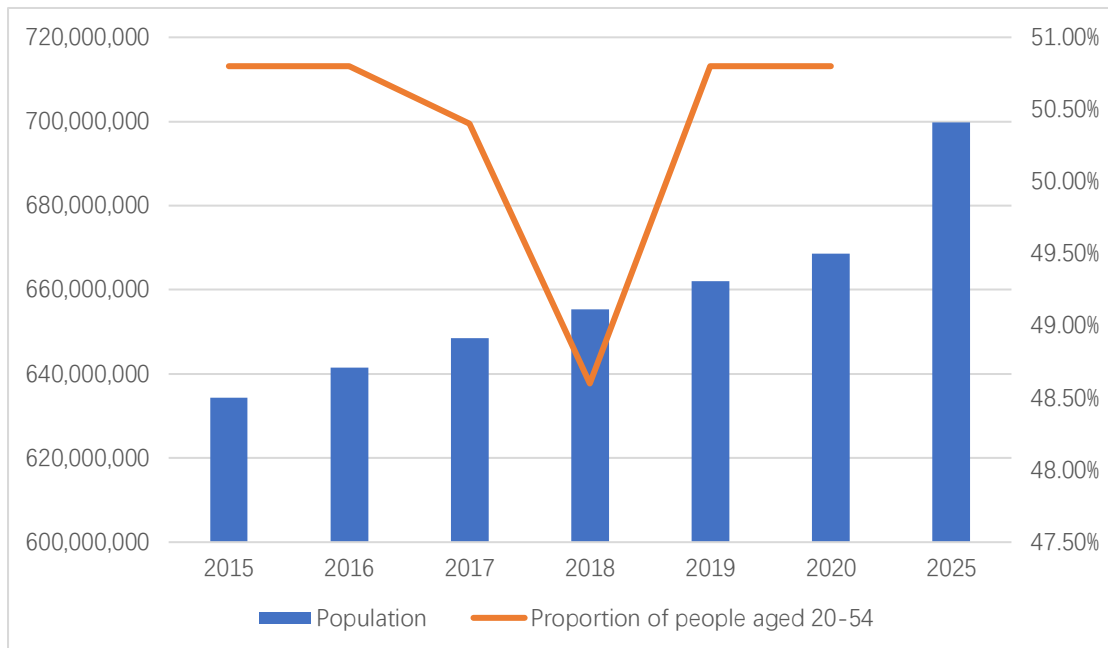
In terms of the overall Southeast Asia e-commerce market, the market value amounted to approximately 120 billion U.S. dollars. The value grew rapidly with an increment of 23 times compared to 2015. And the market value is forecasted to increase significantly in 2025 to 234 billion U.S. dollars. The data shows that Southeast Asia is a fast-growing e-commerce market.

Stable GDP growth and a rapidly growing e-commerce market are solid economic foundations and the motivation for Alibaba's acquisition of Lazada. According to the forecast, the e-commerce market in Southeast Asia will grow rapidly after 2021, in general, there will be more order volume, which is beneficial to Lazada's business expansion and further development. But due to the impact of the covid-19 outbreak in 2020, these countries suffering from the different level of negative impact on their economy, also with different speed of economic recovery, it wider the difference in the economy between these countries, Lazada need to deal with a more different situation in countries on their further operations.

Social environment

⁸ https://services.google.com/fh/files/misc/e_economy_sea_2021_report.pdf

Figure 6. The population of South-Eastern Asia and the proportion of people aged 20 to 54

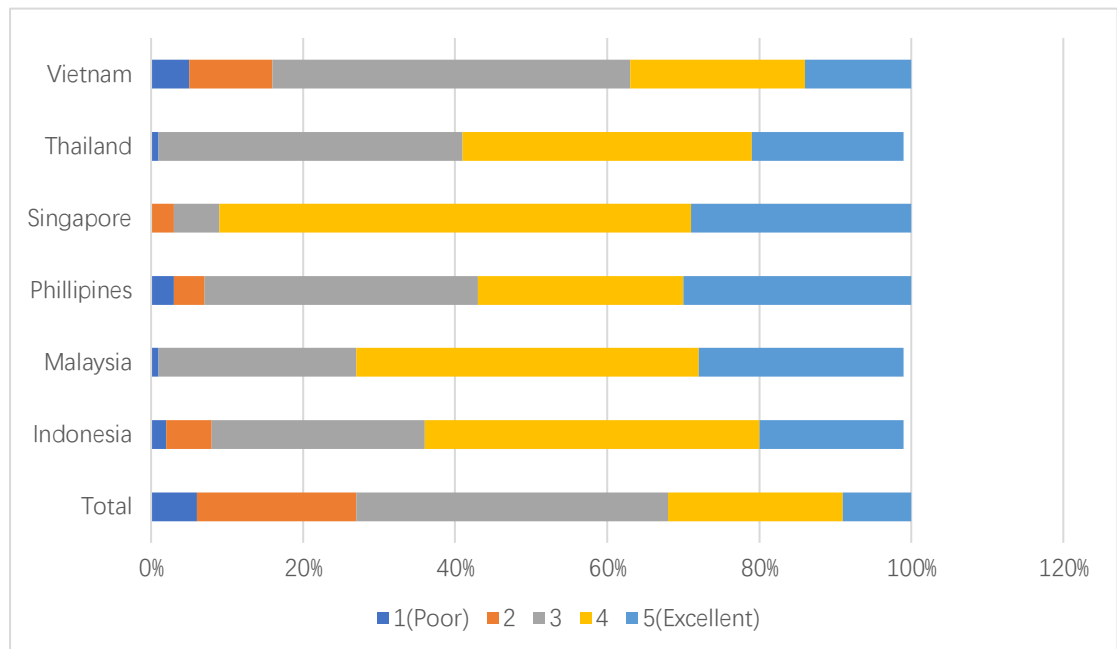


Source: ASEAN Secretariat, ASEAN stats database

From the data of ASEAN, since 2015, the population of South-Eastern Asia showed a rising trend. The population was 634,305,704 in 2015 and increased to 668,619,840 in 2020. The annual growth rate from 2015 to 2020 was 1.13 %, 1.09 %, 1.05 %, 1.02 %, 1.06 % respectively. The Association of Southeast Asian Nations forecasts that the population will be 699,798,433 in 2025. The population is approximately half of China, this huge population represents a huge consumption potential. Besides in 2018, the proportion of people aged from 20 to 54 dropped to 48.6%, and the proportion in other periods kept steady. The number was 50.8% in 2019 and 2020. As the population grows, the proportion remains the same in the recent two years, which means the population aged from 20 to 54 keeps growing. In Hernández, Jiménez & Martín's study (2011), the online shopping user was divided into a different group in age, and the highest number of purchasers were aged 20 to

