

# BUYING POWER: ALIBABA IN SOUTH-EAST ASIA

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IN FEBRUARY 2018, China's e-commerce giant Alibaba invested US\$2 billion in Lazada — a South-East Asian online shopping platform with a major presence in Singapore, Indonesia, Malaysia, the Philippines, Thailand, and Vietnam. Already Lazada's major shareholder (since 2016), Alibaba installed Lucy Peng, one of its cofounders, as the company's CEO. Alibaba's spokesperson said this latest move was part of the giant's effort to 'accelerate e-commerce development in South-East Asia and deepen Lazada's integration into the Alibaba ecosystem'.<sup>1</sup> That same month, its Alibaba Cloud opened a data centre in Indonesia. Whether this is an expansion of influence that consciously parallels China's growing economic and geopolitical power, or

simply clever business, is one question raised by Alibaba's continued rise.

Towards the end of 2017, *The New York Times* reported that Alibaba has a long lead over Amazon across South-East Asia. It has achieved this by building up both its hard infrastructure (such as transfer centres) and soft infrastructure (such as its online payment systems), and through cooperating with local businesses and government agencies. For instance, Lazada contracts local post offices in Vietnam to take customer returns and give cash refunds. In Malaysia, customers can collect the goods they purchase online from lockers at 7-Eleven stores. In the Philippines, Lazada uses petrol stations as transfer centres where delivery personnel pick up goods for cus-

tomers. By contrast, Amazon confines its business to modern cities such as Singapore.<sup>2</sup>

My interest in Alibaba and Lazada's growth was piqued in 2017, when I sat through twenty minutes of advertisements preceding the main feature at a cinema in Singapore. One advertisement that was repeated three times caught my attention. The advertiser, LiveUp, is a membership program launched by Lazada that helps Singaporean customers buy good-quality products from China via Alibaba's online shopping platform Taobao.

Subsequent interviews revealed the extent to which Chinese e-platforms spurred the development of e-commerce in Singapore. The first people to become obsessed with online shopping there were Chinese migrants, who began arriving in the mid-2000s. They were already familiar with Taobao, which had become the most popular e-platform in China just one year after its launch in 2003. Because Taobao only had a Chinese-language version and did not provide transnational delivery services at that time, some local businesspeople established e-platforms linking to Taobao, translating its web pages for non-Chinese users, and organising shipping.

These new platforms included Ezbuy, SGshop, Oops.sg, and Peekka, which worked as purchasing agents, making money by charging local customers an intermediary fee. As online shopping became increasingly popular, local independent e-platforms (Lazada is one example) and transnational e-platforms (such as Amazon) entered the market. Later Chinese e-commerce giant Alibaba bought into Lazada.

Chinese and Western media have widely reported on Alibaba's business expansion in South-East Asia — a region with a population of more than 630 million. Huxiu.com, a Chinese Internet media company, suggested that by investing in Lazada, Jack Ma's ambition was to make it a popular e-platform like Taobao for the region. Lazada was founded by Rocket Internet in Singapore in 2012, and has since grown to become the largest e-platform across the whole region. Alibaba tweaked Lazada's algorithms and transplanted other business ideas and technologies after the takeover. It also initiated an online payment system similar to Alipay and built a more efficient delivery system.<sup>3</sup>

Alibaba's influence in South-East Asia is reflected not only in its own expanding business, but also in how local



**Jack Ma** |  
Source: John Tan, Flickr

e-commerce companies have modelled themselves on it. IT workers for competing e-platforms in Singapore told me that they often imitated Taobao's design: one said her job was to report on Taobao's updates daily so her colleagues could copy them. Taobao had recently added a live-stream function, which triggered an explosive growth in the volume of transactions as it integrated the 'Internet celebrity economy' 网红经济 into e-commerce. On it, Chinese Internet celebrities either opened their own e-shops or advertised those of others, wearing their clothes or accessories, or giving distinctive makeup or fashion tips. The interviewee said her company was planning a similar live stream that would feature Thai Internet celebrities.

A Singaporean government think tank has suggested that Singaporean e-commerce companies should 'copy the Chinese e-commerce model first and innovate second'.<sup>4</sup> The city-state government has reportedly urged Nanyang Technological University (NTU) to cooperate with Alibaba Group in fostering local e-commerce talents.<sup>5</sup> Alibaba also wants to take advantage of the country's world-leading education system and strong talent pool. On 3 September 2018, the company launched a postgraduate program with NTU: PhD students will study at both NTU campus and Alibaba's research facilities in China. They will benefit from access to large data samples and business scenarios from Alibaba. In initiating this new program, the two parties seek to



**Alibaba's ambitions will shape the future of e-commerce in South-East Asia**

Source: Delante Co, Flickr

identify and nurture the next generation of talents in computer science and information technology for the two countries.<sup>6</sup>

Alibaba has the potential to contribute to industrial and technological upgrading, infrastructure building and job provision in South-East Asia, just as it has in parts of China.<sup>7</sup> At the same time, Alibaba, like other transnational corporations, has moved to South-East Asia in search of profit. And to maximise this profit, it will seek to sustain its monopoly power.

Its suppression of local purchasing agents in Singapore provides one indication of this power play. In late 2017, Alibaba froze thousands of accounts that Ezbuy had been using to place local customers' orders on Taobao. It accused Ezbuy of scalping, for which it threatened to penalise. In fact,

these purchasing accounts had been in use for several years without Alibaba previously raising any objection.<sup>8</sup> Alibaba's attack on Ezbuy may well have been to clear the path for Lazada.<sup>9</sup>

Jack Ma once mentioned that he saw Alibaba's international business expansion as being in direct support of what is now called the Belt and Road Initiative — suggesting that there is indeed a conscious parallel with Beijing's grand plans.<sup>10</sup> The giant's pursuit of the e-commerce market in South-East Asia has also provided an illuminating example of how Chinese business elites construct and manage their power within an increasingly China-led world economy. Regardless, Alibaba's ambitions will indelibly shape the future of the e-commerce industry in South-East Asia and beyond.

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