Introduction to E-commerce in Indonesia and Challenges Within

Universitas Bina Nusantara
Tangerang, November 29th, 2016

by:
DANU WICAKSANA

BERRYBENKA.com
Topics for today

- Indonesian e-commerce landscape overview
- Brief introduction to Berrybenka and Hijabenka
- How things work inside e-commerce
- Main challenges as e-commerce player in Indonesia
- Entrepreneurial opportunity for Binus students
In Indonesia, online purchases penetration is still much lower than that of other countries...

Source: Bain report on e-commerce (Clearing the Digital Haze), 2016
This is partly due to low internet penetration in Indonesia vs other countries, among other factors.
The good news is both number of internet users and digital buyers have been growing every year...

BY THE END OF 2015 THERE WILL BE 7.4 MILLION DIGITAL BUYERS, OR EQUAL TO ONLY 10% OF INTERNET USERS

Source: eMarketer, January 2013
... and many online shoppers are still very new to online shopping, meaning we just got started!

<table>
<thead>
<tr>
<th>Country</th>
<th>First Online Shopping Purchase Date</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Philippines</td>
<td>Before 2011</td>
<td>12%</td>
<td>7%</td>
<td>12%</td>
<td>13%</td>
<td>35%</td>
</tr>
<tr>
<td>Malaysia</td>
<td>Before 2011</td>
<td>18%</td>
<td>8%</td>
<td>19%</td>
<td>19%</td>
<td>18%</td>
</tr>
<tr>
<td>Thailand</td>
<td>Before 2011</td>
<td>22%</td>
<td>9%</td>
<td>12%</td>
<td>19%</td>
<td>23%</td>
</tr>
</tbody>
</table>

Source: CLSA report on e-commerce, 2015
Indonesian e-commerce ecosystem comprises of a lot of players across different categories.

Source: ecommerceIQ website
At the very least, we need to understand 3 types of e-commerce players based on its business model

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Examples in Indonesia:</td>
<td>Examples in Indonesia:</td>
<td>Examples in Indonesia:</td>
</tr>
<tr>
<td>• Kaskus</td>
<td>• Tokopedia, Bukalapak</td>
<td>• Berrybenka, Hijabenka</td>
</tr>
<tr>
<td>• Tokobagus/ OLX</td>
<td>• Elevenia, Shopee</td>
<td>• Orami</td>
</tr>
<tr>
<td>Flow:</td>
<td>Flow:</td>
<td>Flow:</td>
</tr>
<tr>
<td>• <strong>Merchant</strong>: Join &amp; upload the product to OLX.co.id</td>
<td>• <strong>Merchant</strong>: Join &amp; upload the product to Tokopedia, later send the product to customer</td>
<td>• <strong>Customer</strong>: Visit Berrybenka &amp; looking for products, purchase products and pay via credit card, bank transfer or COD to Berrybenka</td>
</tr>
<tr>
<td>• <strong>Customer</strong>: Visit OLX &amp; looking for products</td>
<td>• <strong>Customer</strong>: Visit Tokopedia &amp; purchase products, pay via website to Tokopedia</td>
<td>• <strong>Berrybenka</strong>: Deliver the item to customer</td>
</tr>
<tr>
<td>• <strong>OLX</strong>: Provide classified ad system that customer can directly interact with merchant</td>
<td>• <strong>Tokopedia</strong>: Transfer the payment into merchant account</td>
<td></td>
</tr>
</tbody>
</table>

What about e-commerce players like Lazada, Zalora, and Matahari Mall?
Some Indonesian e-commerce players are using hybrid business models

1. Classified Ad
   - KASKUS
   - Instagram
   - facebook

2. Market Place
   - tokopedia
   - Bukalapak
   - Shopee

3. Online Retailer
   - BERRYBENKA.com
   - HIJABENKA
   - Orami
   - SALE STOCK

4. Mix between market place and online retailer
   - MATAHARI MALL.com
   - LAZADA.co.id
   - elevenia
   - BHINNEKA.COM
   - ZALORA
   - blibli.com
   - Alfacart.com
Topics for today

- Indonesian e-commerce landscape overview
- Brief introduction to Berrybenka and Hijabenka
- How things work inside e-commerce
- Main challenges as e-commerce player in Indonesia
- Entrepreneurial opportunity for Binus students
ABOUT BERRYBENKA

- One of the **leading fashion e-retailers in Indonesia**, especially for female fashion products.