54. So, it means that the major group of online shopping users in Southeast Asia is growing continuously.

Figure 7. Self-perceived level of digital literacy of ASEAN youth population



Source: UNICEF East Asia and Pacific Regional Office

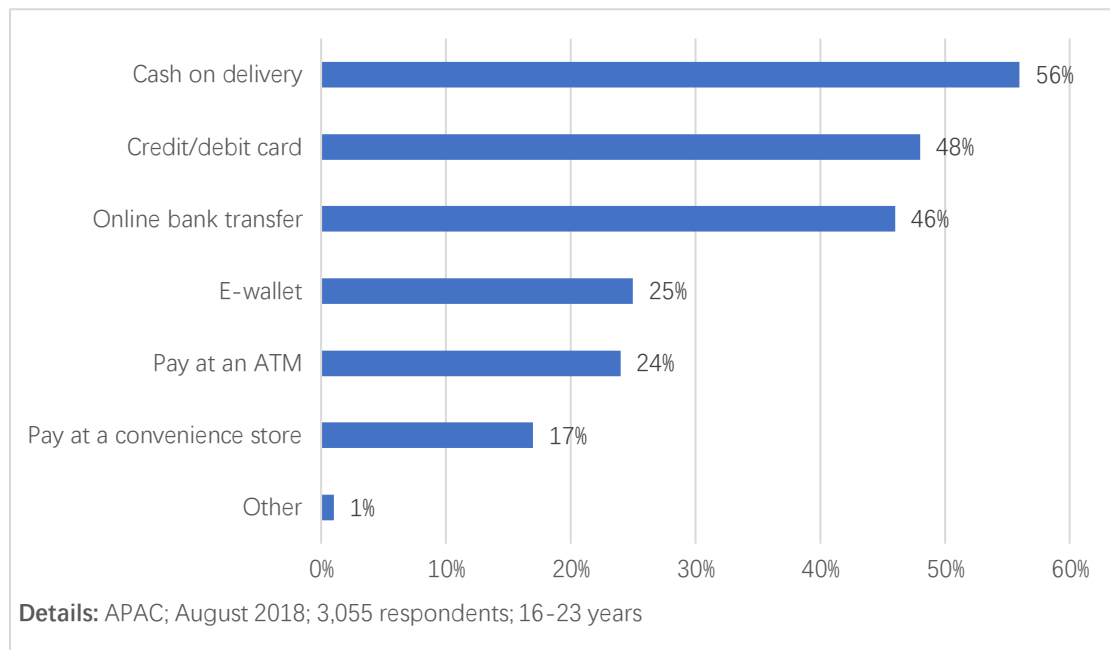
According to figure 7, The majority of young people in ASEAN has a moderate level of digital literacy. The data shows that most youth assessed their digital literacy as 3 or 4 out of 5, very small share of youth stating that their digital literacy is poor. The moderate level of digital literacy already fits the requirement of basic e-commerce business involving.

The remain young age structure, growing population, and a moderate level of digital literacy of youth in Southeast Asia show that this area has a lot of potential customers and huge market consumption on e-commerce. To Alibaba and Lazada, this is an opportunity also a challenge. How to attract young people to become their users and seize this market will be Lazada's future challenge.

Technological environment

The electronic device, payment system, and logistics are the essential technical aspects that e-commerce companies need to consider for their operations. (Viu-Roig, Marta & Alvarez-Palau, 2020)

Figure 8. Payment methods for online shopping across Southeast Asia as of August 2018

