

## CHAPTER 1

### INTRODUCTION

#### 1.1 Research Object

Tokopedia was established as an innovative e-commerce and became a marketplace that fulfil the online customer needs to do an online transaction. And it becomes the Indonesia's biggest online marketplace. Tokopedia was founded by two co-founder which are William Tanuwijaya and Leontinus Alpha Edison. The company was established in 6<sup>th</sup> February 2009, the official website was established in 17<sup>th</sup> August 2009. Tokopedia's customer are the seller and the buyer. Tokopedia sell all of variety products and services in their website and application to gather the seller and the buyer into one online marketplace to make transaction become easier and simpler. Tokopedia provides platform for customer-to-customer by providing platform for individual entrepreneur and small/medium entrepreneurs to open online store for free. The concepts of Tokopedia's payment is very safe. It integrated with some banks to make the payment's process more guaranteed. Tokopedia also do the partnerships with some big courier companies like Go-Jek and JNE to send the products. The products that Tokopedia's showed is guaranteed, it also showed the ratings of the seller in the seller's profile to make they are trusted to do the business.

Tokopedia has potency to open and develop a million-work field in online business with a lot of merchants that join Tokopedia. Tokopedia has successfully solved the traditional transaction problems which were the time and process that buyer need to do in the traditional marketplace. Tokopedia's value provides the ease for their customer with all of their features on their website such as store management, product's classification and payment's process. Not just for the seller, but the buyer also got the main features such as the search engine to find the product, calculate the delivery cost and also tracking order without need to open the

delivery courier website. Tokopedia keep their basic service for free for their customer, so there is no barrier of entry to start their business by using internet in online marketplace to help their customers.

Table 1.1  
Tokopedia Technology 2009-Present

Year	Technology	
2009 - 2015	Database	Oracle Express Edition 4G
	Webserver	Apache
	Programming Language	Perl
2015 - present	Database	PostgreSQL
	Webserver	Nginx
	Programming Language	Go.

Source: Labana.id

Based on Table 1.1, Tokopedia used Oracle Express Edition 4G for the database, Apache for the webserver and Perl for the programming language in 2009-2015. Since the development of Tokopedia and website traffic made the website were slow to the user, in 2015 Tokopedia used PostgreSQL for the database, Nginx for the webserver and Go. for the programming language until present. Tokopedia also already moved the headquarter 3 times from Tokopedia first place:

1. Kompleks Ruko Graha Handaya Unit R, S, T, Jalan Raya Perjuangan no. 12-A, Kebon Jeruk, Jakarta. (2013)
2. Wisma 77, Jl. Letjen. S. Parman, Slipi, Palmerah, Kota Jakarta Barat, Daerah Khusus Ibukota Jakarta 11410 (2016)
3. Tokopedia Tower 46th Floor Jalan Prof Dr. Satrio Kav 11, Kelurahan Karet Semanggi Kecamatan Setiabudi, Jakarta Selatan – 12930 (2017)

Table 1.2

Tokopedia's Estimated Revenue and Worth in 2017

Estimated Valuation	
Advertising Revenue Per Day	US\$ 16.200 / day
Advertising Revenue Per Month	US\$ 485.000 / month
Advertising Revenue Per Year	US\$ 5.820.000 / year
Estimated Income Per Day	US\$ 44.210 / day
Estimated Worth of Website	US\$ 47.746.800
Valuation	US\$ 1.100.000.000

Source: rank2traffic.com and sitepricevalue.com

Table 1.2 shows the information about Tokopedia revenue from advertising, and also the information regarding the Tokopedia's income per day. Not only that based on rank2traffic.com, according to sitepricevalue.com Tokopedia has a website valuation of US\$ 46.984.320 after 8½ years standing and Tokopedia's valuation is US\$ 1.100.000.000.

## 1.2 Background

With the increases in startup business development in Indonesia, this will be an attractiveness for foreign venture capital firm to do investment in providing capital for helping startup business financial and also to make the commerce activity in Indonesia more efficient and reachable. According to Aldi as Associate for The Sea Region from AmCham Indonesia (2016), Indonesia also has great potential in the digital economy and startup development. It is the largest population in SEA and the largest economy in the region. The infrastructure is growing to support technology development. As venture capitalist, this is the main reason of foreign venture capital firm to support the development by do the investment in start-up business in Indonesia. With huge amount of capital investment, the start-up business in Indonesia will attracted to open their door for the foreign venture capital firm to do investment.

