**American Journal of Humanities and Social Sciences Research (AJHSSR)**
e-ISSN :2378-703X
Volume-09, Issue-01, pp-01-20
www.ajhssr.com
Research Paper Open Access

# The Business Expansion of Alibaba Group to Indonesia

Bofan He, Jiayuan Dong, Hongyan Li, Gang Chen, Yao Chen*
*School of International business, Zhejiang Yuexiu University, Shaoxing, 312000, Zhejiang Province, China.*
Corresponding author：Yao Chen

**ABSTRACT:**Expanding business operations to other countries or foreign countries is a strategic agenda for many companies. This is because expanding abroad has significant implications for maximizing the growth of the company's business. Alibaba Group Holding Ltd is one of the multinational corporations that is currently rapidly developing in the digital business (ecommerce) sector. Alibaba Group is actively expanding its business operations in various parts of the world. The European and American regions have successfully become the target of their expansion. Since 2015, Alibaba Group has started to expand its business operations network to the Asia-Pacific region. Interestingly, Indonesia has become their main target market for ecommerce in the Asia-Pacific region. Alibaba Group has developed a series of aggressive expansion strategies to initiate its expansion into Indonesia. These strategies include investing in Lazada and Tokopedia's stock, totaling up to US$6.2 billion, making it the largest business expansion abroad (Crunchbase, 2019). Making Indonesia the largest business expansion destination holds a unique value for Alibaba. This is because in 2015, Indonesia's e-commerce market only accounted for 0.6% (Singapore Post, 2015). Furthermore, the logistics infrastructure to support e-commerce business in Indonesia is still considered weak and limited (Supriyadi et al., 2016). Alibaba Group has many options of countries in the Asia-Pacific region that have a much larger e-commerce market, which is above 5% and supported by better logistics infrastructure and e-commerce ecosystem, such as Japan, South Korea, and Australia. Therefore, the question that arises in this research is: "Why did Alibaba Group decide to expand its biggest business to Indonesia?".
***KEYWORDS:****Alibaba Group Holding Ltd, e-commerce, Lazada, Tokopedia, Indonesia, China*

## I. INTRODUCTION

This research will focus on discussing the expansion of a multinational company's business as a strategic agenda that has important implications for internationalizing their business, thus maximizing their company's growth in the future. In the past, countries identified themselves as economic powers that could influence international trade relations. However, since the 21st century, post-Cold War era, power has tended to shift towards multinational companies that play a role as a trading chain in marketing goods and services through import-export transactions worldwide (Pustay, 2015). Multinational companies are increasingly expanding their economic power in foreign markets by integrating and expanding their businesses worldwide. These companies can cross national boundaries to influence political and economic relationships between countries and gain control of businesses in more than one country. Many companies decide to expand their businesses abroad because of the opportunities available in international markets, which offer new and attractive prospects for their business growth that can be exploited to achieve a competitive advantage in the face of global competition.

### 1.1 Review of Research Status at Home and Abroad

The first research is that of Wang Rui (2018) in his thesis entitled “Internationalization Strategy of Chinese E-commerce Firms. The Case of Alibaba Group”. The purpose of this research is to identify the motives of the Alibaba Group to expand their operating network to overseas markets, analyze the business strategy and expansion entry modes of the Alibaba Group. In this research, Wang Rui used several theoretical bases including internationalization theory from the Eclectic Paradigm (John Dunning, 1979), Uppsala Model (Johansson &Wiedersheim-Paul, 1975), dan fenomena “Born Globals” (Michael Rennie, 1993). The results of this research show that Alibaba Group's motives for expanding its operational network to foreign markets include achieving competitive advantage, business growth because foreign markets are more attractive and creating new sources of income outside the Chinese market. Meanwhile, Alibaba Group's choice of entry mode and strategy in foreign markets is by having a local subsidiary as its target or launching its own subsidiary. Further research similar to Alibaba Group's expansion in the Asian region is a thesis from Fitri Wahyuningsih (2018) entitled "Reasons for Alibaba Group Holding to Acquisition Lazada Group SA in 2016”. In this research, Fitri Wahyuningsih aims to analyze the reasons why Alibaba Group acquired Lazada Group SA in 2016 using the theoretical basis of global strategic competition. The results of this research show three main reasons why Alibaba Group Holding acquired Lazada Group SA in 2016, including to have intellectual property rights, take advantage of the experience curve, and achieve economies of scale or scope.

There are still many scientific papers with the theme of Alibaba Group Holding Ltd.'s business expansion overseas. However, the author believes that the business expansion carried out by Alibaba Group in Indonesia has its own differences and unique value when compared with previous research. This is because Alibaba Group chose to focus its biggest business expansion in Indonesia. Meanwhile, Indonesia has a challenging and fragmented topographic structure. Moreover, the issue of logistics infrastructure as one of the keys to supporting ecommerce businesses in Indonesia itself is still relatively limited. In fact, Alibaba Group still has options in other countries, for example Japan and South Korea, which have much better infrastructure & logistics aspects compared to Indonesia. However, Alibaba prefers to expand its biggest business to Indonesia. This will then be analyzed by the author, relating to the reasons/motives Alibaba Group chose to expand its largest business in Indonesia. However, this research also aims to complement previous research, especially regarding the business expansion that Alibaba Group has carried out abroad.

### 1.2 Problem Formulation

When writing scientific papers, the problems that will be covered in the research are included in the problem formulation. The problem formulation, which centers on the issue that will be investigated in the research, is expressed as a question sentence. The problem formulation may be ascertained as follows when the backdrop has been explained and the discussion's scope has been established: "What Was the Reason Behind Alibaba Group's Decision to Expand Its Business to Indonesia the Most?".

### 1.3 Research Objective

The purpose of the research objective in a scientific endeavor is to ascertain the intended outcomes of the investigation. to ensure that the research's findings stay true to the issue under investigation. The purpose of this study is to try to address a predefined problem formulation with supporting data and references. The goal of this study is to determine the factors that led Alibaba Group Holding Ltd. to decide to extend its largest company to Indonesia, according to the background information provided earlier.

### 1.4 Main Argument

Based on the explanation of the previous background and framework of mind, the author will assume the main argument in the preparation of this thesis as follows: Alibaba Group Holding Ltd chooses to expand its largest business in Indonesia, because Indonesia has a large growth potential for e-commerce market and government regulatory opportunities related to e-commerce businesses that are much more open to Alibaba Group. However, on the other hand, there are also political elements related to the role of the home country government (China) through President Xi Jinping's policy that encourages and the intervention of the host country government (Indonesia), namely President Jokowi's policy which attracts the Alibaba Group initiative to expand its biggest business to Indonesia.

### 1.5 Research Methods

Research methods are procedures that contain systematic steps in a study. In this research method, we talk about the procedures for conducting research. The research method aims to determine the type and source of data to be used and explain how the data can be processed. There are two methods of writing this scientific paper, namely data collection techniques and data analysis techniques.

The process of documenting events, objects, attributes, and features that impact any or all of the population components necessary to support or bolster research is known as data collecting. The author used secondary data collection techniques, drawing from the study's data source. Secondary data is information that researchers gather from already published sources. Typically, this information is retrieved from the library or earlier study reports (Hasan, 2002: 82–83).

Bogdan and Taylor (1975) defined data analysis as the formal process of identifying themes and developing hypotheses (ideas) based on the data to offer support. Regarding those ideas and theories. This kind of data analysis seeks to address the research's hypotheses and demonstrate the connections between the phenomena it contains (Hasan, 2002). This study is an example of the descriptive, analytical kind of qualitative research. Not expressed in numerical form, data and information are gathered through literature reviews and document analyses from a variety of official sources, including books, journals, scientific articles, print and electronic mass media, and publications. After that, the facts and data are sorted and examined to generate justifications for the solutions to the suggested problem formulation. The study's findings are explained in the form of a narrative description of the scenario under investigation in order to address the question of how and why this phenomenon can occur in relation to the issue under consideration, specifically with regard to the factors that motivated Alibaba Group Holding Ltd to expand its largest business to Indonesia In the meantime, the author will correlate President Xi Jinping's policies with Alibaba Group's business expansion to analyze the political-economic relationship between the two. For example, the author will look at how President Xi Jinping supports Alibaba Group's business expansion in order to realize the "Digital Silk Road" initiative, and what benefits Alibaba Group will receive from President Xi Jinping's political support for the expansion of Alibaba Group's largest business to Indonesia. The author will also analyze the potential interactions between Alibaba Group's economic development into Indonesia and President Xi Jinping's political goals of making Indonesia the greatest "Digital Economy" nation in Southeast Asia by 2020. What amenities does President Jokowi offer that Alibaba Group does not receive in other nations, to persuade Alibaba Group to decide to move its largest operations to Indonesia?

## II. OVERVIEW OF THE ALIBABA GROUP E-COMMERCE COMPANY

Earlier in Chapter 1 it was explained in general that the activities of international business are undergoing a revolution that at first is still very conventional and then begins to slowly shift to the digital world. In the era of digital economy like today, international business has been played by many digital-based multinational companies, namely by operating e-commerce businesses. Alibaba Group Holding Ltd is one of the major players of e-commerce business that has an important position in promoting international trade by integrating trade in international markets with regional markets through exports and imports. Even today Alibaba Group Holding Ltd managed to become one of the successful multinational companies. In Chapter 2, we will focus on explaining in general the general description of Alibaba Group Holding Ltd e-commerce company which includes the profile of Alibaba Group Holding Ltd, the development of Alibaba Group Holding Ltd in domestic and international markets and who are the investors who supported the growth of Alibaba Group Holding Ltd to become one of the largest e-commerce companies in the world. But before explaining about Alibaba Group Holding Ltd., it will first be explained how the trend of e-commerce development in the world.

### a. Development of Global E-commerce Companies

Over the past two decades, the global industrial sector has consistently experienced significant growth. As of right now, the manufacturing sector is one of the largest sectors that maintains a critical role in global economic activity. This is because the ritel industry is always connected to the basic needs of every person who provides a variety of commodities, ranging from food, building materials, clothing, toys, pakaian, ointments, cosmetics, and other items (Lucintel, 2012). Thus, the ritel industry will continue to face challenges, particularly from the constantly growing population and rising average daily income due to changing market trends. According to Businesswire, from 2013 to 2018, the global ritel business had growth of 6.9%. (Businesswire, 2016). The global ritel business expansion, however, is not entirely dependent on ritel companies operating as middlemen in international trade activities.

From year to year, the international business sector has been dominated by reputable companies. From the 1990s forward, ritel companies have been aggressively leading the global market's internationalization (Telma, 2018). As an example, conventional businesses like Walmart, Tesco PLC, Kroger, Costco, and Carrefour1 have long since dominated the global business landscape by developing strong operational networks across a few developing nations. However, given the rapid advancement of artificial intelligence (AI) technology in this increasingly complex globalized era, traditional business models have begun to shift toward a digital landscape. The year 1990, marked by the launch of Tim Berners Lee and Robert Cailliau's "Hypertext" project, which resulted in the creation of the World Wide Web, marked the beginning of the worldwide economic revolution. These developments in internet technology were then applied to traditional business, eventually leading to the creation of a new business model known as electronic commerce, or e-commerce.