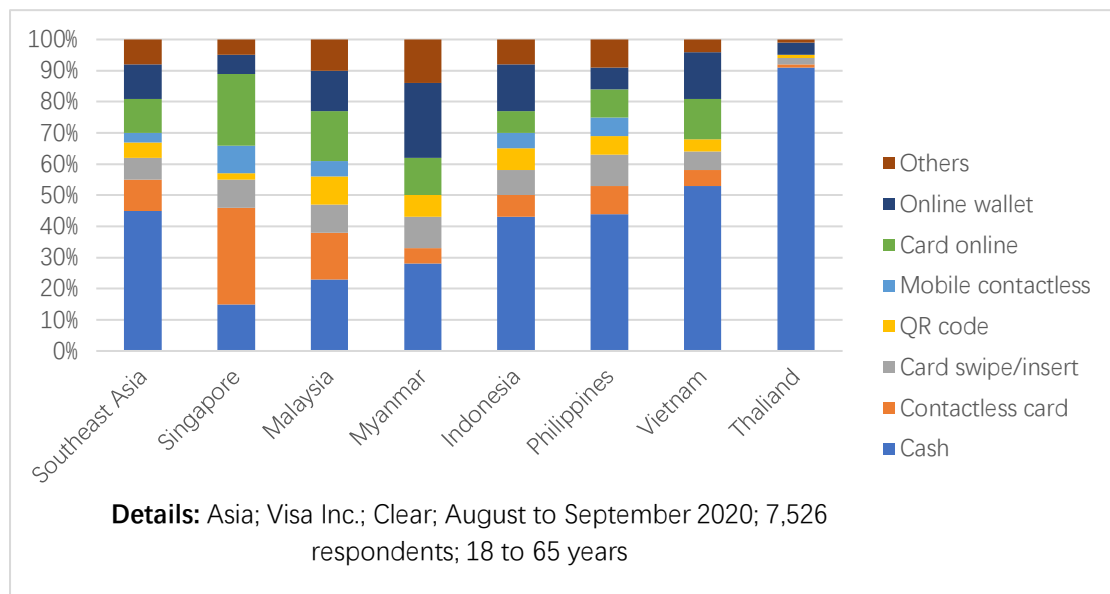


Source: Econsultancy จุฬาลงกรณ์มหาวิทยาลัย

This statistic represents the results of a survey regarding the payment methods for online shopping across Southeast Asia as of August 2018 by Econsultancy. During the survey period, approximately 56 percent of the respondents stated that they prefer to pay by cash on delivery for the products. 48% of respondents prefer credit cards or debit cards, 46% of respondents prefer online banking transfers, and only 25% of respondents prefer E-wallet, a third-party payment method. From this survey, even young people aged 16 to 23 rarely use third-party payment; the popularity of third payment methods is low for young people in Southeast Asia when shopping online.

Figure 9. Distribution of preferred payment methods in Southeast Asia in 2020

by country



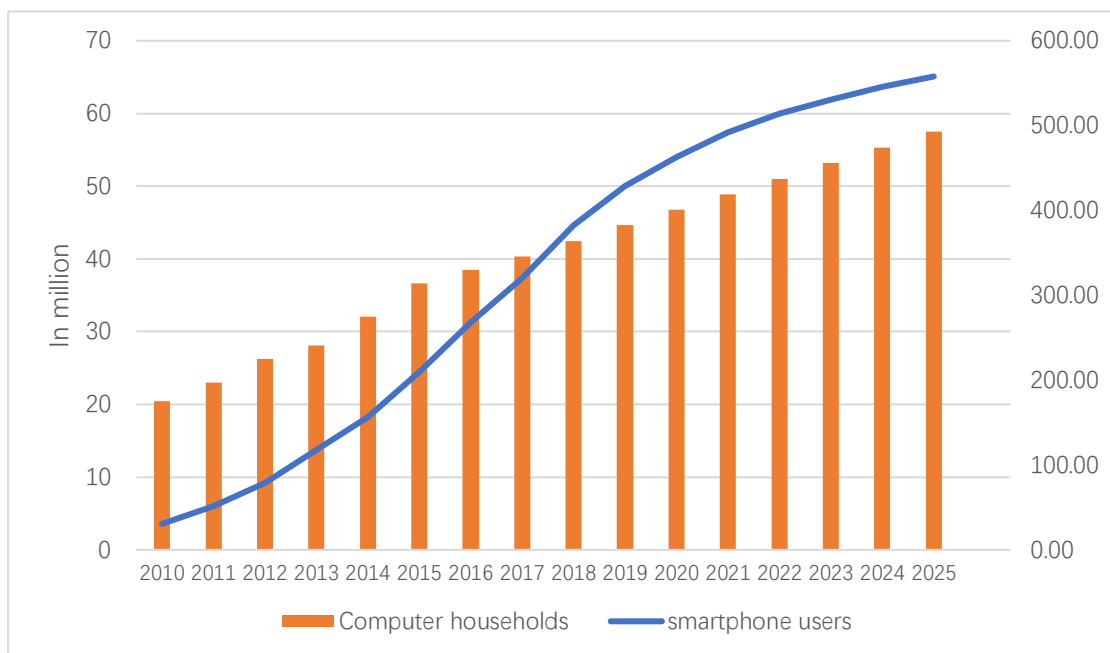
Source: Visa consumer payment attitudes study 2021

According to a survey from 2021 in Visa consumer payment attitudes study, cash was the most preferred payment method in Southeast Asia, with around 45 percent of the respondents preferring it. Online wallet is a low preferable choice for them with 11 percent. For each country, cash is the most popular choice for other southeast Asia countries, except in Singapore, only around 15 percent of respondents preferred to use cash. Especially in Thailand, approximately 91 percent of respondents choose cash payment.

The data shows that an E-wallet, a third-party payment always not a preferable choice for Southeast Asia people, the usage of third-party payments is low. Due to it can provide big data and a business to gain revenue, the third-party payment method currently is a major business for the e-commerce company. And the low usage of third-party payments would be a difficulty for the business. This situation is also a chance for Alibaba to promote third-party methods and gain more share in Southeast Asia since the third-party payment market is still in a primary stage. Based on the

technology of Alipay and its successful experience in China, Alibaba could take those to Hello pay, the current e-wallet published by Lazada, to conquer the third-party payment market in Southeast Asia.

Figure 10. Number of smartphone users and computer households in Southeast Asia from 2010 to 2025



Source: Statista

Because of the growing economy in Southeast Asia and the cost of using smartphones and computers is getting lower, smartphone users and computer households have been continuously increasing since 2010.