The internet technology has enabled to connect the individual business and also the small or medium business to meet each other on the internet. Internet technology facilitated the indirect interactions between the seller and the buyer. Today, e-commerce has been widely used and many businesses have moved from the offline to the online world in order to serve the global Internet population (Rachjaibun, 2007). The existed of e-commerce was changed the commerce era. With the usages of internet, it modernizes the commerce thing into the very simple way to do the commerce. Standing (2001), affirmed that more than ten e-commerce benefits for both buyer and seller. According to Alrubaiee, Alshaibi and Al-Bayati (2012) Such as cost savings and speed in selling and purchasing, exposure to new customers (global reach), convenience and transparency to users, better quality of product/service (global reach), reduce need for office space and fewer resources required.

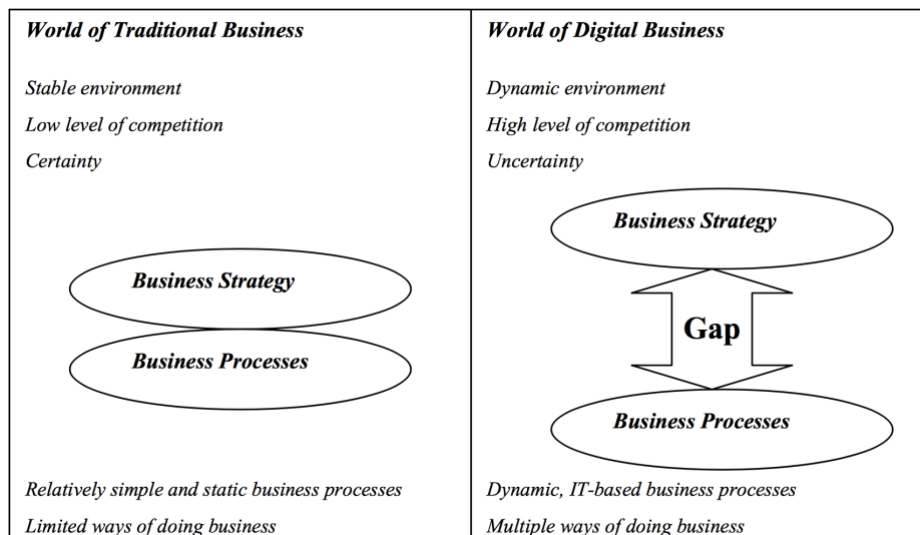
The development of start-up business and electronic commerce is also related with the rapid developments in electronic marketplace. According to Grieger (2003), these days internet-based online marketplaces (Ems) are getting more and more popular. Now, the commerce came with different kinds to support the exchange of goods and services with new features to provides the ease for the customer. According to Ariba (2000), electronic marketplaces are commerce sites on the public Internet that allow large communities of buyers and suppliers to “meet” and trade with each other. They present ideal structures for commercial exchange, achieving new levels of market efficiency by tightening and automating the relationship between supplier and buyer. With the existing of the marketplace, the relationship between the seller and the buyer will be tighter.

Traditional business model does not support the electronic commerce and electronic marketplace. Electronic commerce and electronic marketplace needs to have a new business model that more digital and using internet to supports the commerce. The digital era has meant that the availability of appropriate levels of information and knowledge have become critical to the success of the business. According to Al-Debei, Avison and El-Haddadeh (2008), research into business

models in the information systems field has been mainly concerned with e-business and e-commerce, there have been attempts to develop convenient classification schemas. For example, definitions, taxonomies, and classifications into IS-related business models have been drafted specifically for electronic markets and internet commerce.

Figure: 1.1

The Differences Between Traditional Business and Digital Business



Source: From ‘Defining the Business Model in the New World of Digital Business’ by Al-Debei, Avison and El-Haddadeh (2008)

According to Debei, Avison and El-Haddadeh (2008), the figure shows the main reason behind this confusion is the shift that the business world experienced from the traditional way of doing business to the new way of digital business, which is engulfed with high level of complexity and rapid change. The digital business had created a gap between the business strategy and business processes to make there is a translation process between each of business concept to make the scope of processing and executing business more structured and organized.