E-commerce is a business service that includes promotions, online sales of goods and services, as well as online payments made using electronic devices such as computers, laptops, and smartphones that are connected to the internet (Nuryanti, 2013). E-commerce emerged as a solution that could speed up international trade transactions by addressing a few issues, including the requirement that trade fees be reduced by up to 60% when compared to traditional trade models because e-commerce could utilize the internet and telephone as promotional media (Dekker, 2017). In addition to that, e-commerce can also determine a faster and more efficient time frame for carrying out sales transactions, wherever and whenever they occur. Thus, e-commerce as a business is quite attractive in today's modern economy since it offers benefits that are advantageous to a few legitimate businesses.

During the 1990s, e-commerce businesses began to grow rapidly and expand globally, influencing internationalization efforts to every country in the world. As a result, the state of the industry began to represent the global business market (Telma, 2018) more fully. The year 2000 can be considered the "Golden Age" for e-commerce companies, as they began to evolve into new frontiers capable of bringing about significant changes in the contemporary economic landscape. Even to this day, e-commerce businesses have succeeded in overtaking traditional businesses in the global ritel market. This is caused by the increasing number of people who are more willing to transact online through the websites of e-commerce companies. The following is a graph showing the growth in the number of online sales that was conducted over the course of the last five years, namely from 2014 to 2019.

The number of online shoppers around the world continues to increase every year. Even though it is estimated that in 2019, total online retail sales will continue to increase to reach 2.1% (Statista, 2018). So that this condition becomes the main factor that makes conventional retail companies begin to be increasingly eroded and endangered. In 2018 alone, conventional retail companies have lost their market share by 30%, due to the presence of e-commerce companies in the global retail industry which are increasingly in demand by the public (Baderi, 2017).

In each year the number of e-commerce companies continues to increase. In 2016, Gust.com noted that there were 11,305 e-commerce companies worldwide, of which 1,368 were from Asia-Pacific, 1,172 from the Middle East & Africa, 3,701 from Europe, 3,269 from the USA & Canada, and 1,795 from Latin America (Gust.com, 2016). Of the many e-commerce companies, there are two e-commerce companies that until now have been intensely competitive and become dominant players in the global market including Amazon.com and Alibaba Group Holding Ltd. Initially, the e-commerce industry in the international market was dominated by Amazon.com who first explored the global market. But since 2014, Alibaba Group Holding Ltd has been present by creating a bigbreakthrough through its worldwide shopping festival known as "Single's Day" (Griswold, 2014).

Single's Day or Guanggun Jie is the first online shopping festival created by Alibaba Group Holding Ltd in increasing sales transactions ranging from the Chinese domestic market to the international market. This Single's Day shopping festival offers cheaper prices with attractive discount options and free shipping services abroad for products sold through Alibaba Group Holding Ltd's online platform. Alibaba Group Holding Ltd began launching the "Double 11" offer which coincided in November 2011 or is often known as 11.11. So that in the end the online shopping festival "Single's Day" is routinely held every year on November 11 (Christaelim, 2016). According to a report from the global business magazine Fortune.com, Alibaba Group Holding Ltd managed to create the largest sales record for 4 consecutive years, to exceed the total sales of the combined Amazon and eBay shopping festivals known as Black Friday and Cyber Monday3 (Christaelim, 2016). Here's a comparison of results Single's Day, Black Friday, and Cyber Monday sales from 2014-2017, the growth of total Single Day sales continues to increase every year with an average growth of 27.1%. Even three times higher than Black Friday's total sales with an average growth of 17.9% and Cyber Monday which only reached 24.4% during 2014 until 2018. Of course, through the growth of the ever-increasing Single Day sales, it is a big leap created by Alibaba Group Holding Ltd in balancing the strength of Amazon.com. Until now, Alibaba Group Holding Ltd has managed to become one of the fastest growing global e-commerce companies. The following will be explained in more detail about Alibaba Group Holding Ltd.

### b. Alibaba Group Holding Ltd Profile

Alibaba Group Holding Ltd is a multinational company from China headquartered in the capital of Zhejiang province, Hangzhou, East China (Welch, 2016). Alibaba Group Holding Ltd operates an electronic commerce business that acts as a third party or intermediary to serve retail and wholesale trade by helping to connect exporters and consumers in China's domestic and international markets. Alibaba Group Holding Ltd was officially established on the 4th of April 1999 by an English teacher from one of the local Universities in Hangzhou China is named Yun Ma or Jack Ma.

The history of the establishment of Alibaba Group Holding Ltd, began with Jack Ma's experience during a visit to the United States which then his friend showed and told Jack Ma, that almost everything is on the internet. At the time Jack Ma tried to search for Chinese beer on the internet but did not produce a single choice in Chinese. In fact, he hardly found anything about China on the Internet. While basically, China is identical as a country that has a high economy, one of which is through the trade business that is widely developed by entrepreneurs in China. This ultimately made Jack Ma take the initiative to create a marketplace aimed at helping provide access for entrepreneurs in China to be able to market their products both in the Chinese domestic market and the international market.

After returning to Hangzhou, Jack Ma and 16 friends took the initiative to build a company operating in online commerce (E-commerce) with a total fund of US $ 60,000 in an apartment located in the residential area of Lakeside, Hangzhou (S. A. Liu, 2009). The word "Alibaba" was chosen by Jack Ma as the name of the e-commerce company he founded. This is because "Alibaba" has clear syllables and is easy to pronounce and spell in various languages. The choice of the word "Alibaba" is also based on a famous fairy tale, namely in the film entitled "One Thousand and One Night" with the main character, Ali Baba. In this film, there is a cave in which it is filled with gold and other hidden treasures. But there is a secret code to get into the cave. The secret code is "Open Sesame".

When Alibaba is associated with the film entitled "One Thousand and One Night" as the choice of the name of the company built by Jack Ma, it is hoped that Alibaba company can open the gate to wealth and luck for the business built by Jack Ma and 16 other founders (Kim, 2014). Therefore, Jack Ma has set three main objectives for the establishment of Alibaba Group Holding Ltd., including: a) Make it easier to do business anywhere and anytime b) Become an important partner for all businesspeople c) Build a company that lasts for at least 102 years.

In accordance with the vision and mission above, the main purpose of establishing Alibaba in an effort to make it easier to do business anywhere and anytime and become an important partner for all business people, Alibaba Group Holding Ltd will increase productivity and promote trade integration that connects international and regional markets through export-import by providing direct access for exporters and consumers, both in China's domestic market and international markets (Alyoubi, 2015). So that they can conduct cross-border trade transactions that are more fair, profitable, and efficient by relying on innovations from Alibaba Group Holding Ltd's digital technology network. Until 2017, Alibaba Group Holding Ltd has successfully connected exporters / companies in China and from other countries with consumers spread over 190 countries around the world. In addition, Alibaba Group also has more than 70 official offices spread across several regions ranging from America, Asia, Europe, New Zealand, and Australia as access to facilitate the trade process between exporters / companies and consumers abroad (Chaturvedi, 2017).

While another goal is to develop Alibaba Group Holding Ltd that has lasted for at least 102 years, strong company management needs to be used as a tool in accelerating the company's development in the future. Good company management must have an organizational structure consisting of people with qualified human resources. This is very important, because it can create the right strategy in achieving the company'smain goals.

### c. Alibaba Group Holding Ltd. E-commerce Business Development

Alibaba Group Holding Ltd is now the second largest global e-commerce company with a rapidly growing presence. According to an analyst from B.Riley & Company, this growth can be seen through the total Gross Merchandise Volume (GMV) and the number of active shoppers on Alibaba's marketplace. These figures were collected from 2014 to 2018. The following graph will illustrate this growth.The number of active consumers who shopped and the total GMV (Gross Merchandise Volume) of Alibaba Group Holding Ltd increased every year from 2014 to 2018. The average growth rate of the total number of active consumers who bought goods on Alibaba Group Holding Ltd.'s marketplace was 25.78%. Meanwhile, the average growth rate of the total GMV of Alibaba Group Holding Ltd was 15.02% during the years 2014 to 2018. Alibaba Group Holding Ltd has become one of the most successful e-commerce companies with continuous growth until 2018. This success can be attributed to their two main markets, namely the domestic market in China and the international market. The domestic market in China has been the largest market for Alibaba Group Holding Ltd, and this will be explained in more detail below, along with their growth in the international market.

Since the mid-2000s, the e-commerce business in China has become increasingly popular. China and the United States are the two countries that dominate the global online retail market. In 2014, the Chinese e-commerce market continued to experience rapid growth, surpassing that of the United States. The National Bureau of Statistics of China reported that in 2018, China remained the world's top-ranked country with a total online retail sales of 28.6%, which was an increase from 23.9% in 2017 (Melton, 2019). The development of China's e-commerce market is not unrelated to the participation of several local e-commerce companies in the country. Alibaba Group Holding Ltd is one of the most valuable companies among other e-commerce companies in China (Shearman, 2014). That is because Alibaba Group Holding Ltd, as the main e-commerce driver in the domestic market, has handled all the total online retail sales in the country. The National Bureau of Statistics of China (NBS) reported that Alibaba Group Holding Ltd has contributed 92% of the total transaction sales volume or GMV (Gross MerchandizeValue) of China's e-commerce trade (Suja, 2018).

Alibaba Group Holding Ltd is currently the top player and dominant force in the Chinese e-commerce industry. According to data from the CLSA (Credit Lyonnais Securities Asia) Commission in Hong Kong, 80% of online shopping in China is conducted through Alibaba Group Holding Ltd.'s online platform (Wright, 2014). The total revenue generated by Alibaba Group Holding Ltd through sales in the Chinese ecommerce market has been consistently increasing every year, as indicated by the following graph.Total revenue from Alibaba Group Holding Ltd.'s e-commerce sales in China's domestic market increased annually with an average growth of 41.5% from 2014 to 2018. Alibaba Group's success of e-commerce sales in the Chinese domestic market is thanks to its two main portals, namely Taobao.com which focuses on C2C (Consumer to Consumer) transactions and Tmall.com which operates on B2C (Business to Consumer) (Wright, 2014). In the beginning of the business C2C e-commerce in China is dominated by eBay. eBay is one of the most popular global e-commerce companies founded by Pierre Omidyar on September 3, 1995, and headquartered in San Jose, California, United States. eBay began to expand its business expansion in the Chinese domestic market since 2002. At the time, eBay was the only C2C e-commerce company in high demand among consumers in China. But eBay's dominance in China's C2C ecommerce market didn't last long. Because in 2003, Alibaba Group

Holding Ltd also established a marketplace specifically aimed at developing C2C business, namely Taobao. Slowly customers on eBay began to be interested and switched to using Taobao. This is because, Taobao provides a more attractive and most ideal offer for customers in China by not charging registration fees to customers who will sell their products on Taobao's shopping site. The following is a chart of the market share development between eBay and Taobao during 2002-2007.

The market share of eBay in China has been declining every year, while the market share of Taobao has been rapidly increasing. The latest data shown in 2006 indicates that Alibaba Group Holding Ltd had a market share of 67%, while eBay had only a market share of 29% (Wang, 2010). This made it increasingly difficult for eBay to regain opportunities in dominating the e-commerce market in China. Eventually, on December 20, 2006, Meg Whitman, CEO of eBay, officially announced the withdrawal of eBay and cessation of operations in China (H. Wang, 2010). Since then, Alibaba Group Holding Ltd has managed to become a major player and even until 2017, Taobao still continues to lead the C2C e-commerce market in China with a market share of around 83% (Alibabagroup, 2017). Jack Ma described Alibaba Group Holding Ltd.'s struggle in winning its competition with eBay in the Chinese e-commerce market through a famous speech called "The Crocodile of the Yangtze" which tells that eBay is a shark in the ocean and Alibaba is a crocodile in the Yangtze River (Stehr, 2015). Like the following: "eBay is a shark in the ocean. We are a crocodile in the Yangtze River. If we fight in the ocean, we will lose. But if we fight in the river, we will win." –Jack Ma- (Hong, 2014).