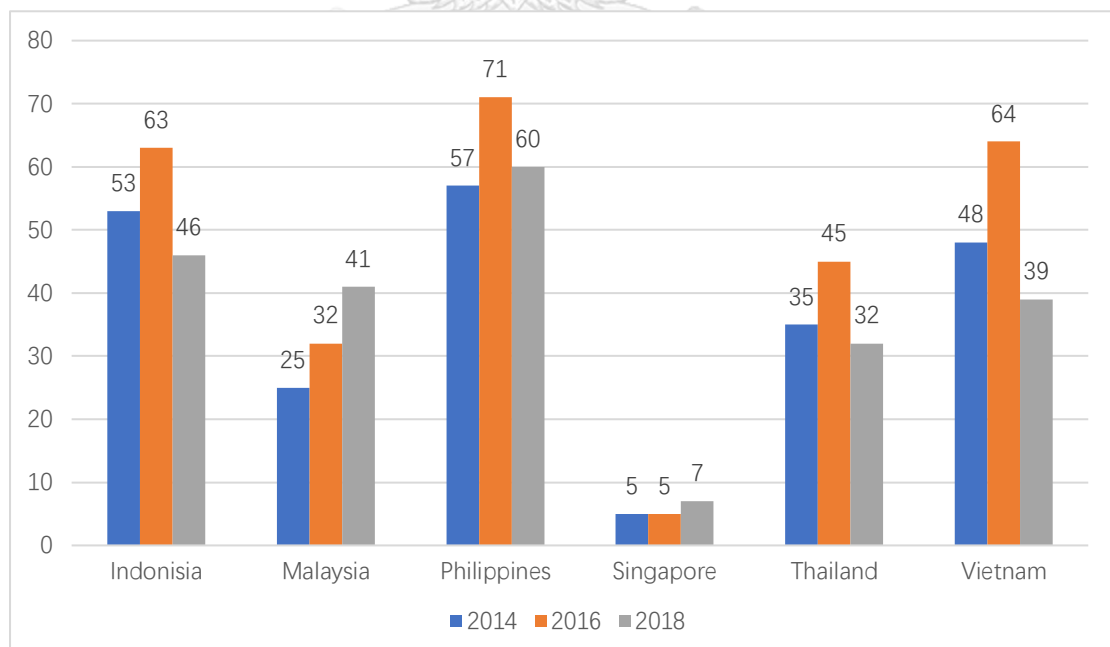
This statistic shows the number of households with at least one computer increased from 20.41 million in 2010 to 48.89 million in 2021. The number of smartphone users increased dramatically, from 30.69 million 492.16 million in 2021. And the numbers of computer households and smartphone users are projected to reach 57.50 million and 557.92 million by 2025.

E-commerce is powered by the internet, where customers can access an online

store to browse through, and place orders for products or services via their own devices. With the popularization of digital devices and the spread of the Internet, the foundation of e-commerce business will be bigger, in other words, the potential sellers and buyers will increase.

In the e-commerce business, success in logistics translates to increased efficiencies, lower costs, higher production rates, better inventory control, smarter use of warehouse space, increased customer and supplier satisfaction, and an improved customer experience. Technologies can improve logistics performance. Digital twins of the data used in the logistics optimize the supply chain process, blockchain can track the path of products, dynamic route systems find a faster and more affordable transportation plan to make transport more effective and other new technologies. When it comes to the measurement of overall logistics performance, including the technologies in it, the Logistics Performance Index (LPI) is a comprehensive way.

Figure 11. Ranking in Logistics Performance of Southeast Asia Countries



Those six southeast Asia countries' logistic is evaluated and presented in the World Bank's Logistics Performance Index (LPI). Those countries display different performances.

As the only developed country in ASEAN, Singapore was ranked fifth in 2014 and 2016 and ranked seventh in 2018. Singapore's logistics performance is far beyond other Southeast Asia countries. Except for Malaysia and Singapore, other Southeast Asia countries' rankings both move forward.

Table 1. Policies for the development of Logistics, by country

Indonesia	National Logistics Blueprint, 2011–2025
Malaysia	National Logistics Comprehensive Plan, 2015–2020; currently completed
Philippines	National Logistics Comprehensive Plan, 2017–22
Thailand	National Logistics Development Strategic Plan (2007–11) endorsed by the Thai Cabinet in February 2007; Thailand's Logistics Development Strategy (2013–17): Trade Facilitation and Supply Chain Management for Competitiveness.
Singapore	Productivity Roadmap of Transport and Logistics Industry; Land Transport Comprehensive Plan 2030; Air Transport Industry Transformation Map 2025; Maritime Program; Smart Nation Project with Transport as one of the focus areas
Vietnam	Comprehensive Plan for developing logistics in 2017-2025

Source: Trends in Southeast Asia 2018 No.1

Malaysia, Indonesia, Vietnam, and Thailand have used Comprehensive Plans to guide the map of the development of their respective logistics. Thailand was the first nation to conduct strategic plans, the first and second plan is done. The third plan is on track after the second plan ended in 2017. Indonesia started its plan in 2012, also Malaysia in 2015. In 2017, Vietnam launched its next eight years Comprehensive Plan

to improving the competitiveness of logistics sector. The Philippines also launched its National Logistics Comprehensive Plan in 2017. Singapore's policies were part facilitated. For economy-wide plans, it had Smart Nation Project and Maritime Program. For mode-wise plans, the Land Transport Comprehensive Plan covers the road, rail network, seaport, and airport.

In general, those six Southeast Asia countries in which Lazada is based showed improvement in logistics performance and both have completed logistics development plans. Among them, Singapore has extraordinary performance in logistics. The good logistics provide a condition for Lazada to increase its operating efficiencies and improve the customer shopping experience.

To sum up, the technical environmental factors related to the e-commerce business. In the payment method, it is various and the third-payment usage is low, it is a challenge for Lazada to promote Hello pay but also a chance to seize the market share since it is still in the primary stage. In terms of internet and electronic device use, its popularization provides more potential customers for Lazada. In logistics, the improvement provides good conditions for Lazada's business.

By using the PEST method, the results of external factors on macro-environment analysis will be used to further analyze Alibaba and Lazada companies in the SWOT analysis part. In SWOT analysis, the external environment in the Southeast Asia e-commerce market will be the base of the company's external factors analysis part.

3.3 SWOT analysis method

SWOT analysis (or SWOT matrix) is a technique for strategic planning and strategic management. It is used to help the enterprise identify Strengths, Weaknesses, Opportunities, and Threats related to business competition or project planning. SWOT analysis assesses internal and external factors, as well as current and future potential

(GURL, 2017). Strengths and weaknesses are considered internal, and opportunities and threats are usually considered external. In SWOT analysis, Strengths describe what an organization excels at and what separates it from the competition. Weaknesses can stop an organization from performing at its optimum level. Opportunities refer to favorable external factors that could give an organization a competitive advantage. Threats refer to factors that have the potential to harm an organization (Leigh, 2009).