There was a phenomenon in Indonesia regarding the closing of PT Matahari Department Store Tbk (LPPF) stores in Blok M and Manggarai. There are

2 perspective of this phenomenon, from the analyst and PT Matahari Putra Prima Tbk (MPPA) side. According to Kwee (2017) the analyst from Investa Saran Mandiri, the development of e-commerce is suitable with the demand of consumer nowadays because they want to buy things faster and efficient. According to Repi (2017) as the Head Corporate Communication from PT Matahari Putra Prima Tbk (MPPA), from PT Matahari Putra Prima Tbk (MPPA) actually already did devastation in their sub company since 2010 but actually the main reason in this case was the consumer transition from the offline stores into the online stores.







Nowadays, foreign venture capital firm has a big role in economic development and also the new or old business development. Not just the development for the economic and business, but also the development of foreign venture capital firm. According to Guler and Guillen (2010), when a venture capital firm enters foreign market, it also enters new relationships, which are critical to its survival and success in the new market. According to Khanna and Palepu (2005), a major reason why venture capital firms from developed country hesitate to enter emerging market markets is the high level of uncertainties caused by the underdevelopment of the institutional infrastructure needed for the smooth functioning of markets.

Some startup businesses in Indonesia has become a dependency for Indonesia citizen to fulfill their life needs like Tokopedia. Indonesia's startup business still need capital even the top of startup business in Indonesia also require big amount of money to develop the business process and the role of foreign venture capital firm is so important in the competition of startup businesses in the business process. Venture Capital Company (VCC) has huge merit in building and fostering multinational companies at the early stage formation of such Tokopedia get Foreign Direct Investment (FDI) of Softbank Internet and Media Inc. (SIMI) and Sequoia Capital. According to Salim and Bob (2008: 149) foreign investment is a capital transfer both real and unreal from one country to another or transfers of capital. With the existing of those kinds of startup businesses, the commerce activity has changed. Foreign venture capital firm notice sees this as a chance to invest their capital in those two startup businesses with the purpose of developing their

business. Through the venture capital companies, the start-up can get a loan without having to have collateral. Loans venture capital firms in the form of debt but not equity.

Figure: 1.2

Indonesia's Start-up Rank in 2014

Rank	Startup	SR Score	Description	Regional Rank
41	 Tokopedia	89,400 ▼	Tokopedia is an online marketplace that enable individual and small business owner in Indonesia to o ...	1
67	 Lazada Indonesia	88,385 ▼	Lazada Indonesia - Shopping online just with your finger!	2
75	 Bukalapak	88,109 ▼	Bukalapak - Place of selling / buying the most comfortable & safe online with Payment System which e ...	3
111	 Blibli	86,896 =	Blibli - Online retailer, Anywhere, Anytime Shopping.	4
120	 Traveloka.com	86,568 ▲	Traveloka.com is an Indonesian flight booking website with a mission to make travel simpler and more ...	5
150	 Zalora Indonesia	86,066 ▲	Zalora Indonesia - Indonesia's largest online fashion website. With 600 local and international bran ...	6

Source: [www.startupranking.com/top/Indonesia](http://www.startupranking.com/top/Indonesia)

In 2014, Tokopedia released the demographic statistics from 2009-2014 of the Tokopedia user. According to Dailysocial.id website, the buyers from Java Island was 50.08% and from DKI Jakarta was 19.72%. For the sellers, 55.25% was from Java Island and 36.13% was from DKI Jakarta. Woman was the most dominated user in 2014 reached 60.05% of users from 2009-2014. And the last was, 54.7% of users accessed Tokopedia via smartphone.

There is a correlation regarding the development of products sold that effect the traffic and also the increasing of the rank. With so many products that sold in an e-commerce site, it is certain that the growth of website traffic will increase due to the increase of goods available as well as the merchants' more and more. With the growth of traffic and also products sold will occur in a formula of an e-

commerce as it will be the choice of consumers in finding what is needed with a quality platform and quantity is not need to doubt it.

### **1.3 Problem Statements**

To finance the start-up company has a very high risk when compared with conventional models based financing and backing up the mortgage credit. Venture capital investments have a high risk of, among others, because it builds on the initial stage the company is not yet clear how his future and not have a standard as a public company, or have a history of operations that can be a reference in its operations. Although Tokopedia has become the successful e-commerce start-up business in Indonesia based on figure 1.2 as the first rank of start-up business in Indonesia and also with the increasingly widespread of foreign capital investment in Indonesia, Indonesia need to arrange the development of foreign capital Investment with regulations and policies based law in Indonesia.