Alibaba Group Holding Ltd is not only growing rapidly in China's domestic market, but also in the international market. If the development of Alibaba Group in the Chinese domestic market is inseparable from the two main e-commerce platforms it operates, namely Taobao.com and Tmall.com, then for the development of Alibaba Group in the international market to succeed in becoming one of the main players in the global ecommerce business, namely by operating Alibaba.com. Alibaba.com is the first business owned by Alibaba Group Holding Ltd, which was established in 1999. Alibaba.com to be the world's largest and leading online wholesale platform focused on B2B (Business to Business) business models and specifically for global trade. In 2017, Alibaba.com was able to serve consumers in more than 240 countries (Cehn, 2017). Alibaba.com operates in the international market and competes with Amazon.com, which is the first B2B ecommerce company in the global e-commerce industry and operated in the international market before Alibaba.com. Amazon.com is one of the subsidiaries of Amazon Inc, founded on July 5, 1994, by Jeff Bezos and headquartered in Seattle, Washington, United States (Sudibyo, 2017). Amazon.com is a major player that contributed to the growth of e-commerce in the United States, accounting for 43.1% of it (Jessica, 2019). Initially, Amazon.com was known as an online bookstore, but over time, it has expanded its product selection to include electronics, food items, software, web services, DVDs, games, videos, music, clothing, shoes, health products, and more (Pahwa, 2018). Until now, Amazon.com and Alibaba.com have become the largest global B2B e-commerce companies competing in the international market. The following is a graph of total revenue through e-commerce sales from Amazon.com and Alibaba.com in international markets taken over the past four years from 2014 to 2018,from 2014 to 2018, total revenue from sales of Amazon.com and Alibaba.com in international markets both increased every year. However, Amazon.com still leads with higher total revenue when compared to Alibaba.com. Although Alibaba Group Holding Ltd has a much lower total revenue than Amazon.com, in fact the average total growth of Alibaba.com's Gross Margin, Operating Margin, EBITDA Margin and Net Margin in international markets during 2014-2018, is much greater than Amazon.com.

The total average growth of Alibaba.com's Gross Margin, Operating Margin, EBITDA Margin, and Net Margin during 2014-2018 is much greater than Amazon.com's. One of them is influenced by the Alibaba.com business model that creates more profits, because Alibaba.com only acts as an intermediary that facilitates transactions from buying and selling between sellers and buyers. While Amazon.com not only provides a platform for sellers, but Amazon.com also simultaneously sells their own products (Lewis, 2018). So that makes Amazon.com must compete with sellers on his website. Therefore, Alibaba.com business generates more profit when compared to Amazon.com. Even The Wall Street Journal has predicted that if Alibaba's growth continues to increase, it is not until 2040 that Alibaba has the potential to shift the position of Amazon.com which until now still leads the global e-commerce industry (Koft, 2018).

## III. ALIBABA GROUP BUSINESS EXPANSION TO THE ASIA-PACIFIC REGION

Alibaba Group Holding Ltd has become one of the fastest-growing e-commerce companies, both domestically in China and internationally. Despite its success, Alibaba Group continues to strengthen its business by expanding overseas and exploring regions with promising e-commerce markets for its future growth. Several countries in North America and Europe that have promising e-commerce markets to have become regions of business expansion. However, since 2015, Alibaba Group has started to enter the e-commerce market in the Asia-Pacific region. In fact, this business expansion is its most aggressive move overseas.

Before Alibaba Group's business expansion to the Asia-Pacific region, the dynamics of the development of the global e-commerce market to the Asia-Pacific region is the next business expansion target of Alibaba Group after expanding in North America and Europe. Then it will also be explained how the potential e-commerce market of several countries in the Asia-Pacific region a profitable opportunity for Alibaba Group's growth can be. And ended with an explanation of how the business expansion strategy chosen by Alibaba Group and which countries until 2019 have become its business expansion area in the Asia-Pacific region.

**3.1 Dynamics of Global E-commerce Market Development**

From year to year the global e-commerce industry continues to experience rapid development as a new engine of the contemporary economic revolution. This is inseparable from the explosion of the number of internet users and the trend of online shopping that continues to increase exponentially. The increase in Internet access that has been fighting is important as the main medium in the mechanism of online buying and selling transactions or often known as online shopping. Through the internet everyone can make buying and selling transactions of goods and services without having to spend excessive time, energy, and costs. So that this triggers people to prefer to do shopping online, because it becomes easier, more efficient, and more interesting than having to do shopping transactions offline. The following is a look at the total number of internet users as well as the total of retail e-commerce sales worldwide taken from 2000 to 2015.From 2000 to 2015, total internet users worldwide continued to increase and were also accompanied by an increase in total retail ecommerce sales. For the growth of total internet users around the world itself has increased by an average of 27.99%. Meanwhile, the growth of total global retail ecommerce sales increased by an average of 23.95%, where total e-commerce sales in each region varies. The following will also show how the growth of total e-commerce sales in each region around the world was taken from 2012 to 2016*.

The growth of the e-commerce market in various regions continues to increase every year. However, in 2015, the growth of the ecommerce market in some regions started to change. In that year, the Asia-Pacific region showed a new breakthrough with the booming development of the e-commerce market. The total e-commerce sales in the Asia-Pacific region in 2015 increased with a growth rate of 38.2%, which is much higher compared to the North American region that only reached 28.8%. Asia-Pacific has significant potential for e-commerce business growth for several years to come. Even the Economic Research Institute for ASEAN and East Asia has predicted that growth in the Asia-Pacific region will remain the center of global e-commerce by accounting for two-thirds of the existing e-commerce market worldwide by 2025 (Chen, 2017).

Internet sales have played an increasingly significant role in retailing. In 2023, ecommerce accounted for over 19 percent of retail sales worldwide. Forecasts indicate that by 2027, the online segment will make up close to a quarter of total global retail sales.Online shopping has grown steadily in popularity in recent years. In 2021, global online retail sales amounted to almost five trillion U.S. dollars, a figure expected to exceed seven trillion U.S. dollars by 2025. Digital development in Latin America boomed during the COVID-19 pandemic, generating unprecedented e-commerce growth in various economies across the region. So much so that Brazil and Argentina appear to lead the world's fastest-growing online retail markets. This trend correlates strongly with the constantly improving online access, especially in "mobile-first" online communities, which have long struggled with traditional fixed broadband connections due to financial or infrastructure constraints but enjoy the advantages of cheap mobile broadband connections.

The average order value of online shopping via smartphones and tablets still lags traditional e-commerce via desktop computers. However, e-retailers around the world have caught up in mobile e-commerce sales. Online shopping via smartphones is particularly prominent in Asia. By the end of 2021, Malaysia was the top digital market based on the percentage of the population that had purchased something by phone, with nearly 45 percent having made a weekly mobile purchase. South Korea, Taiwan, and the Philippines completed the top of the ranking.

**3.2E-commerce Market Potential in the Asia-Pacific Region**

The Asia-Pacific region's booming e-commerce market since 2015 has become the fastest growing new contributor to the global e-commerce market, taking on North America and Western Europe, previously the largest e-commerce markets. Forrester Research said that the growth of e-commerce in the Asia-Pacific region has been driven by five countries that have the largest e-commerce markets including China, Japan, South Korea, India, and Australia (Greene, 2014). China as the main engine of Asia-pacific ecommerce growth, has a lot of room for promising e-commerce market growth. This is because the country with a population of 1.371 billion in 2015, has the largest total internet users in the world reaching up to 688 million people. Where the number ofinternet users at that time increased by 6% from the previous year (Steven, 2017). The growth of internet users is strong in China, making the growth of online shopping in the country also increasing. In 2015, China had e-commerce sales of US$ 358.59 billion with a growth of 43.3% calculated from the previous year. Even China has been projected to continue to lead the e-commerce market in the Asia-Pacific region with total online sales reaching almost US $ 180 billion by 2020 (Shirley, 2016).

Apart from China, Japan is the only country in the Asia-Pacific region with a highly developed e-commerce market. The growth of e-commerce in Japan has undoubtedly presented numerous opportunities for the fastest-growing e-commerce business worldwide. As late as 2015, a country with a population of approximately 127,1 million entered the e-commerce space, making it the largest in the world. Online sales of the product reached around US$ 135.54 million and experienced a 6.7% decline. This is mostly because Japanese people have a high number of internet users; most Japanese people have access to the internet every day. In 2015, the number of internet users in Japan surpassed 64,9 million and experienced a growth of approximately 7.8% compared to the previous year, which only reached 60,2 million users (eMarketer, 2016). As per the report of the Ecommerce Foundation of Japan, the growth of the e-commerce market in Japan is expected to stabilize in the coming years (Bernard, 2015).

South Korea is a neighboring country to Japan that has a thriving e-commerce market in the Asia-Pacific region; in fact, Korea Selatan holds the top spot in the world rankings. With a population of over 51,01 million, the country has the fastest-growing online retail sector in the Asia-Pacific region. In 2015, the number of online sales in Korea South reached US$ 21.92 billion and was experiencing growth up to 4.8%, which was less than the amount in 2014, which had only reached US$ 20.24 billion (Bernard, 2015). The growth of e-commerce in South Korea has been increasingly flourishing recently, with most of the results attributed to the increasing use of the internet every year. In 2015, Korea South had the highest rate of internet users worldwide, with 43.24 million users, ranking first and suffering losses from the previous year with 41.12 million users (Statista, 2018). Thus, it is noteworthy that South Korea has emerged as one of the leading nations with a flourishing e-commerce industry that benefits the Pacific region of Asia. According to Statista.com, it has been determined that, in the year 2021.

The country with the best e-commerce market growth in the Asia-pacific region is Australia. Despite having a smaller population than South Korea, Japan and China at just 23.85 million people, Australia is part of the Asia-Pacific region's strong e-commerce market powerhouse. In 2015, Australia had an e-commerce market of US $ 10.76 billion and the growth rate was much higher than the previous year to reach 5.1% (eMarketer, 2015) with 15.99 million internet users (Statista, 2019). The e-commerce market opportunity in Australia for the next few years has also been projected by Statista, that by 2021 Australia's total online sales will reach US$ 25.2 billion with a growth rate of up to 25%.

The potential of India's e-commerce market should also be considered as one of the drivers of the growth of the online retail industry in the Asia-pacific region. This is because India has the most dynamic and rapidly growing e-commerce market. In 2015, the country with a population of 1.309 billion people, had total e-commerce sales of US $25.65 billion and the growth reached 30.3% much higher when compared to Japan, Australia, and South Korea (Bernard, 2015). This increase in e-commerce sales in India is fueled by the growth of the increasingly strong internet. In 2015 alone, India managed tooccupy the second position as the highest internet user base in the world with a total of 259.88 million people and increased from 2014 which only reached 243 million people (Statista, 2018). Looking at the promising prospects for online sales in India, Deloitte India and the Retail Association of India predict that by 2021 India will hold a strong position as the third largest e-commerce market in Asia and even the fourth largest in the world with total online sales approaching US$ 1.2 trillion (Businesstoday, 2019).