With the analysis of the Strengths, Weaknesses, Opportunities, and Threats of an enterprise, four types of potential strategies for further development or project planning will be listed. Growth strategy (SO) is using strengths to maximize opportunities. Diversification strategy (ST) is using strengths to reduce threats. Turnaround strategy (WO) is to reduce weaknesses to develop opportunities. Defensive strategy (WT) is to avoid threats by reducing weaknesses.

Table 2. The constructure of the SWOT matrix

Internal factor External factor	Strengths	Weakness
Opportunities	“SO” Use strengths to maximize opportunities	“WO” Reduced weaknesses to develop opportunities.
Threats	“ST” Use strengths to reduce threats	“WT” Avoid threats by reducing weaknesses

In this section, the SWOT analysis method is used to analyze internal strengths and weaknesses and external opportunities and threats faced by Alibaba before the acquisition of Lazada. Based on the result to analyze the possible measurements for

four strategies that Alibaba could adopt on Lazada after the acquisition.

3.4 SWOT analysis

Strength

High brand awareness. Alibaba is widely recognized as an e-commerce giant in Asia, also is well-known worldwide. It owns a good reputation in the e-commerce market (Wang and Zhu,2014). Alibaba stands for providing customers with a value-added e-Marketplace, outstanding value, and a superior shopping experience. Alibaba's strong brand name presence in the e-Marketplace of B2B, B2C, and C2C which is primarily due to their successful exploitation of their "first-mover" advantage. (Qing and Xue, 2009) It would be able for Lazada to leverage its brand name as it is related to the Alibaba brand.

Developed platform and advanced technology. Alibaba can use its current technology in the developed trading platform and third-payment system to develop Lazada directly. The technological infrastructure of Alibaba also can help Lazada to get competitive advantages against its rivals in Southeast Asia. It can help Lazada to open a new e-Marketplace with different product offerings because except its core e-commerce business, Alibaba also has business in the retail and delivery area, financial area, media and entertainment area, also Cloud computing⁹

Highly efficient management model. Alibaba proposed the "Five New Strategies" and re-divided the organizational structure into nine business departments this paper mentioned above, Alibaba had formed a highly efficient management model. This management mode or the innovation experience from this could use by Lazada to increase its managing and operating efficiency.

Weakness

^{9 9} <https://www.alibabagroup.com/en/about/businesses>

Lack of experience in the Southeast Asia market. The acquisition of Lazada and the operating after management needs preparation and experience teams. For Alibaba, Southeast Asia is a new area, lack of experience could lead to failure. In fact, after Alibaba's acquisition of Lazada, Lucy Peng, a co-founder of Alibaba was appointed to be the CEO of Lazada in March 2018, but she was replaced by Pierre Poignant who is the co-founder of Lazada in December of the same year. Lack of experience in Southeast Asia is one of the reasons Lucy Peng was replaced in such a short period.¹⁰

Opportunity

The third-party payment is still in the introduction stage in the Southeast Asia market. It is in the stage that to promotes and seizes market share. And Alibaba has advanced technology and achieved success on Alipay in China, which could be copied to Hello pay from Lazada.

Corner an emerging market. Southeast Asia is currently the most promising emerging market outside of India. Lazada was booming in the Southeast Asia market, pulling in about US\$1 billion in annual gross merchandise volume in 2015¹¹. Thus, the acquisition of Lazada is a highly efficient way for Alibaba to enter this emerging market and accelerate the business layout of Southeast Asia.

Lazada suffered from financial problems. According to Rocket Internet's financial report, from 2013 to 2015, although Lazada's net income has been kept increased by 75.5 million US dollars, 154 million, and 275 million each year, its operating profit has continued to lose, respectively -67.9 million US dollars, -150 million, -\$329 million. Lazada needed more funds to keep its operating, which provided an excellent opportunity for Alibaba to invest in Lazada.

¹⁰ <https://sg.news.yahoo.com/lazada-appoints-pierre-poignant-group-ceo-replacing-lucy-peng-052937792.html>

¹¹ <https://www.techinasia.com/rocket-internet-h1-earnings-as-lazada-shifts-to-mobile>

Treats

Fierce competition from domestic competitors. Alibaba's growth rate has begun to slow down due to the increasing competition in the domestic market, and Alibaba's development has also encountered a bottleneck period. In detail, in the B2C field, Alibaba is in intense competition with its competitors. JD.com, taking self-operated business as its competitive advantage. VIP shop, which mainly sells luxury products, and Pinduoduo, an e-commerce company that sells products at relatively low prices by group purchase mode. Those competitors are threatening Alibaba. In the field of third-party payment, there are powerful competitors such as UnionPay and WeChat Pay, which means that China's cross-border e-commerce industry has formed a "red ocean" situation, and Alibaba's market strategic layout and development space are limited. Therefore, it is necessary to find a new growth point that is going global.

In the Southeast Asia e-commerce market, Lazada also suffering from competition from other e-commerce companies. Shopee is Lazada's biggest competitor. From the report of iprice insight, Shopee's average quarterly traffic, and mobile application ranking all surpass Lazada in the 2022 first quarter¹².

Integration risk. Alibaba's acquisition of Lazada involves China and six countries in Southeast Asia. After the acquisition, it will face the integration difficulties of business strategy, organizational culture, human resources, finance, and other aspects, which is a huge challenge for Alibaba. In those six countries in southeast Asia where Lazada served, culture and religion are different. How to operate with respecting local culture and following the rules is also a challenge for Alibaba after its acquisition.