- **Indonesian homegrown** company, founded in 2012. Now we have several multinational investors.

- Provide **curated and fast fashion on affordable prices**, targeting middle income and mass market segment (B and B+) between 20-35 years old.

- Product lines include ~40% private label and >1,100 consignment brands.

Berrybenka.com
We are a mix between online retailer and brand, where our Private Label contributes ~40% of our sales.

We launched Berrybenka Label in March 2015 by partnering with three public figures (Jessica Mila, Marsha Timothy, Raline Shah).
Our mission is to provide fashionably friendly products with good quality and affordable prices!
To provide easy and convenient access to our webstore, we built Berrybenka app both in iOS and Android.

We launched our Berrybenka app in iOS and Android in Q3 2015, so far it has been downloaded >400,000 times!
Unlike few others, we control our fulfillment process to ensure fast delivery and high customer satisfaction.

~5,000m²
WAREHOUSE AREA SIZE

~1.5m pieces
TOTAL CAPACITY

~200m²
COLD STORAGE FOR SELECTED PRODUCTS E.G., BEAUTY
Many customers still want touch and feel when buying fashion, so we are running omni-channel strategy

- **Typical store size:** 100-200 m²
- **Product selection:** only Berrybenka private labels
- **Categories offered:** Clothing, shoes, bags, accessories for both men and women
- **Location:** high traffic shopping malls in top 20 cities (already 8 locations as of today – Jakarta, Tangerang, Bekasi, Medan, Makassar, Semarang and Bandung; and more to come)
Topics for today

- Indonesian e-commerce landscape overview
- Brief introduction to Berrybenka and Hijabenka
- How things work inside e-commerce
- Main challenges as e-commerce player in Indonesia
- Entrepreneurial opportunity for Binus students
Typical organization structure of B2C e-commerce

- Warehouse / Fulfillment Operations
- Customer Service
- Product and IT
- Merchandising
- Marketing

Data Analytics/ Business Intelligence
Finance and Accounting
Human Resources and General Administration
Supply chain in B2C retail e-commerce typically consists of few key steps:

- **A. Product sourcing**
- **B. Warehousing/inventory management**
- **C. Product launching**
- **D. Order fulfillment and delivery**
- **E. “After-sales” service**
Product sourcing – five common methods

Five common sourcing methods in retail e-commerce:

1) Consignment
2) Direct Purchase/Outright
3) Private Label
4) Cross Dock
5) Dropship

Which method is the best? What are pros and cons of each method?
# Product sourcing – each sourcing method has advantages and disadvantages

<table>
<thead>
<tr>
<th>Sourcing method</th>
<th>Inventory risk</th>
<th>Fulfillment risk</th>
<th>Restocking risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consignment</td>
<td>★ ★</td>
<td>★</td>
<td>★ ★ ★ ★ ★</td>
</tr>
<tr>
<td>Private Label</td>
<td>★ ★ ★ ★ ★</td>
<td>★</td>
<td>★</td>
</tr>
<tr>
<td>Direct Purchase</td>
<td>★ ★ ★</td>
<td>★</td>
<td>★ ★ ★</td>
</tr>
<tr>
<td>Cross Dock</td>
<td>★</td>
<td>★ ★ ★ ★ ★</td>
<td>★ ★ ★</td>
</tr>
<tr>
<td>Dropship</td>
<td>★</td>
<td>★ ★ ★ ★ ★</td>
<td>★ ★ ★</td>
</tr>
</tbody>
</table>
Supply chain in B2C retail e-commerce typically consists of few key steps

A. Product sourcing

B. Inbound/inventory management

C. Product launching

D. Order fulfillment and delivery

E. “After-sales” service
Warehousing process starts with inbound, QC and inventory management.

- Inbound products
- Delivery Receiving
- QC
- Put Away
- Quarantine
- Reject
- Products sent back to suppliers
- Products placed in racks
Supply chain in B2C retail e-commerce typically consists of few key steps

- **A** Product sourcing
- **B** Warehousing/inventory management
- **C** Product launching
- **D** Order fulfillment and delivery
- **E** “After-sales” service
Product launching process consists of few steps which determine the overall lead time

- Warehousing
- Studio photoshoot
- Digital Imaging
- Merchandising

Products received and handled → Products photographed → Photos retouched and banner design → Products launched

Can take between 3-6 days
Supply chain in B2C retail e-commerce typically consists of few key steps.