The APAC E-commerce Market size is estimated at USD 4.20 trillion in 2024, and is expected to reach USD 6.76 trillion by 2029, growing at a CAGR of 10% during the forecast period (2024-2029). Asia has experienced a rapid increase in internet accessibility and penetration, which has sparked the region's subsequent digitization. Other industries transformed to keep up with the new, technology-driven economy worldwide, along with the area and its residents. The retail sector is one such enterprise. Ready-to-eat food delivery has become a significant market due to enticing, user-friendly apps, tech-enabled driver networks, and shifting consumer expectations. Food delivery services now provide a convenient and efficient way to buy food whenever and wherever customers want.

The invention of online food delivery services came about due to new technological advancements and the COVID-19 outbreak, which compelled food service operators to develop innovative methods and platforms to minimize customer interaction when ordering and eating meals. One of the biggest trends in online retail is platform convergence. Customers prefer an all-in-one shopping experience that includes product ratings and prices, buying, and making payments using the platforms' new online payment options. Consequently, online shopping features are available on portal websites, social media, TV home shopping, over-the-top media services (OTT), etc. As a result, their platforms are becoming more popular. E-commerce enterprises generally store customers' bank accounts and credit card information. Email addresses, mailing addresses, usernames, and passwords are usually held by e-commerce enterprises, subjecting them to cybersecurity attacks. Cybercriminals profit from this information by duplicating credit cards and utilizing users' personal information for identity theft and fraud. Hackers may potentially hold sensitive data hostage for ransom. Furthermore, the supply chain of the ecommerce market was disrupted mainly due to the COVID-19 pandemic. Despite creating new opportunities for growth in terms of non-cash payments that could be realized during the forecast period, the

COVID-19 pandemic slowed operations in merchant categories like restaurants, grocery stores, apparel stores, and jewelry stores, which predominantly use online payments. This further created an overall positive impact on the market studied.

### 3.3 Alibaba Group Business Expansion to the Asia-Pacific Region

Alibaba Group is interested in expanding its global presence in the Asia-Pacific region due to the promising and continuously growing potential of the e-commerce market in some countries in that region. Since 2010, the Chinese economy has been experiencing a slowdown, with the country's GDP growth declining every year. This has prompted Alibaba Group to actively seek new and more dynamic markets outside of China's domestic market. Below is a graph showing the GDP growth of China from 2010 to 2015, it is evident that China's GDP growth has been declining consistently from 2010 to 2015. This decline is a cause for concern for Alibaba Group Holding Ltd, as it can potentially affect consumer spending behavior in China. Since approximately 80% of Alibaba Group Holding Ltd.'s revenue comes from the domestic market in China, they are taking preventive measures to anticipate an economic crisis and market saturation in China. As a result, the company has planned to target at least 50% of its revenue from outside the domestic market in China by 2025 (Bloomberg, 2016). Therefore, Alibaba Group Holding Ltd is very ambitious in accelerating its new source of revenue by exploiting the e-commerce market opportunities in the Asia-Pacific region.

Alibaba Group has adopted a strategy to accelerate its business expansion in the Asia-Pacific region by investing in several local companies, particularly those that can support its main e-commerce business model. Instead of launching its own e-commerce platform, Alibaba Group has chosen to invest in other companies as the ideal initial strategy to avoid losses or failures in entering new markets. On the other hand, these investments can also provide benefits for the sustainable development of their business in the long term. Two countries that have become the focus of Alibaba Group's business expansion in the Asia-Pacific region are India and Indonesia. This article will explain in more detail how Alibaba Group is expanding its business in India and Indonesia.

Alibaba Group Holding Ltd expanded its business to India as the first country in the Asia-Pacific region. In 2015, the company started investing in the Indian e-commerce market by investing in a local e-commerce company and an Indian telecommunications company. Alibaba Group invested millions to billions of dollars in local companies to capture the rapidly growing e-commerce market in India. It all started with an investment in Snapdeal, the second-largest e-commerce company founded by Kunal Bahl and Rohit Bansal on February 4, 2010, with its headquarters in New Delhi, India. Snapdeal is a marketplace that offers a variety of everyday products such as clothes, accessories, electronic books, and more, ranging from local to international brands.

Earlier in 2014, Alibaba Group had already negotiated to invest in Snapdeal, at which time Snapdeal was in the process of raising funds with several other investors. As of August 18, 2015, Alibaba Group Holding Ltd decided to invest its first stake inSnapdeal with US$ 500 million and made Alibaba Group's ownership stake to 4.14% (Johari, 2015). Through the investment aims to help improve Snapdeal's e-commerce ecosystem especially in achieving a larger share of the Indian e-commerce market and to help Snapdeal compete with larger e-commerce companies in India such as Flipkart and Amazon (Josline, 2015).

Alibaba Group has invested not only in local e-commerce companies but also in one of India's largest mobile payment and trading platforms, Paytm, to develop their business network in India. Paytm is a subsidiary of One Communications Limited, a leading telecom company in India. According to The Economic Times data, the number of Paytm users increased from 11.8 million in August 2014 to 104 million in August 2015. The rapid growth in Paytm users is one of the reasons why Alibaba Group is interested in collaborating with Paytm. On September 29, 2015, Alibaba Group signed an agreement and announced a strategic investment of $680 million in Paytm. From the investment, Alibaba Group has a 40% ownership stake and makes it the largest shareholder in Paytm (Singh, 2015). Through investment that Alibaba Group aims to capitalize on the opportunities of India's fast-growing e-commerce and digital payments industry by supporting Paytm's enhanced payments ecosystem including increasing its workforce, expanding its network of operations, and building expertise in online-to-offline models. So, it can also allow Alibaba Group to make further breakthroughs into India's ecommerce and digital payments sector (Shukla, 2015).

However, the expansion of Alibaba Group Holding Ltd.'s business in India is facing quite challenging obstacles. As of 2016, the competition in India's e-commerce market has been intensifying. Amazon.com entered the Indian market earlier in 2012 by launching its own online shopping site called Junglee.com (BBC News, 2013). Amazon's market share has been steadily increasing and by 2016, it had occupied the second position with a 35% market share. Amazon.com is highly ambitious about winning the ecommerce market dominance in India. To achieve this, it has invested $5 billion in its supply chain more efficiently. This includes building 41 logistics warehouses to improve and expedite its services to customers (Forbes, 2016).

Meanwhile, Flipkart still leads the Indian e-commerce market with a market share of 38%. But unlike Snapdeal, which became an investment place Alibaba Group Holding Ltd, it decreased in 2016 by occupying the third position which only reached a market share of 13% (Variyar, 2017). This condition ultimately made Alibaba Group Holding Ltd try to find other e-commerce markets in the Asian region to continue to support the growth of its business. At least other markets in the Asian region can avoid direct competition with Amazon.com which has been Alibaba Group's main rival in achieving competitive advantage when competing in the global e-commerce industry (Jarc, 2017). Until finally Alibaba Group chose Indonesia as the next business expansion area.

To start its business expansion in the Indonesian e-commerce market, Alibaba Group decided to acquire Lazada. Lazada is an online store founded in 2012 by a German internet company, Rocket Internet and focuses more on offering a variety of daily necessities such as household goods, electronics, fashion, toys, groceries and so on ranging from local and international distributor brands (Millward, 2016). Lazada is also the most popular online platform that has operated in six Southeast Asian countries including Singapore, Indonesia, Malaysia, Vietnam, Thailand, and The Philippines. Most of Lazada has become major players in six Southeast Asian countries, which at that time Indonesia has contributed 30% to Lazada's online sales. Meanwhile, the second and third positions are occupied by Thailand and the Philippines (February, 2013). Although Lazada is a major e-commerce company in the six countries, since 2013 Lazada has experienced operating losses that continue to swell every year. As reported by Rocket Internet in 2016, which shows the growth of Lazada's total revenue and EBITDA over the last three years from 2013-2015 as follows,during 2013 to 2015 Lazada's sales continued to increase, but for EBITDA growth Lazada itself was at a negative number which also continued to increase every year. Meanwhile, negative figures from Lazada's EBITDAhave shown that the company began to be unhealthy. So, the greater the negative EBITDA number generated, the greater the loss that must be suffered by Lazada. In 2013, it was recorded that Lazada's operating loss reached US $ 58.5 million. Similarly, in 2014, operational losses experienced by Lazada increased by reaching US $ 152.5 million or around Rp 2 trillion. Until 2015, the operational loss suffered by Lazada reached twice as much greater than the previous year of US $ 334 million or around Rp 4.3 trillion (Wijaya, 2016).

From the increasingly mired condition, in the end Lazada had to be willing to sell its ownership shares, in an effort to save the company from operating losses that continued to swell. Until finally Alibaba Group agreed to acquire Lazada on the 12th of April 2016 with an investment fund of US $ 1 billion. Of the investment funds used to acquire shares in Lazada, 50% is used to buy new shares, and the remaining 50% is used to buy shares of old investors who already have shares in Lazada (Fajrina, 2016).

After Alibaba Group Holding Ltd successfully acquired a majority stake in Lazada with an initial investment of US $ 1 billion, then Alibaba Group again increased its ownership shares in Lazada on June 28, 2017, with an investment fund of US $ 1 billion and on March 19, 2018 for US $ 2 billion. So that the total investment fund of Alibaba Group Holding Ltd in Lazada to date reaches US $ 4 billion (Trefis Team, 2017). This also made his ownership shares increase from 51% to 83% (Lamy, 2017).

In addition to acquiring a majority stake in Lazada, Alibaba Group Holding is also integrating its e-commerce ecosystem with Lazada's e-commerce ecosystem. Starting with integrating payment services owned by the two companies. On April 19, 2017, Ant Financial officially announced a partnership to integrate Alibaba Group's Alipay and Lazada's Hellopay. In this partnership, Alipay and Hellopay will drive consolidation in the online payment sector by providing secure, fast, and convenient payment services. After the announcement of the partnership, the Hellopay team automatically became part of Ant Financial and has been renamed Alipay, in accordance with the names of the countries where Lazada operates such as Alipay Singapore, Alipay Indonesia, Alipay Philippines, and so on. Although Hellopay changed its name to Alipay, all features and services owned by Hellopay remain unchanged and separate from Alipay's online payment services which are generally used by consumers in China (Xiao, 2017).

After the corporation between Alibaba Group Holding Ltd and Lazada in integrating Alipay online payment services with Hellopay, the next collaboration is to integrate Lazada.co.id online shopping site with Taobao. In the agreement, Lazada will provide a variety of selected collections from Taobao that can be accessed by consumers in Indonesia. On September 20, 2017, it was officially announced that Taobao's product collection began to be offered in Indonesia. Until 2018 there have been 30,000 Chinese traders registering their products with a total of 400,000 Taobao products in Lazada.co.id (Nur, 2017). The following is a picture of some collections of Taobao products on Lazada.co.id online shopping site,Taobao products have begun to be offered to consumers in Indonesia through Lazada's online shopping site. To enhance this cooperation, Alibaba Group Holding Ltd and Lazada will also jointly introduce the online shopping festival "Global Shopping Festival 11.11" or "Single's Day" held on November 12, 2017. Various offers such as massive discounts of up to more than 50%, free shipping services, and other attractive promos in the shopping festival. This is aimed at increasing the attractiveness of consumers to shop on the Lazada platform online. After one year of the launch of the 11.11 shopping festival, namely in 2018, total sales of products on Lazada and Taobao increased to reach 23% with total sales of 812 million orders. While in 2017 it only reached 657 million (Lim, 2018).