Legal risk. Legal risk is a crucial factor in cross-border mergers and acquisitions. Lack of knowledge of the relevant laws and regulations of the country where the acquired company is located could lead to the failure. Alibaba's acquisition

¹² <https://iprice.my/insights/mapofecommerce/en/>

involves six countries' laws and regulations. Thus, Alibaba must understand local laws and regulations before its acquisition, and its activities need to be under the premise of complying with local laws and regulations.

As in the PEST analysis section in this study mentioned above, the usage of e-wallets or third-party payments is low in Southeast Asia. This situation would cause difficulties and higher costs to promote Lazada's third-party payment. And more tax on e-commerce businesses would deduct profit margin and bring other financial trouble.

The SWOT matrix below summarizes the internal strengths, weaknesses, and external opportunities, threats, and the possible measurement of SO strategy, ST strategy, WO strategy, and WT strategy that Alibaba could use on Lazada after the acquisition.

Table 4. SWOT matrix of Alibaba's acquisition of Lazada

Internal factor External factor	S-strengths 1. High brand awareness 2. Developed platform and advanced technology 3. Highly efficient management mode	W-weakness 1. Lack of experience in the Southeast Asia market.
	O-opportunities 1. The third-party payment is still in the introduction stage in the Southeast Asia market 2. Corner an emerging and fast growing market. 3. Lazada suffered from financial problems	SO strategy 1. Apply the experience and technology of Alipay to Hello Pay and spend more funds to promote it. 2. Make full use of the brand awareness to help Lazada to grab more Southeast Asia e-commerce market share

	3. Improve Lazada's operating efficiency by using Alibaba's current managing model	
T-threats 1. Fierce competition in China and Southeast Asia 2. Integration risk 3. Legal risk 4. More tax on e-commerce business in Southeast Asia 5. Low usage of third-party payment methods	ST strategy 1. Through Lazada, expand the business to other emerging markets. 2. Based on Alibaba's management model, localized Lazada's management team	WT strategy 1. Only invest in Lazada, not conduct the acquisition.

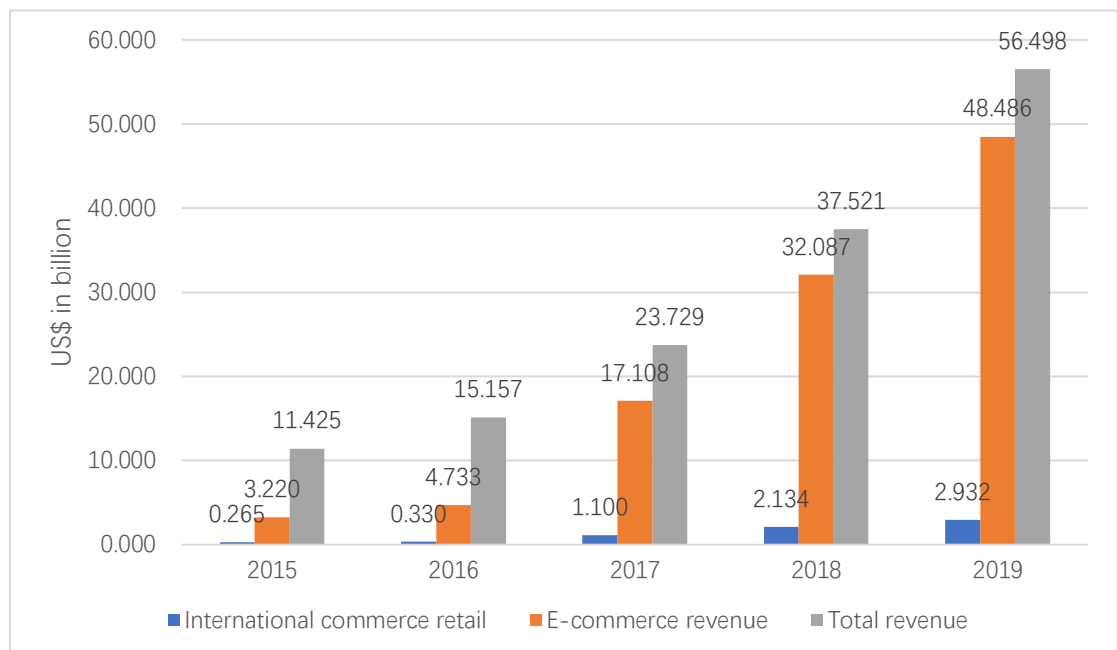
4. Effectiveness analysis of the acquisition of Lazada to Alibaba

To get more understanding of the motivation and what the acquisition brought to Alibaba. In this section, the effects of the acquisition of Lazada will be analyzed based on Alibaba's operating performance stock price, and key financial sector. To analyze precisely, need to compare each aspect before and after the acquisition. The acquisition started in 2016 and was completed in 2017. To exclude the negative impact of the covid-19 outbreak on Alibaba, the analyzed period will be from 2015 to 2019.

4.1 Operating performance analysis

Alibaba's operating performance is divided into three aspects which is international commerce retail, overall e-commerce revenue, and total revenue. And the analysis will follow on these three aspects.

Figure 12. 2015- 2019 Alibaba' performance



Source: <https://www.alibabagroup.com/en/ir/earnings>

Before the acquisition of Lazada, Alibaba's international business is mainly from AliExpress. After the acquisition of Lazada, Alibaba's international commerce retail increased from 0.33 billion dollar in 2016 to 1.1 billion dollar in 2017, with a yearly growth of 232%. According to the 2017 report, AliExpress's revenue declined compared to the previous due to its transformation from C2C to B2C¹³, so the international commerce retail increment in 2017 is mainly from Lazada. Also, Alibaba's international commerce retail keeps increasing from 2017 to 2019. The acquisition of Lazada brought a new commerce market in Southeast Asia to Alibaba,

