eCommerce in SEA: New World Order

November 2017

Indonesia    Malaysia    Philippines    Singapore    Thailand    Vietnam
Cross-border eCommerce is growing rapidly in South East Asia (SEA) driven by several positive trends.

**BOOMING MACRO ENVIRONMENT**

- **3rd largest population in the world**
  - China 1,375 million
  - India 1,293 million
  - ASEAN 620 million
  - EU 507 million
  - US 321 million

- **GDP growth** 5.5% p.a by 2020

- In 2030, median age of ASEAN citizen will be 33.6 years

**INCREASING INCOME WILL DRIVE GROWTH**

- In 2010...
  - 29% of the ASEAN population were considered in the middle income class
  - URBANIZATION RATES 79.3%
- In 2030...
  - 65% of the ASEAN population will be in the middle income class
  - URBANIZATION RATES 83.2%

**RISSING ADOPTION OF ONLINE SHOPPING**

- SEA Internet Users
  - Projection 2015 - 2020: ~480 mn users by 2020

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<th>Growth in Internet users (CAGR%, 2015-20)</th>
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**MOBILE IS LEAPFROGGING INFRASTRUCTURE BARRIERS**

- Over half of total traffic on Lazada platform comes from mobile apps or mobile site

Note: 1 UOB Global Economics & Market Research; 2 Euromonitor; eMarketer
Our solution can help unlock categories beyond traditional Cross-border solutions available in the market.

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Key eCommerce Focused Logistics Building Blocks

- **Fulfillment Return Center**: Inventory storage and fulfillment for retail or marketplace fulfillment.
- **Sorting Crossdocking Dispatch**: Dispatch center to control volume and 3PL allocation.
- **Bulk breaking center for B2B replenish shipments**.
- **First Mile Pick Up Drop Off**: Pick-up and drop-off services for sellers nationwide coverage.
- **Last Mile Collection Point**: Delivery to the buyer’s office or home and also collect Cash on Delivery. Provide alternative collection point where the customer can access.
- **Consolidation Center**: Consolidation parcels from multiple origins into one package.
- **Freight Forwarding**: Consolidation forwarding activity across land, sea, and air. Origin and destination customs clearance capability.
Digital Economy changes how different players can interact with one another

**Traditional Logistics Pyramid**

**Actors**
- Cargo owners
- Carriers
- Logistics service providers
- Lead logistics providers & consultants

**Services**
- Manufacturing, Retailing
- Transportation
- Logistics
- Supply chain management

**Roles Played in Cross-border eCommerce Supply Chain**
- Seller / Brand who sells on eCommerce Platform
- Airplane Carriers / Vessel Operator
- Cross-border logistics solution provider to large sellers / platforms
- SME logistics provider start-ups and arbitrage logistics tech companies
- New type of forwarder who controls origin and destination gateway from data & physical operation through mini hub to mini hub model

**5PL Digital Integrator**

**Supply Chain Integration**
Cross-border Logistics Solution Requires Various Subcontractors and Players to Provide end-to-end Services

Challenges

- **Less Control**: Many parties involved in the end to end supply chain with contracting 3PL as the solution owner but only based in origin country.
- **Lack of visibility**: Linear and sequential relationship which creates lack of visibility end to end.
- **Inflexibility**: Cost pressure based relationship with carriers and last mile creates limited flexibility.

Diagram:

- **Seller** connects to **4PL**
- **4PL** connects to **Contracting 3PL**
- **Contracting 3PL** connects to **Origin Agent**
- **Origin Agent** connects to **Destination Agent**
- **Destination Agent** connects to **4PL**
- **4PL** connects to **3PL**
- **3PL** connects to **airport**
- **airport** connects to **Origin Agent**
- **Origin Agent** connects to **3PL**
- **3PL** connects to **Destination Agent**
- **Destination Agent** connects to **airport**
- **airport** connects to **3PL**
- **3PL** connects to **1PL**
- **1PL** connects to **airport**
- **airport** connects to **3PL**
- **3PL** connects to **1PL**
- **1PL** connects to **LM**
- **LM** connects to **Seller**
Use of Technology to Create Digital Integrator Model to Interacts with Partners at all Levels of Supply Chain

Benefits

- **Economical**
  - Leveraging ecosystem to create optimal model (no mark-up)

- **eCommerce Offering**
  - Quickly introduce value add services through direct control of partners

- **Full Commodity**
  - Multi-motor transport network allows for all commodities to be handled

- **Controlled**
  - System based visibility and arm length control over key partners plus benefit of providing same control in Metro and Tier 2 Cities

- **Control Sorting**
- **Control Customs**

Seller ➔ [Graph showing logistics flow with icons for various modes of transportation] ➔ 5PL Digital Integrator