Efforts to build Alibaba Group's business network in Indonesia are continuing. If Lazada has become the initial foothold of Alibaba Group Holding Ltd to enter the ecommerce market in Indonesia, this time Alibaba

Group began to build cooperation with one of the other leading startups in Indonesia, namely Tokopedia. Tokopedia was founded by William Tanuwijaya and Leontinus Alpha Edison on February 6, 2009 headquarters in Jakarta. Unlike Lazada, Tokopedia focuses more on developing a C2C business model by offering products ranging from clothing, accessories, groceries, household appliances, etc. (Cosseboom, 2014). On August 17, 2017, Alibaba Group Holding Ltd invested US$ 1.1 billion in shares to fund Tokopedia (Malaysiandigest, 2017). In the initial investment in Tokopedia, Alibaba Group occupies the position of minority shareholder. Although Alibaba Group Holding Ltd has a position as a minority shareholder in Tokopedia. According to the CEO of Alibaba Group Holding Ltd, Daniel Zhang, that Alibaba Group Holding Ltd and Tokopedia have the same vision, namely in helping small and medium enterprises (Guest Post, 2017). This can be seen from the business model owned by Tokopedia is the same as the business model of Taobao marketplace owned by Alibaba Group Holding Ltd.

From the initial investment funds that have been given by Alibaba Group in 2017, in fact, Alibaba is still very enthusiastic to strengthen its relationship with Tokopedia. On December 12, 2018, Alibaba Group injected its shares into Tokopedia. However, in the second round of stock investment this time, Alibaba Group is not alone, but together with SoftBank Vision Fund and other participants such as Softbank Ventures Korea and several investors in Tokopedia, have injected funds of US $ 1.1 or equivalent to Rp 16 trillion (exchange rate Rp 14,500) (nusantaratv, 2018). Until then, Alibaba Group itself already had a 25.19% ownership stake in Tokopedia (Purnomo, 2018).

This injection of new investment funds by Tokopedia will be used to improve the best infrastructure and technology development and support local businesses, especially opening up potential and opportunities for Tokopedia users in the future (Simorangkir, 2018). As planned by the CEO of Tokopedia, William Tanuwijaya, the US$ 1.1 billion investment fund provided by Alibaba Group, SoftBank Vision Fund, and several other participations, will be used to develop Tokopedia's ecosystem into Infrastructure as a Services (IaaS), which can support the trade ecosystem such as payments, logistics, fulfillment and other financial services. So that it can still empower trade, especially local businesses, both offline and online (Zaenudin, 2018).

Alibaba Group's seriousness to build a strong presence in Indonesia is in fact, its biggest business expansion overseas. The following will be shown in a table of investments made by Alibaba Group in overseas e-commerce companies from 2013 to 2017,regarding Alibaba Group investment data released by CrunchBase Inc, shows that Alibaba's business expansion in Indonesia through Lazada and Tokopedia investments which spent US $ 6.2 billion became its largest business expansion abroad (Matthews, 2017). However, the largest business expansion carried out by Alibaba Group Holding Ltd does not mean it has no obstacles. In fact, this fragmented Indonesia is the biggest challenge. Moreover, Indonesia still has a low e-commerce market share when compared to other countries in the Asia-Pacific region that have an e-commerce market share above 1%, where in 2015 Indonesia's e-commerce market share only reached 0.6% (Singapore Post, 2014). This is also because logistics infrastructure in Indonesia, which is only ranked globally at 63rd (Supriyadi et al, 2016), is still relatively weak such as lack of transportation equipment and unsupported logistics warehouse associations, inadequateand challenging IT management, actually making the process of shipping goods more expensive and certainly takes longer, which in turn will also affect the growth of the ecommerce market in the region. So that it becomes a major issue for Alibaba Group Holding Ltd's business expansion in the Indonesian e-commerce market (Dahwilani, 2016).

Infrastructure and logistics ecosystem are crucial for the success of businesses, and therefore, Alibaba Group Holding Ltd should focus on expanding its business in countries that have strong infrastructure and logistics. This is because strong logistics and infrastructure are key factors in speeding up the success of overseas expansion. If we look at the potential e-commerce market in the Asia-Pacific region, Alibaba Group has bigger market options, such as Japan, South Korea, and Australia, compared to Indonesia. This can help them avoid direct competition with Amazon.com in the Indian e-commerce market.

In 2015, Japan had an 8.3% share of the e-commerce market and ranked 10th in the world for having the best logistics infrastructure. South Korea had a 6.7% e-commerce market share and ranked 21st for logistics infrastructure. Australia had a 5.8% ecommerce market share and ranked 19th for logistics infrastructure. These three countries could be profitable expansion targets for Alibaba Group Holding Ltd. However, Alibaba Group ultimately chose to pursue its largest business expansion in Indonesia, despite its weak logistics infrastructure and lower e-commerce market share compared to South Korea, Japan, and Australia.

## IV. REASONS THE ALIBABA GROUP CHOSE TO CONDUCT ITS BIGGEST BUSINESS EXPANSION TO INDONESIA

Alibaba hopes to get a stronger hold on the online retail market in Southeast Asia through this acquisition, particularly in Indonesia, the largest economy in the area and one where Internet and smartphone penetration have been growing quickly recently, albeit from a low foundation. There are 560 million people living in the five Southeast Asian countries where Lazada is now operational (of which an estimated 35 percent are online and hence potential online buyers). But Southeast Asia also presents a difficult environment for e-commerce businesses because of the region's logistical challenges (which stem in part from the region's inadequate infrastructure) and the dearth of warehouses outside of more developed countries like Singapore.

With the implementation of the China-ASEAN Free Trade Agreement (CAFTA) on January 1, 2010, tariffs on about 90% of imported goods between China and Indonesia are zero percent. China's manufacturing industry is more developed than Indonesia's, and the country also has cheaper logistics costs, therefore the adoption of CAFTA has resulted in a constant flow of Chinese products entering Indonesia. As a result, there is a growing trade deficit and Indonesia's manufacturing sector is not developing as much. This is because importing goods from China is faster and less expensive than investing in expensive, lengthy import-substitution industrialization.

2015 saw Indonesia import $29.22 billion worth of non-oil and gas items from China, while exports to China came to a total of $13.26 billion, meaning Indonesia ran a trade deficit of around $16 billion that year. This stands in sharp contrast to the pre-2008 period, when Indonesia dominated trade with China.

Now that Alibaba owns a majority stake in the Indonesian e-commerce platform Lazada, which has a growing customer base, there could be two possible outcomes: (1) an increase in the flow of Chinese products into Indonesia due to Lazada's stronger ties with China, which would put pressure on the country's trade balance; (2) a threat to the position of local Indonesian start-up e-commerce businesses like Bukalapak or Tokopedia, as Lazada is expected to receive funding from Alibaba for expansion purposes and will have easier access to cheaper Chinese products (more competitive).

**a. Market Potential in Indonesia from the Aspect of Total E-commerce Retail Sales Growth**

In 2021, the e-commerce market in Indonesia generated a revenue of around 56 billion U.S. dollars. This was a significant increase of almost 20 billion dollars compared to 2020. This was most likely a result of the changed consume behavior during the covid19 pandemic. The Statista Digital Market Outlook estimates that revenue will continue to increase and by 2027 reach around 104 billion U.S. dollars Indonesia is a particularly attractive market for e-commerce, with a population that averages 3.9 hours per person per day on mobile internet, more than the South-east Asian average of 3.6 hours per day, according to a 2017 joint research publication by Google and Temasek. Highlighting the market’s strength, both figures are significantly higher than the average in China (three hours per day), the US (two hours per day), the UK (1.8 hours per day) and Japan (one hour per day). An estimated 171.2m Indonesians, or almost two-thirds of the population, were internet users at the beginning of 2019, according to a survey by the Indonesian Internet Service Providers Association.

While the market is in the early stages of development, exposure to the internet has facilitated a level of comfort with online transactions. Around 90% of internet users in the country aged 16 to 64 years have purchased goods and/or services online, according to a 2019 report from GlobalWebIndex. The research found that Indonesians spent $20.3bn online in 2018, up 20% from a year earlier. The most popular online products were consumer goods such as fashion, electronics and groceries, which accounted for $9.5bn, closely followed by online travel purchases, which reached $9.4bn. Despite the potential for growth, however, challenges remain.

One significant barrier is the difficulty and high cost of transporting goods around the archipelago, which comprises over 17,000 islands, with many areas not yet connected by a reliable transport infrastructure network. Payment systems is also a challenge, even as the number of credit card users jumped by 60% between 2015 and 2020 to 15m. Around 70% of e-commerce transactions are done via bank transfers, whereas 15% are completed with credit cards. There can also be bottlenecks in the supply chain and long dwell times at ports. However, the government’s prioritization of infrastructure development should help alleviate these strains in the future (see Transport & Infrastructure chapter).

According to the Freedom on the Net rating, Indonesia is ranked as "partly free," which puts it behind South Korea, Japan, and the Philippines but ahead of less liberated Asian online marketplaces like China, Thailand, and Malaysia. This ranking results from a number of restrictions and abuses of user rights, including the blocking of social and political content and the government's implementation of the Law on Information and Electronic Transactions (ITE Law). Anyone found guilty of internet defamation charges faces severe penalties under the ITE statute, including lengthy prison terms and hefty fines. This law has also been applied to Facebook comments and blog posts, which has caused self-censorship among internet users and writers as well as an atmosphere that is becoming more heated online.

In 2022, Indonesia had around 224 million internet users, and this number is projected to reach 270 million by 2028. Indonesia is one of the biggest online markets in the world, with over 204 million internet users. As of July 2021, around 70 percent of the country's population has access to the internet. Mobile messaging and social media are the most popular online activities in Indonesia. Whatsapp is the most widely used social network in the country, with approximately 89 percent of the online population using the platform. Additionally, mobile internet usage is growing at double-digit rates and currently stands at over 64 percent among the population.

Indonesia is one of the largest mobile-first nations in Asia, with most of its population accessing the internet regularly from their mobile phones. This has led to a surge in demand for affordable data prices, better coverage, and improved quality of service, which the country's internet providers have responded to by offering attractive data pricing plans and improved data-oriented mobile services to attract more customers.

The Indonesian economy has been showing promise, with an average annual economic growth of about 5% in the last decade. As of 2019, Indonesia's income per capita is US$4050, and the country is now on its way to achieving upper-middle-income status. Indonesia has managed to escape the lower-middle-income trap that it has been trapped in since 1985 by improving the human capital through increased attention to education and poverty reduction. This has resulted in a significant reduction in poverty and a significant growth in the middle-class or middle-income population. According to the National Socio-Economic Survey (SUSENAS), the middle-class household grew from only 9% in 1993 to more than 20% in 2019. The middle class also works as an engine for growth, supporting nearly half of total national consumption. They are more likely to have better human capital, work as white-collar workers, and mostly live-in urban areas. Due to the greater education and skills, most of those in the middle class have greater access to working in the formal sector jobs, and some are increasingly running productive businesses or entrepreneur which drives growth and creating jobs for others (Bank, 2019).

The size and composition of the middle class depends on how welfare is defined. For example, the Asian Development Bank defines the middle class as people spending between $2-20 per day. The World Bank's report "Aspiring Indonesia - Expanding the Middle Class" defines the middle class in Indonesia as people who have less than a 10 percent chance of falling into poverty within the next year. Specifically, this includes those whose per capita household consumption is around 3.5-17 times the poverty line. Using data from the National Socio-Economic Survey (SUSENAS) and the Indonesian Family Life Survey (IFLS), the World Bank estimates that the middle class in Indonesia is between 16%-20%.