¹³ https://www.sohu.com/a/68339507_115514

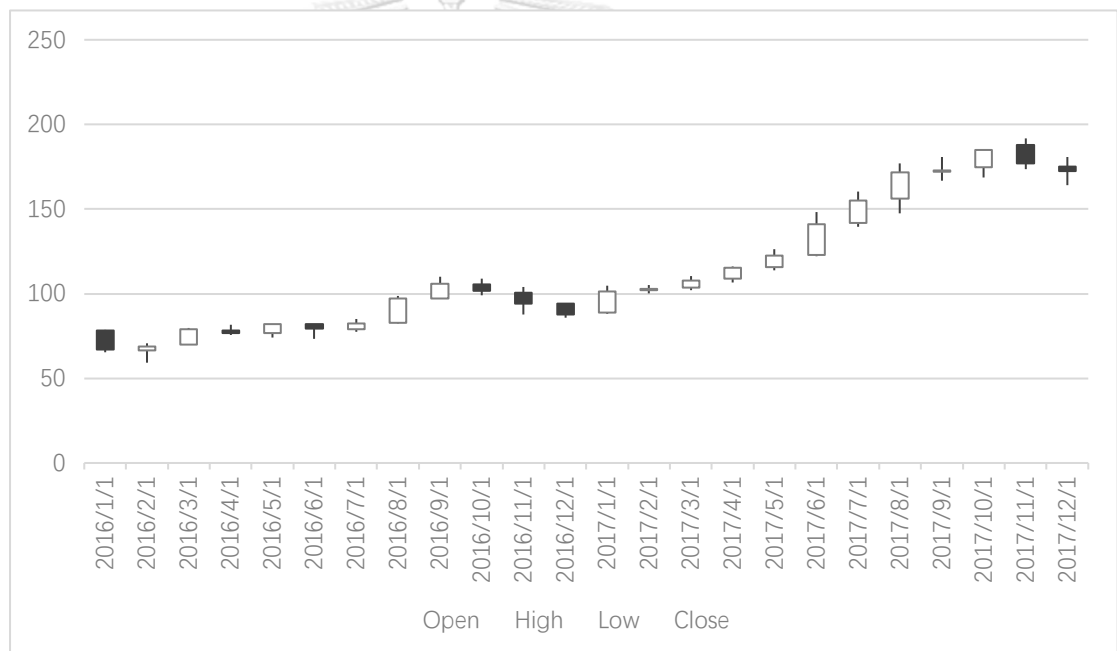
and it was a direct and efficient way to improve its international commerce retail.

The Southeast Asia market became a growth point for Alibaba's e-commercial business and improved its overall operating performance.

4.2 Stock price analysis

Stock prices may rise as a result of the combined assets and reduced costs. To analyze Alibaba's stock price change before and after the acquisition of Lazada is a way to measure the effectiveness of the company's overseas acquisition.

Figure 13. Alibaba's stock price changing in 2016-2017



Source: Yahoo Finance

At the beginning of 2016, Alibaba Group released the news that it wants to acquire Lazada. By the end of March, Alibaba's stock price has risen close to 80 US dollars per share. On April 12, 2016, the official announcement date of Alibaba Group's acquisition of Lazada, the stock price rose rapidly to \$85.89 per share. In the following year, Alibaba's stock price kept rising. After Alibaba completed the whole acquisition in August 2017, the stock price rose to the highest point with 191.75 US dollars per share in three months later. From the stock price changes before and after

the acquisition, we can see that investors have a positive attitude towards Alibaba's acquisition of Lazada, believing that this acquisition will bring more revenue for Alibaba Group, enhance the overall competitiveness of the company, and stimulate the stock price rises, increasing Alibaba's corporate value and building the foundation for Alibaba's long-term global business.

4.3 Financial analysis

Table 5. Alibaba's main financial indicators from 2015 to 2019

	Revenue growth YOY	Net profit growth YOY	Total assets growth YOY	Return on equity	Return on total assets	Profit margin	Total Assets Turnover	Days of sales outstanding
2015	43%	23.92%	30.04%	26.18%	13.23%	31.84%	0.42	3.16
2016	29%	22.93%	36.61%	39.32%	23.01%	70.65%	0.33	4.05
2017	56%	35.23%	30.46%	17.42%	9.99%	27.59%	0.36	6.37
2018	58%	48.74%	55.00%	19.49%	10.30%	25.57%	0.41	8.39
2019	51%	31.30%	56.25%	20.56%	11.93%	30.45%	0.46	9.26

Source: <https://www.alibabagroup.com/en/ir/earnings>

From 2016 to 2017, Alibaba's revenue growth was 56%, and net profit growth was 35.23%, both increased compared to the previous year. Since Alibaba did not have any other acquisitions this year, the main reason is that Alibaba successfully acquired Lazada to gain market share in Southeast Asia. The international commerce retail increased significantly is the main growth point of revenue.

In terms of return on equity, return on total assets, and profit margin, the three indicators achieved the highest level in 2016, but went down a lot in 2017, this is due to a revaluation of Alibaba's current business at the end of 2015, it led to significant growth in profit margin in 2016. After 2017, those indicators increased slightly, showing that Alibaba's asset structure has been gradually optimized. The profitability

after the acquisition was affected.

From 2016 to 2019, total assets turnover was constantly increasing, which shows the rapid turnover of Alibaba's total assets, the management's strong ability to handle assets, and the continuous improvement of the company's sales and operational capabilities. The days of sales outstanding keep increased from 2015 to 2019, and the fastest growth was in 2017 after Alibaba has completed the entire acquisition process of Lazada, which shows that the integration after the acquisition has changed and optimized the previous asset structure, and enhanced the operation and management capabilities, and operation efficiency of Alibaba.

Through the analysis of financial indicators, Alibaba shows the increasement of profitability, development ability and enterprise operation ability after the acquisition.