A. Product sourcing
B. Warehousing/inventory management
C. Product launching
D. Order fulfillment and delivery
E. “After-sales” service
Before B2C retail e-commerce fulfill any order, payment verification has to be done

<table>
<thead>
<tr>
<th>Payment method</th>
<th>Customer preference</th>
<th>Cost to business (cancellation, lead time, fee)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank Transfer</td>
<td>★★★★★</td>
<td>★★★</td>
</tr>
</tbody>
</table>
Orders fulfillment consists of several sub-process and include third party logistic providers.

Customer Order → Picking → Packing → System → 3PL → Delivery → Customer Receives

~24 hours

1-6 days (depending on location)

Few notable logistic providers in Indonesia:

- NinjaXpress
- JX
- RFX
- JNE
- acommerce
- etobee
Third party logistic (3PL) management is crucial to ensure great customer experience

Few tips for 3PL management:

- **Set the right KPIs** (price, delivery lead time, customer complaints) and enforce it using a well-documented legal doc

- **Conduct regular update on performance and capacity planning**, esp. before peak season (e.g., Lebaran, HBON)

- **Don’t rely on one 3PL. Each has strength in different area**
Supply chain in B2C retail e-commerce typically consists of few key steps:

- **A** Product sourcing
- **B** Warehousing/inventory management
- **C** Product launching
- **D** Order fulfillment and delivery
- **E** “After-sales” service
After sales service is very crucial to ensure high customer satisfaction and retention

- Making ourselves available anytime via live chat, phone, emails, SMS, social media, chat app (WA, LINE, BBM)
- Providing transparent and real time information to customers on their product shipment
- Checking in with customers to ensure their customer experience is perfect
- Making customers comfortable buying online by providing free shipping, return and refund
- Free shipping, 30 day free return and free refund
- 7 days contact center
- Product shipment tracker
- Customer satisfaction call/ survey
Topics for today

- Indonesian e-commerce landscape overview
- Brief introduction to Berrybenka and Hijabenka
- How things work inside e-commerce
- Main challenges as e-commerce player in Indonesia
- Entrepreneurial opportunity for Binus students
There are few main business challenges, some are quite particular for Indonesia

- **Merchandising**: lack of high quality suppliers and workshops especially for shoes and bags
- **Logistic**: low reliability of last mile delivery partners; lack of reverse logistic providers; COD coverage
- **Payment**: high reliance on bank transfer and COD (60-80%), low credit card penetration (~5%)
- **Talent**: scarce and expensive, especially in IT and online marketing
Topics for today

- Indonesian e-commerce landscape overview
- Brief introduction to Berrybenka and Hijabenka
- How things work inside e-commerce
- Main challenges as e-commerce player in Indonesia
- Entrepreneurial opportunity for Binus students
BERRYBENKA & HIJABENKA Reseller Program!
Our reseller program might be suitable for you

We believe everyone deserves equal opportunity to start entrepreneurship - the essence of this program.

No capital  Reseller Discount  Free Delivery  30-days Free Return and Refund
Four easy steps to start TODAY

Empat Langkah Mudah Menjadi Berrybenka Reseller

Pilih Barang
Pilih produk yang ingin anda jual, lalu download foto beserta info lengkapnya
di resellers.berrybenka.com

Jual Barang
Jual dengan harga yang dapat Anda tentukan dan dimana pun

Pesan Produk
Lakukan pemesanan kamu melalui Whatsapp, LINE, BBM, Email atau Yahoo Messenger. Kami akan kirimkan langsung ke konsumen Anda - GRATIS pengiriman seluruh Indonesia!

Dapatkan Uang
Anda akan mendapatkan penghasilan tambahan tanpa modal!

*contact CS kami untuk menjawab pertanyaan dan membantu order untuk reseller
Contact our reseller team to register and ask any questions!

- WhatsApp: 081297700077
- Email: reseller@berrybenka.com
- BlackBerry: 59A40FDB
- LINE: @resellerberrybenka