Indonesia is a major player in the Asia-Pacific (APAC) region. A report from 2022 states that among consumers in APAC, Indonesian online spending accounted for a significant 64% of the nation's total consumer spending. This puts Indonesia on par with India and just behind China, which leads the pack with 66%.Indonesia has a high percentage of online spending due to several reasons. The country's rapid digital transformation, powered by widespread mobile internet access, has led to an increase in online shopping. With the fourth largest global population, Indonesia's growing internet penetration has naturally led to more online transactions.

The 2023 data from Rakuten Insight showcases the online shopping frequencyamong consumers in Indonesia. The majority (37%) shop weekly, followed closely by 36% who shop several times a week, and 15% shop less than once a week. Less frequently, 10% shop almost every day, and a mere 2% never shop online. The e-Commerce market in Indonesia is unique in that consumers tend to engage with it habitually rather than sporadically. This highlights a consistent demand that businesses can take advantage of to their benefit. Furthermore, the small number of consumers who have never participated in online shopping indicates that there is still significant potential for market growth.

**b. Market Openness from the Regulatory Aspect of the Indonesian Government in the E-commerce Business Sector**

During the COVID-19 pandemic, there was a significant increase in online purchases made through e-commerce platforms, both in the business-to-consumer (B2C) and business-to-business (B2B) sectors. In Indonesia, the e-commerce market is dominated by B2C, with regional players such as Shopee (Singapore) and Tokopedia leading the way. Shopee currently holds the largest market share, accounting for US$14.2 billion of Indonesia's total gross market value (GMV). In the first quarter of 2022, Tokopedia was the most visited e-commerce platform, attracting 157 million visitors. Other established second-tier platforms in the B2C sector include Lazada (Singapore), Blibli, and Bukalapak. On the B2B side, the top companies are Ralali.com and Bhinneka. Although B2C has been the main focus of the market for the past five years, Deputy Trade Minister Jerry Sambuaga predicts that the market size for B2B will grow to US$21.3 billion by 2023.

Indonesia's e-commerce sector has experienced a significant rise in recent years due to several factors. The proliferation of digital wallets like GoPay, DANA, OVO, and ShopeePay has positively contributed to the growth of non-cash payment mechanisms in e-commerce. These e-wallets are typically associated with specific e-commerce platforms, such as ShopeePay with Shopee. Moreover, Indonesia has a large, young, and tech-savvy population. According to Statistics Indonesia (BPS), in 2021, the young generation aged 15-29 comprised 24% of the total population of approximately 67 million people. A significant portion of the middle-class, accounting for about 20% of the population, has led to increased smartphone and internet penetration rates. This is evidenced by the number of internet users reaching 73.7% of the total population in January this year. The

Indonesian government is supporting the development of e-commerce, in line with President Joko Widodo's vision for 2045 to advance the digital economy. Specifically, the government is encouraging micro, small, and medium enterprises (MSMEs) to enter B2B e-commerce.

According to Statista, the number of e-commerce users in Indonesia will go up to over 189 million, making up approximately 65% of the total population by 2024. It is also forecasted that Indonesia’s total e-commerce transactions will reach US$137.5 billion by 2025—the highest in the Asia Pacific region—representing 59% of the region’s accumulated transaction value. E-commerce revenue will also increase to US$56.4 billion in the same year.

In November 2019, the Government enacted Regulation No. 80 of 2019 to regulate trade through electronic systems (GR 80), in response to the mandate provided in Law No. 7 of 2014. This regulation aims to establish further regulations on trade conducted via electronic systems or e-commerce, govern such activities, ensure fair and trustworthytrade systems and protect national interests. GR 80 applies to all trade activities conducted using various modes and types of electronic communication systems, both online and offline. It covers legal relations in business-to-business and business-tocustomer transaction.

E-commerce activities regulated under GR 80 can be carried out between business practitioners, customers, individuals and state institutions under the following frameworks within the private law segment: (i) business practitioners and business practitioners, (ii) business practitioners and customers, (iii) individuals and individuals, and (iv) state institutions and business practitioners. The category of business practitioners is divided into three subcategories: 1. Merchants: These are business practitioners who conduct e-commerce activities using facilities directly managed by them or through facilities owned by ecommerce organizers (PPMSEs) or other electronic systems that provide ecommerce facilities. 2. PPMSEs: These are business practitioners who provide electronic communication facilities for trade transactions. 3. Intermediary service organizers: These are business practitioners who provide electronic communication facilities and only serve as an intermediary in electronic communication between the sender and the recipient. This new regulation distinguishes between domestic business practitioners and foreign business practitioners, foreign business practitioners who engage in making business offerings or conducting e-commerce activities to customers within Indonesia will be considered as having a physical presence in the country. This means that they will be permanently conducting business activities within the jurisdiction of the Republic of Indonesia. The criteria for satisfying this condition are outlined in GR 80 and include factors such as the number and value of transactions, the number of shipping packages, and the volume of traffic or number of visitors. As a result, foreign business practitioners who meet these conditions must appoint a representative in Indonesia to act on their behalf.

GR 80 has set forth certain requirements that must be met by parties engaging in ecommerce activities. Firstly, these parties must have a legal subject identity that is clearly disclosed. This identity should include all relevant information pertaining to the location and legal status of the party in question, whether it is an individual or a legal entity. Such information could be found in their identity card, business license, legal entity legalization decree, single business number, bank account or mobile phone number. Secondly, parties engaging in e-commerce activities of goods and services that could potentially impact national security are required to obtain a security clearance.

To protect domestic interests, e-commerce practitioners are obliged to support the government’s promotion efforts by (i) giving priority to the trade of domestic products, (ii) increasing competitiveness of domestic products, and (iii) specifically applicable to local PPMSEs, providing promotional facilities for domestic products. Lastly, PPMSEs must use electronic systems that are in accordance with prevailing laws.

It is required by the regulation for PPMSEs (Payment Providers and Money Services Entities) to keep data and information related to financial transactions for a minimum of 10 years after acquisition. For non-financial data, the minimum requirement is five years. This information must include details about customers, electronic offers, acceptances, confirmations, payments, delivery status, trade complaints and disputes, electronic contracts, and the types of goods and services being traded. PPMSEs are also obligated toprovide and maintain a transaction receipt for all e-commerce activities. This receipt will serve as valid and binding evidence for all parties involved in any e-commerce transactions.

### c. The Political Economy of Alibaba Group's Business Expansion to Indonesia

However, market potential and market openness are not only the only reasons Alibaba Group chose to expand its largest business to Indonesia, but also the political elements that come from the home country government (China) and the host country government (Indonesia). The political importance of President Xi Jinping's ambitious policy to make China the powerhouse of the global digital economy through his latest initiative known as the "Digital Silk Road". President Xi Jinping encouraged Alibaba Group to lead the development of the "Digital Silk Road", especially in the e-commerce sector by making several investments, especially to countries that are the path of the "Belt and Road" initiative, one of which is in Indonesia. Even President Xi Jinping has provided several forms of support such as incentives, tax rebates, and provided a special location to develop China's internet technology development center, to help accelerate and integrate

Alibaba Group's expansion with the construction of the "Digital Silk Road".

In 2013, the Chinese President Xi Jinping introduced the Belt and Road Initiative (BRI). Since its inception, the BRI has turned from a mere vision into a reality. So far, 126 countries and 29 international organizations have signed BRI cooperation documents with China. China's BRI partners are spread across Asia, Africa, Europe, Oceania, and Latin America. In September 2013, during his visit to Kazakhstan, Chinese President Xi Jinping first proposed the creation of the Silk Road Economic Belt, stating that countries with differing races, beliefs, and cultural backgrounds can coexist in peace and development if they maintain unity, mutual trust, equality, mutual benefit, mutual tolerance, learning from each other, cooperation, and the principle of win-win. The following month, while visiting Indonesia, Xi Jinping proposed the idea of a 21st Century Maritime Silk Road. He emphasized that Southeast Asia played a crucial role in the original maritime Silk Road and expressed China's desire to enhance maritime cooperation with ASEAN countries. The concept of the Belt and Road is a blend of history and modern practicality. It is an international economic cooperation initiative proposed by Chinese President Xi Jinping. Its mandate is to strengthen all-round connectivity and create new momentum in world economic growth by being a new platform for international economic cooperation, with a focus on infrastructure construction.

Xi Jinping has proposed that connectivity is the key to the success of the Belt and Road Initiative (BRI). He suggests that the BRI should focus on creating connectivity by combining the development of infrastructure, stronger regulations, and more personnel exchanges. This initiative should include policy communication, infrastructure connectivity, uninterrupted trade flows, financing availability, and people-to-people exchanges. If the BRI is visualized as the wings of an Ascending Asia, then connectivity isthe wings' arteries and veins. President Xi Jinping has repeatedly emphasized that the Belt and Road Initiative is not a single country's undertaking, but an open invitation to all. The initiative is not intended to establish a Chinese backyard, but rather a garden shared by all nations. The goal of the initiative is to promote global growth and prosperity by advocating a Chinese solution.

Over the past six years, the Belt and Road Initiative has launched several major projects, including the creation of the China-Belarus Industrial Park and significant upgrades to the Port of Gwadar in Pakistan. The initiative is also actively involved in agriculture, cross-border connectivity, and the establishment of free-trade zones. Participating nations are now aligning their development strategies with China.

The Addis Ababa-Djibouti Railway, the China-Europe freight train service, and many other employment-generating BRI projects have demonstrated their ability to improve people's lives. Moreover, the Chinese government has advanced several policies designed to strengthen the digital economy as a new engine for economic growth and to promote the building of a global community with a shared future.

Excellent connectivity in the financial sector opens immense opportunities for the financial technology market and increases banking penetration. Indonesia is the world's tenth-largest economy, but it also has the fourth-largest unbanked population globally. The COVID-19 pandemic has brought about a new normal, leading to changes in people's behavior, including a shift towards digital banking and business. Indonesia is currently on its way to becoming a cashless society, with digital financing growing significantly due to the increase in e-wallet top-ups, mobile banking, and e-commerce transactions. Despite the global uncertainties caused by the pandemic, Indonesia is home to 322 fintech (financial technology) companies.

The Indonesian government is currently focusing on developing its telecommunication infrastructure to bridge the technology gap. They plan to connect 9,113 villages with 4G networks by 2022. In 2019, Indonesia launched the Palapa Ring Project in Tanimbar with the goal of providing access to 4G internet service to more than 500 regencies across the country. This project involves laying over 35,000 km (21,747 miles) of land and sea cables, stretching from Sabang, the westernmost city in Indonesia, to Merauke, the easternmost town, and from the northernmost island, Mianagas to the southernmost island, Rote. The improved internet connection will have a significant impact on the country's industries and encourage economic development. However, it is also crucial to address the risks and challenges that come with the digital era, such as cybercrime and data security.

To further support the development of information and communication technology (ICT) in 2021, President Jokowi Widodo announced a budget of IDR 30.5 trillion (around USD 2 billion), which will target accelerating digital government transformation, ensuring effective and efficient public services, particularly in the education, health, and government sectors; consolidating and optimizing shared infrastructure and services; and ensuring public participation in priority development areas; and promoting equality with other Internet access in approximately 4,000 villages and sub-districts in 3T (frontier,outermost, and underdeveloped) regions. Indonesia is still in its early stages of developing a digital economy, but it has a strong foundation. Looking back a decade, e-commerce and ride-hailing services have played a key role in expanding digital technology coverage in Indonesia. This has made it easier to accept new digital business models. By 2025, Indonesia's digital economy is projected to reach USD 130 billion, which will make it the biggest digital economy in the ASEAN region. This number will contribute to 22% of Indonesia's gross domestic income in 2020. Indonesia is also a hub for investment by venture capitalists, including big investors from China such as Alibaba Ant Financial, Baidu, Tencent, and Meituan.