5. Conclusion and recommendation

5.1 Conclusion

To Alibaba, the acquisition of Lazada is a successful business expansion in the oversea market. The motivations for Alibaba's acquisition which known as the opportunities of Southeast Asia e-commerce market are included in many aspects. In external environmental factors, in political part, Chinese government issued policies to reduce tax on cross-border e-commerce transactions, provide financial support on Chinese e-commerce enterprise on global business. With the cross-border e-commerce comprehensive pilot zone settled by Chinese local government, under a specific management mode, transport cost of Chinese e-commerce companies' cross-border business can be reduced. Governments in Southeast Asia have adopted more open overseas merger and acquisition policies and reduced restrictions to actively attracted foreign investment from Internet company, which includes Indonesia provides a 3-hour fast investment registration and 100% wholly-owned shares can be

approved if investment reaches 7.4 million US dollars. Thai government only 20% corporate income tax on investment in the region, reduction of customs duties and product taxes on import and export of goods. In the economic part, Southeast Asia's e-commerce market is growing fast. The market value amounted to approximately 120 billion U.S. dollars in 2021 with an increment of 23 times compared to 2015. The market value is forecasted to increase significantly in 2025 to 234 billion U.S. dollars. Among it, the Indonesian market was forecasted to achieve 104 billion U.S. dollars in e-commerce retail business, owing for over 50 percent, making it the biggest regional market in Southeast Asia. In the social part, a young age structure and a moderate level of digital literacy contribute to a huge potential consumption in the e-commerce market. On technological, various payment methods, popularization of digital devices, and development logistics in Southeast Asia are constructed to the foundation. In enterprise factors, Lazada was suffering from financial risk and needed funds to solve it. Alibaba can reduce participation in fierce domestic competition through business expansion in Southeast Asia. Besides, although the Southeast Asia e-commerce market is fast developing, due to the countries' differences in their law and regulation, economy, language used, and social culture, investigating user needs and extending the company's own business to this market is a difficult and complicated corporate action. The acquisition of local enterprises to enter the Southeast Asia market is a relatively fast and safe way. Before the acquisition, Lazada was already a well-developed e-commerce company in the Southeast Asia market, owing to a huge market share. The acquisition bought the market share that Lazada occupied to Alibaba, directly increasing international commerce retail and revenue, a rapid initial success for Alibaba when entering the Southeast Asia market.

Challenges and risks exist in Southeast Asia e-commerce market and related to the further development of Alibaba and Lazada. Governments in Southeast Asia are drafting and implementing new rules on e-commerce activities, coming with more taxation in this era. With the impact of covid-19, countries are in different levels of

economic downturn, also with different epidemic prevention policies governments implemented, leading to a different speed of economy recover, the economic situation of countries is more diverse than before the epidemic. Because of the young age structure in Southeast Asia, how to conduct young-adult marketing is the main challenge. As the main business for e-commerce enterprises now, third-party payment is low usage in Southeast Asia. Integration risk exists after the acquisition; integration is difficult for the culture and religion, laws, and regulations are different in Southeast Asia countries. Besides, challenges also are from the competitors in the same industry. In Southeast Asia, the biggest competitor in the e-commerce market is Shopee. The challenges and risks listed above also exist in Chinese e-commerce enterprise development in Southeast Asia.

5.2 Recommendations

Based on the analysis, there are several suggestions proposed to Alibaba on the Lazada operating for further development.

Alibaba keeps the "partnership" management mode on Lazada. Alibaba can share its successful experience rebuilding the organizational structure and job division with Lazada. Meanwhile, Lazada continues to operate independently with its original management team, giving each country branch more independent operating power and localized management on the country level. Alibaba plays the role of technology supporter to Lazada, docking cooperation in payment and logistics.

Complete and improve the effectiveness of Lazada's self-own cross-border logistics. After Alibaba's acquisition, as more and more Chinese sellers also starts to sell goods on Lazada, Lazada's cross-border transactions involve total seven countries. And logistics plays the key role in it, effective cross-border logistics can shorten the entire transaction completion time, increased customer and supplier satisfaction. Take China and Southeast Asian countries as an example for suggestion. Based on Lazada's own LGS (Global Logistics Solution) and Express, two major logistics and

transportation systems, it can connect to the Cainiao logistics that belongs to Alibaba. Using Cainiao logistics, the goods of Chinese commodity suppliers are first passed through the Chinese port warehouse. Then the Lazada LGS system is used to transport goods to Southeast Asia and then deliver them to the buyer through Lazada Express to complete the one-stop logistics service.

Attract young adults to join Lazada to become sellers because youth know youth's demands and interests more. Through young sellers to attract young customers to use Lazada. One of the ways to attract young sellers starts business on Lazada is by offering online training courses. Through learning, sellers can better understand the e-commerce market, know how to set up online stores, and interact with the customer. In the advanced stage, master sales strategies and conduct real-time and convenient operations for order processing and store management. It is also an effective way to build user loyalty.

Apply the experience and technology of Alipay to promote Hello pay in Southeast Asia. As the most used third-party payment software in China, Alipay has advanced security and data processing also the experience of cooperating with financial institutions. It is an excellent opportunity to improve Hello pay's function and usage with Alibaba's support. The biggest reason to promote self-own third-party payment is that it can gain big data on customers' purchasing behavior and consumption type. At present, big data technique plays an essential role in the operation of e-commerce businesses. Alibaba and Lazada can use the big data analysis system to conduct an in-depth analysis of consumers' purchasing behavior and product demand, in this way to customize advertising and promotion, deeply tap customer consumption potential in Southeast Asia.

Use differentiation strategy in the competition in Southeast Asia e-commerce industry. Differentiation in selling products, introduce brands retailers and their products under the Alibaba's B2C platform- Tmall to Lazada. Differentiation in application function, add social features in Lazada, create a social community among

sellers and customers, make it into a multifunctional social e-commerce platform. Compared with traditional e-commerce, social e-commerce has more advantages in future development. This is because social e-commerce can reach more potential users through information spread of social relations, and the marketing cost is low. The addition of social modules makes it easier to increase user activity and stimulate users' desire to purchase driven by social interaction.



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