Beside the huge amount of foreign capital firm give to the Indonesia's start-up business. The development of Indonesian's start-up business must show the positive result. According to Jhingan (2003: 229), Harrod and Domar theory give a key role to investing in the economic growth process. First, create revenue as a result of demand and enlarge the production capacity of the economy by increasing the capital stock as a result of the offer. With the big amount of money, start-up business in Indonesia who got the finance investment from foreign capital venture firm need to utilize and optimize the fund to develop their business process and also their business strategy.

### **1.4 Research Questions**

As we can see from the problem statements, these are the problem statements that we will discuss in this study:

1. What were the differences of Tokopedia's performances in products sold before and after Tokopedia got the foreign capital investment?
2. What is the relationship between the effect of the traffic websites and ranking into Tokopedia's products sold in 2009-2017?



3. How is the situation of Tokopedia brand performance index related to other e-commerce competitor?

### **1.5 Research Objectives**

There are so many studies discuss the influence of foreign capital firm in Indonesia's economic. This research is focus to pursuing discuss the role and the result of the foreign venture capital firm in start-up business in Indonesia especially Tokopedia. The objectives of this research are to analyze:

1. To identifying the performances of Tokopedia in products sold before and after they got financial investment from foreign venture capital firm.
2. To identifying the performances of Tokopedia in traffic website and ranking before and after they got financial investment from foreign venture capital firm in order to shows the impactness to the products sold.
3. To identifying the brand performance index of Tokopedia's competitor.

### **1.6 Scope of the Study**

This study aimed to identify the influence of foreign capital in the development of business start-up company's financial performances against them and how big the influence of foreign capital investment company financial performances against them in developing his business. There are several factors that make foreign capital companies prefer to choose to start up business in Indonesia to invest in funds, there are demographic, geographic and psychographic. By knowing the factors, the company can assume that the foreign capital and assume by investing in Indonesia could help their finances to develop its business.

Start-up company that selected to become the sample is Tokopedia. The reason why Tokopedia become the sample in this study because, currently Tokopedia being the first rank regional of start-up business company in Indonesia.

## **1.7 Significant of the Study**

### **1.7.1 Business Aspect**

The presence of foreign investment in Indonesia provides enormous benefits in supporting the development of start-up business, especially in their financial sectors. This study also to explain and inform how does a company start-up business can maximize foreign investment in developing business strategies and also explain several factors that must be considered in maximizing the investment funds provided by foreign investment companies.

### **1.7.2 Indonesia's Economy Aspect**

The role of foreign investment also has links with the economic development of Indonesia. This study also explained that the benefits provided from this paper are to explain the benefits in the can by the state to maximize foreign investment in a start-up company in Indonesia to boost economic growth developing countries, especially Indonesia.

### **1.7.3 Academic Aspect**

In the academic aspect, this study explains how to capture the attitude of the management and business-related conditions encountered and also information related to foreign investment in a start-up business. This study is expected that later the academic can see the role of the influence of foreign capital companies in Indonesia objectively the economic sustainability in Indonesia.

## **1.8 Final Project Systematics**

### **CHAPTER 1: Introduction**

Chapter 1 serves the general information of the research that includes the research object, research background, problem statements, research questions, research objectives, scope of the studies, significant of the studies and the final project systematics.

## CHAPTER 2: Literature Review

Chapter 2 consists of all valid scientifically theories in the aspects of the studies and also the published researches regarding the topics problem, the previous researches of the studies, literature review table which are the comparison of the previous researches and also the theoretical framework.

## CHAPTER 3: Research Method

In general, this chapter is consisting of how the method and technique to analyzing the data to answer the research questions and problems. This chapter presents research method, measurement scale, research phase, population, sample, sample technique, data type, data collection, data method and analytic technique.

## CHAPTER 4: Research Results and Discussion

The 4<sup>th</sup> chapter is consisting of how the data is processed by using the research method and aspects in chapter 3 to answer the research questions and problems. The result of data processed will be discuss to explains the results more deeply.

## CHAPTER 5: Conclusion and Suggestion

The summary of the research and the suggestion for the start-up business, foreign venture capital firm and also for Indonesia as the country for the research's object.