As the second largest digital economy in the world and the home of 162 unicorns, China's digital economy is predicted to reach USD 4.2 trillion in 2025. Given its eye for the digital sector, China has launched a massive Digital Maritime Silk Road project that aims to develop digital connectivity and infrastructure in the region. One of the factors that has supported China's economy in the middle of COVID-19 pandemic pressure is China's development in the digital economy sector. Looking back on the past 70 years of relations between Indonesia and China, there are great opportunities for further cooperation between the two countries. The Strategic Partnership and Comprehensive Strategic Partnership have played an important role in facilitating this cooperation. To address the challenges posed by the COVID-19 pandemic, the Indonesian government established the COVID-19 Mitigation and National Economic Recovery Committee on July 20, 2020, which replaced the Task Force responsible for mitigating the effects of the pandemic.

In 2020, President Joko Widodo's administration launched a new law called the "Omnibus Law" to attract and streamline business processes. The law aims to revise several prevailing laws to address fundamental issues that are hindering business competitiveness in Indonesia. By enacting this law, investors can now enjoy several benefits, such as more certainty in business, streamlined regulations, fiscal incentives, non-fiscal relief such as ease of licensing, more accessible investment locations or sites, and provisions by the government for certain infrastructure for investment locations or areas. This will help secure development and economic sustainability for the country. "Strategic," "long-term," and "prosperous" are the three keywords that best represent the future of the bilateral ties between Indonesia and China. The only challenges ahead are the common issues faced by both nations in dealing with the pandemic and addressing the socio-economic recovery of their people. While there may be different perspectives on specific matters, it is crucial to keep communication open and to minimize tensions that may arise by mitigating public sentiment and voices that could negatively affect the smooth processes of strategic cooperation and ongoing joint efforts between both countries. Therefore, as two great Asian nations with significant influence in ASEAN and the Asia Pacific region, Indonesia and China must synergize and coordinate their power to manage geopolitical, geostrategic, and security challenges in the Asia-Pacific region while also ensuring global peace and security.

## V. CONCLUSION

Alibaba Group Holding Ltd.'s decision to choose to expand its largest business to Indonesia is because Indonesia has a very positive opportunity signal from the potential growth of a large e-commerce market in the future. Although in 2015 Indonesia still has a smaller market size, there is still room to grow for a stronger Indonesian e-commerce market in the future. This can be seen through the average growth rate of Indonesia's total e-commerce retail sales which in fact is much higher than countries with the largest ecommerce markets in the world such as Japan, South Korea and Australia, which these three countries can also become Alibaba Group's business expansion areas. The potential of the growth of the e-commerce market in Indonesia which continues to increase every year, is inseparable from three main indicators that have ushered in the rise of the Indonesian e-commerce market including internet users, the middle class, and online buyers.

Alibaba Group made the strategic decision to acquire Lazada as its first move into the Indonesian e-commerce market. At the time, Indonesia's government regulations prohibited foreign companies from investing in the e-commerce sector. By acquiring Lazada, Alibaba Group was able to understand and adjust to the Indonesian e-commerce market conditions, reducing the risk of failure in its expansion efforts. In May 2015, the government announced plans to revise the regulations, offering foreign e-commerce companies the opportunity to invest in Indonesian startups. On May 25th, 2016, President Jokowi officially approved Presidential Regulation Number 44 of 2016, which is a continuation of the revision of Presidential Regulation Number 39 of 2014 concerning the list of closed and open business fields for foreign investment in Indonesia. This presents a positive opportunity for Alibaba Group to expand its business network further. Subsequently, Alibaba Group decided to invest further in one of the leading startups in Indonesia, Tokopedia. Through Lazada and Tokopedia, both of which will become the main access points in facilitating cross-border trade directly connected to China, bringing Chinese SMEs to sell products from China to the Indonesian e-commerce market.

However, market potential and market openness are not only the only reasons Alibaba Group chose to expand its largest business to Indonesia, but also the political elements that come from the home country government (China) and the host country government (Indonesia). The political importance of President Xi Jinping's ambitious policy to make China the powerhouse of the global digital economy through his latest initiative known as the "Digital Silk Road". President Xi Jinping encouraged Alibaba Group to lead the development of the "Digital Silk Road", especially in the e-commerce sector by making several investments, especially to countries that are the path of the "Belt and Road" initiative, one of which is in Indonesia. Even President Xi Jinping has provided several forms of support such as incentives, tax rebates, and provided a special location to develop China's internet technology development center, to help accelerate and integrate Alibaba Group's expansion with the construction of the "Digital Silk Road".

President Jokowi is aiming to establish a strong digital economy in Indonesia, propelling the country to become the largest "Digital Economy" in Southeast Asia by 2020. This policy has attracted the attention of Alibaba Group, who have decided to expand their presence in Indonesia. President Jokowi officially invited Jack Ma to become the advisory chairman of the "Steering Committee of the Indonesian E-commerce Roadmap". In addition, Alibaba Group has gained approval to invest billions of USdollars in building two new data centers through Alibaba Cloud. One of these centers will focus on developing an e-commerce ecosystem in Indonesia, in line with President Jokowi's policy.

The policies of both the home country and host country governments indicate that Alibaba Group will be a pawn in China and Indonesia's efforts to achieve their political interests in the digital economy era. While Alibaba Group will be a pawn in the two countries' games, it will also benefit from its business development in both the Chinese and Indonesian e-commerce markets. This is because Alibaba Group enjoys political support from the Chinese government and even can lobby the Chinese government for a favorable position for its business in Indonesia without getting involved in complicated licensing procedures. On the other hand, Alibaba Group also has the potential to become the top player that dominates the Indonesian e-commerce market. This is because President Jokowi is more open to accepting Alibaba Group as an important partner to trust Alibaba Group to establish and develop business networks in Indonesia.

## REFERENCES


[1] Dunning, J.H. 1993. Multinational Enterprises and the Global Economy. Wokingham: Addison-Wesley Publishing Company. [B]

[2] Gilpin, Robert. 2001. Global Political Economy UNDERSTANDING THE INTERNATIONAL ECONOMIC ORDER. New Jersey: Princeton University Press. [B]

[3] Hasan, M. Iqbal. 2002. Pokok-Pokok Materi MetodologiPenelitian Dan Aplikasinya. Jakarta: Penerbit Ghalia Indonesia. [B]

[4] Hermawan, Yulius P. 2007. Transformasidalamstudihubunganinternasional :aktor, isu dan metodologi. Yogyakarta: GrahaIlmu. [B]

[5] Hernandez, Kevin. 2019. Achieving complex development goals along the digital Silk Road. K4D Emerging Issues Report. Brighton, UK: Institute of Development Studies. [B]

[6] Husaini, Usman & Purnomo, Setiady Akbar. 2006. MetodologiPenelitianSosial. Jakarta: PT. Bumi Aksara. [B]

[7] Liu, Shiying dan Martha Avery. 2009. Alibaba: The inside Story behind Jack Ma and the Creation of the World’s Biggest Online Marketplace. EdisiPertama. Harper Collins e-books. [B]

[8] Porter, Michael E. 1980. Competitive Strategy:Techniques for Analyzing Industries and Competitors. New York: THE FREE PRESS and colophon are trademarks of Simon & Schuster In. [B]

[9] Pustay, Ricky., W. Griffin, dan Michael W. 2015. BisnisInternasionalSebuahPerspektifManajerial. EdisiKedelapan. Jakarta: SalembaEmpat. [B]

[10] Sitepu, Anthonius P. 2011. Studi HubunganInternasional. Yogyakarta: GrahaIlmu. [B]

[11] Bazuchi, Suelen Alice da Silva Zacharias; Laurent Wiliam Broering; Maria Fernanda Arreola; Rodrigo Bandeira-de-Mello and Karina Regina Vieira. 2013. The Role of Home Country Political Resources for Brazilian Multinational Companies. Brazilian Administration Review-journal on business and public administration. 10(4): 415-438 [J]

[12] Das, Sanchita Basu. 2017. OBOR’s Digital Connectivity Offers Both Benefits and Risks. YUSOF ISHAK Institute Analyse Current Events. Nomor 60 [J]

[13] Donciu, Elena Chirila. 2014. Promoting And Attracting Foreign Direct Investment. CES Working Papers. 4 (3) [J] [14] Fernández, Z and Nieto, M.J. 2005. Internationalization Strategy of Small and Medium-Sized Family Businesses: Some Influential Factors. Family Business Review. 18(1): 77-89. [J]

[15] Franedya, R. 2019. Survei: Pengguna Internet di RI Tembus 171,17 Juta Jiwa. Jurnal Masyarakat Merdeka. 2 (2) [J]

[16] Gao, Lei and Gerhard Kling. 2008. Chinese Institutional Investors' Sentiment. Journal of International Financial Markets, Institutions and Money. 18(4): 374-387 [J]

[17] Grabowski, Richard. 1994. The Successful Developmental State: Where Does It Come From?. Pergamon Press Ltd Printed in Cheat Britain. 22(3): 413-422 [J]

[18] Henisz, Witold J and Oliver E. Williamson. 1999. Comparative Economic Organization—Within and Between Countries. Business and Politics. 1 (3): 261- 278. [J]

[19] Isoraite, Margarita. 2009. Importance of OF Strategic Alliances in Company’s Activity. Intellectual Economics. 1(5): 39–46 [J]

[20] Lewis, Dev. 2017. China’s Global Internet Ambitions: Finding Roots in ASEAN. Institute of Chinese Studies Paper. Nomor 14 [J]

[21] Moen, Øystein. 2010. International Market Expansion Strategies for HighTech Firms: Partnership Selection Criteri a for Forming Strategic Alliances. International Journal of Business and Management. 5(1): 20-28 [J]

[22] Maryama, Siti. 2013. Penerapan E-Commerce Dalam Meningkatkan Daya Saing Usaha. Jurnal Liquidity. 2 (1): 73–79. [J]

[23] Mursitama, T. N., Hadi, S., Abdullah, I., and Dewanto, A. P. 2013. The Intertwining of Domestic Actors and Interests: A Case of Indonesia's Economic Diplomacy and toward ASEAN China Free Trade Agreement. International Business Management. 7(4): 359-367 [J]

[24] Peteraf, Margaret and Barney, Jay. 2003. Unraveling The ResourceBased Tangle. Managerial and Decision Economics. 24: 309-323. [J]

[25] Peteraf, Margaret and Bergen, Mark. 2003. Scanning dynamic competitive landscapes: a market-based and resource-based framework. Strategic Management Journal. 24: 1027-1041. [J]

[26] Sehleanu, Mariana. 2014. Mergers and Acquisitions and The Strategies to Increase The Market Strength. Annals of The University of Oradea Fascicle of Management and Technological Engineering. 2: 49-54 [J]

[27] Shen, Hong. 2018. Building a Digital Silk Road? Situating the Internet in China's Belt and Road Initiative. International Journal of Communication. 12: 2683–2701 [J]

[28] Shenai, Prince Jaiblai and Vijay. 2019. The Determinants of FDI in SubSaharan Economies: A Study of Data from 1990–2017. International Journal of Financial Studies. 7(3): 43. [J]

[29] Sun, Ying. 2018. The Reasons Why China's OBOR Initiative Goes Digital. Master Thesis in China and International Relations. 95: 437 [J]

[30] Welch, L. S. and Luostarinen, R. K. 1993. Inward-outward connections in inter- nationalization. Journal of International Marketing. 1(1): 44–56. [J]

[31] Wu, Rong. 2018. The Development of Cross-border E-commerce in Yunnan Province under the background of "Belt and Road". International Workshop on Advances in Social Sciences. 156: 745-748. [J]

[32] Yazdanifard, Rashad, and Merveen Tan Hunn Li. 2014. Global Journal of Management and Business Research: E Marketing. Global Journals Inc. (USA) 14 (7). [J]

[33] AlibabaCloud. 2019. Alibaba Cloud Doubles Data Center Capacity in Indonesia. https://www.alibabacloud.com/blog/alibaba-cloud-doubles-datacenter-capacity-in-indonesia_594366. [W]

[34] Alibabagroup. 2010. Taobao and Yahoo! JAPAN Launch Cross-Border ERetail Initiatives to Broaden Consumer Choice and Foster Small Business Growth. https://www.alibabagroup.com/en/news/press_pdf/p100510.pdf. [W]

[35] ABS-CBN News. 2018. Jack Ma, China's richest man, is a Communist Party member. https://news.abs-cbn.com/overseas/11/27/18/jack-ma-chinas- richestman-is-a-communist-party-member.

[36] Afif, Syaiful. 2019. The Rising of Middle Class in Indonesia: Opportunity and Challenge. http://www.umdcipe.org/conferences/DecliningMiddleClassesSpain/Papers/ Afif.pdf. [I]

[37] Alyoubi, Adel A. 2015. E-Commerce in Developing Countries and How to Develop Them during the Introduction of Modern Systems. https://ac.elscdn.com/S1877050915029579/1-s2.0-S1877050915029579-main.pdf?_tid=2a2cd184-258e-4578-80fde40cc41ec7ad&acdnat=1530251124_bbf1837fb811d7989f9cf15e13870932. [I]

[38]Andri, Yustinus. 2016. Berebut Kue Asia Tenggara. http://kalimantan.bisnis.com/read/20161216/434/612479/berebut- kue-asiatenggara. [I]

[39] Ani. 2016. India Set to Become World's Largest E-commerce Market. http://www.business-standard.com/article/current-affairs/india-set-to-becomeworld-s-largest-e-commerce-market-116120500765_1.html. [I]

[40] Anugerah, Pijar. 2016. Investasi asing di sektor e-commerce 'dihadangregulasirumit. https://www.bbc.com/indonesia/berita_indonesia/2016/03/160308_indonesi a_ecommerce. [I]

[41] Alibabagroup. 2010. Taobao and Yahoo! JAPAN Open E-Commerce Platforms to Allow Japanese and Chinese Merchants to Engage in Cross-Border Sales. https://www.alibabagroup.com/en/news/press_pdf/p100601.pdf. [I]

[42]Alibabagroup. 2014. Our Offices of Alibaba Group. Diaksesdari http://www.alibabagroup.com/en/contact/offices [I]

[43] Alibabagroup. 2014. What Is the Alipay Wallet App?. https://www.youtube.com/watch?v=e3ejxKLY1I4 [I]

[44] Alibabagroup. 2014. Alibaba Group Announces Pricing of Initial Public Offering. http://www.alibabagroup.com/en/news/press_pdf/p140918.pdf. [I]

[45] Alibabagroup. 2015. Tmall Global Announces Innovative World Duty Free Service to Enhance Chinese Travelers' Shopping Experience. http://www.alibabagroup.com/en/news/article?news=p150728. [I]

[46] Alibabagroup. 2015. Alibaba Group and Ant Financial Enter into Strategic Investment in India's Paytm. https://www.businesswire.com/news/home/20150928006763/en/AlibabaGroup-Ant-Financial-Enter-Strategic-Investment. [I]

[47] Alibabagroup. 2015. Alibaba Group Announces Expansion of Cross-Border ECommerce Initiatives. http://www.alibabagroup.com/en/news/article?news=p150624a. [I]

[48] Alibabagroup. 2015. Our Businesses-Alibaba Group. Diaksesdari http://www.alibabagroup.com/en/about/businesses. [I]

[49] Alibabagroup. 2015. Alibaba Group Appoints Leaders to Run France and Germany Country Operations.https://www.alibabagroup.com/en/news/article?news=p151201. [I]

[50] Alibabagroup. 2015. AlibabaGroup to Ring New York Stock Exchange Opening Bell.

http://www.alibabagroup.com/en/news/press_pdf/p151109.pdf. [I]
[51] Alibabagroup. 2016. Alibaba Acquires Controlling Stake in E-commerce Platform Lazada Transaction Makes Alibaba a Leading E-commerce Platform in Southeast Asia. http://www.alibabagroup.com/en/news/press_pdf/p170628.pdf. [I]
[52] Alibabagroup. 2017. CFO Maggie Wu Presents Alibaba by the Numbers. https://www.youtube.com/watch?v=TnH5gwKbcD4. [I]
[53] Alibabagroup. 2018. Alibaba Invests Additional USD2 Billion in Lazada. https://www.alibabagroup.com/en/news/article?news=p180319. [I]
[54] AliResearch. 2017. Inclusive Growth and E-commerce:China's Experience. http://www.aliresearch.com/en/news/detail/id/21342.html. [I]
[55] ABS-CBN News. 2018. Jack Ma, China's richest man, is a Communist Party member. https://news.abs-cbn.com/overseas/11/27/18/jack-ma-chinas- richestman-is-a-communist-party-member. [I]
[56] Afif, Syaiful. 2019. The Rising of Middle Class in Indonesia: Opportunity and Challenge. http://www.umdcipe.org/conferences/DecliningMiddleClassesSpain/Papers/ Afif.pdf. [I]
[57] Alyoubi, Adel A. 2015. E-Commerce in Developing Countries and How to Develop Them during the Introduction of Modern Systems. https://ac.elscdn.com/S1877050915029579/1-s2.0-S1877050915029579-main.pdf?_tid=2a2cd184-258e-4578-80fde40cc41ec7ad&acdnat=1530251124_bbf1837fb811d7989f9cf15e13870932. [I]
[58] Ani. 2016. India Set to Become World's Largest E-commerce Market. http://www.business-standard.com/article/current-affairs/india-set-to- becomeworld-s-largest-e-commerce-market-116120500765_1.html. [I]
[59] Anugerah, Pijar. 2016. Investasi asing di sektor e-commerce 'dihadangregulasirumit'. https://www.bbc.com/indonesia/berita_indonesia/2016/03/160308_indonesi a_ecommerce. [I]
[60] Aravindan, Cate Cadell Aradhana. 2018. Alibaba Doubles Lazada Investment to $4 Billion in Aggressive Southeast Asian Expansion. https://www.reuters.com/article/us-alibaba-lazada- funding/alibaba-doubleslazada-investment-to-4-billion-in-aggressive- southeast-asian-expansionidUSKBN1GV09W. [I]
[61] ASEAN up. 2018. The e-commerce market in ASEAN. https://aseanup.com/overview-of-e-commerce-in-southeast-asia/ [I]
[62] Azuayi, Robert. 2016. Case Report Open Access Internationalization Strategies for Global Companies: A Case Study of Arla Foods, Denmark. https://www.omicsonline.org/open-access/internationalizationstrategiesfor-global-companies-a-case-study-of-arlafoods-denmark-2168-9601- 1000191.php?aid=80434. [I]
[63] Balea, Judith. 2016. What the Alibaba-Lazada deal means for Southeast Asia's startups. https://www.techinasia.com/alibaba-lazada-impact-on-startups. [I]
[64] Banks, Simon. 2017. What's Next for E-Commerce Platforms in Emerging Markets. https://www.mytotalretail.com/article/whats-next-for-ecommerce- platforms-in-emerging-markets/ .[I]
[65] BBC News. 2013. Amazon Launches First Online Shopping Site in India. http://www.bbc.com/news/business-22780571. [I]
[66] Bilir, L. Kamran; Davin Chor; Kalina Manova. 2013. Host Country Financial Development and MNC Activity. http://www.mysmu.edu/faculty/davinchor/Bilir_Chor_Manova_February_2 6_2013.pdf. [I]
[67] Purnamasari, Niken. 2022. Jokowi Nantikan Investasi Terbaru Jack Ma di Indonesia. https://finance.detik.com/berita-ekonomi-bisnis/d-4192778/jokowi-nantikan-investasi-terbaru-jack-ma-di-indonesia. [I] [68] Purnomo, Herdaru. 2018. William Tanuwijaya Soal Sahamnya yang Tersisa 5% diTokopedia. https://www.cnbcindonesia.com/tech/20181212140522-37- 46045/william-tanuwijaya-soal-sahamnya-yang-tersisa-5-di-tokopedia. [I]
[69] Q.Zhu, Julia. 2013. Alibaba Group's Changing Organizational Structure." Observerintelligence. http://observerintelligence.com/alibaba-groups- changingorganization-structure/. [I]
[70] Rai, Saritha. 2017. Inside Jeff Bezos's $5 Billion Bet That Amazon Can Win India. https://www.bloomberg.com/news/articles/2017-09-20/amazon-preps-fora- heated-race-as-india-s-holiday-sales-kick-off. [I]
[71] Rayana, Uday. 2018. Unicorn Jadi Santapan Investor Asing, Apa Yang Kelak Terjadi?. https://selular.id/2018/09/unicorn-jadi-santapan-investor-asing- apayang-kelak-terjadi/. [I]
[72] Statista. 2021. E-commerce as percentage of total retail sales worldwide from 2021 to 2027 https://www.statista.com/statistics/534123/e-commerce-share-ofretail-salesworldwide/#:~:text=Internet%20sales%20have%20played%20an%20increasing ly%20significant%20role,to%20a%20quarter%20of%20total%20global%20reta il%20sales.
[73] Zhu, Shirley. 2016. Selling Online in Asia: Four Emerging Online Grocery Models. https://foodindustry.asia/selling-online-in-asia-four-emerging- onlinegrocery-models. [I]
[74] Zuhra, Wan Ulfa Nur. 2017. Suntik Lagi Lazada, Alibaba SiapBertarung Di Luar Kandang. https://tirto.id/suntik-lagi-lazada-alibaba-siap-bertarung-diluar-kandang-crGP. [I]
[75] Morgan Stanley. 2022. China's ecommerce revolution https://www.morganstanley.com/ideas/china-e-commerce-revolution. [J]
[76] GlobalData. 2022. Alibaba Group Holding Ltd Company Profile. https://www.globaldata.com/company-profile/alibaba-group-holding-ltd/. [I]

[77] Keenan, Alexa. 2021. What are Amazon's main competitors? and why are they successful?. https://www.shopify.com/blog/amazon-competitors. [J]
[78] Statista. 2021. e-commerce share of retail sales worldwide. https://www.statista.com/statistics/534123/e-commerce-share-of-retail-salesworldwide/#:~:text=Internet%20sales%20have%20played%20an%20increasingl y%20significant%20role,to%20a%20quarter%20of%20total%20global%20retail %20sales. [I]
[79] Rakuten insight. 2021. Share of Online Spending in Asia-Pacific Region. https://ecommercedb.com/insights/ecommerce-in-indonesia-fueled-by-youngtech-savvy-consumers/4573 [I]