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GAME CHANGER

William Tanuwijaya

Made Tokopedia a \$7 Billion Company,
Plans to Grow Further Beyond Ecommerce.

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By Ester Christine Natalia and Ulisari Eslita

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PHOTOGRAPHS BY **ULLY ZULKARNAIN FOR FORBES INDONESIA**



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abbreviation from “**toko
apa saja**”.

The “**e-Conomy SEA 2019**” report by Google, Temasek Holdings Pte, and Bain & Co lists Indonesia as the largest and fastest-growing digital economy in Southeast Asia. The report calculates that the country’s digital economy size has grown fourfold since 2015 to \$40 billion in 2019, with an average growth of 49% annually. By 2025, Indonesia’s digital economy size is forecasted to reach \$130 billion. It is followed by Vietnam, which has become the second fastest-growing digital economy, growing 38% annually since 2015 and amounting to \$12 billion in 2019.

Tokopedia is one of the key players in Indonesia’s digital economy. The company is valued at \$7 billion after receiving a \$1.1 billion Series G funding round led by its existing investors Softbank and Alibaba in 2018. The business that started as a modest ecommerce site has already expanded beyond a platform for trading goods. William Tanuwijaya, 38, the founder and CEO, even claims that the company is no longer just an ecommerce company, but an ecosystem or a digital city. Besides hosting merchants who sell consumer goods, the platform also caters to financial

needs like bill payment, electronic money top-up and investment, entertainment needs like hotel booking and vouchers for events or amusement parks, as well as logistics needs with warehouses for sellers.

Currently, over 6.8 million sellers have registered their shops on Tokopedia with annualized growth averaging 150.40%, according to a collaborative study conducted by Tokopedia and the University of Indonesia’s Institute for Economic and Social Research (LPEM FEB) in 2018. Of these 86.5% are new entrepreneurs and 94% are ultra micro-enterprises. The study found that each seller booked on average Rp 48 million of sales every year. Tokopedia also attracts big companies to its platform to offer products and services, Pegadaian, for example, has been offering its gold investment product on Tokopedia since January 2019.

“The growth has reached our expectations. Certainly, we will create innovative features next year so Tokopedia Emas can be the favorite service for Tokopedia users who are new to low-risk investment products like Tabungan Emas Pegadaian,” says Herdi Sularko, state-owned pawnshop PT Pegadaian’s vice president of digital business development

Tokopedia Funding History

2009

RP1 BILLION
by PT Indonusa
Dwitama

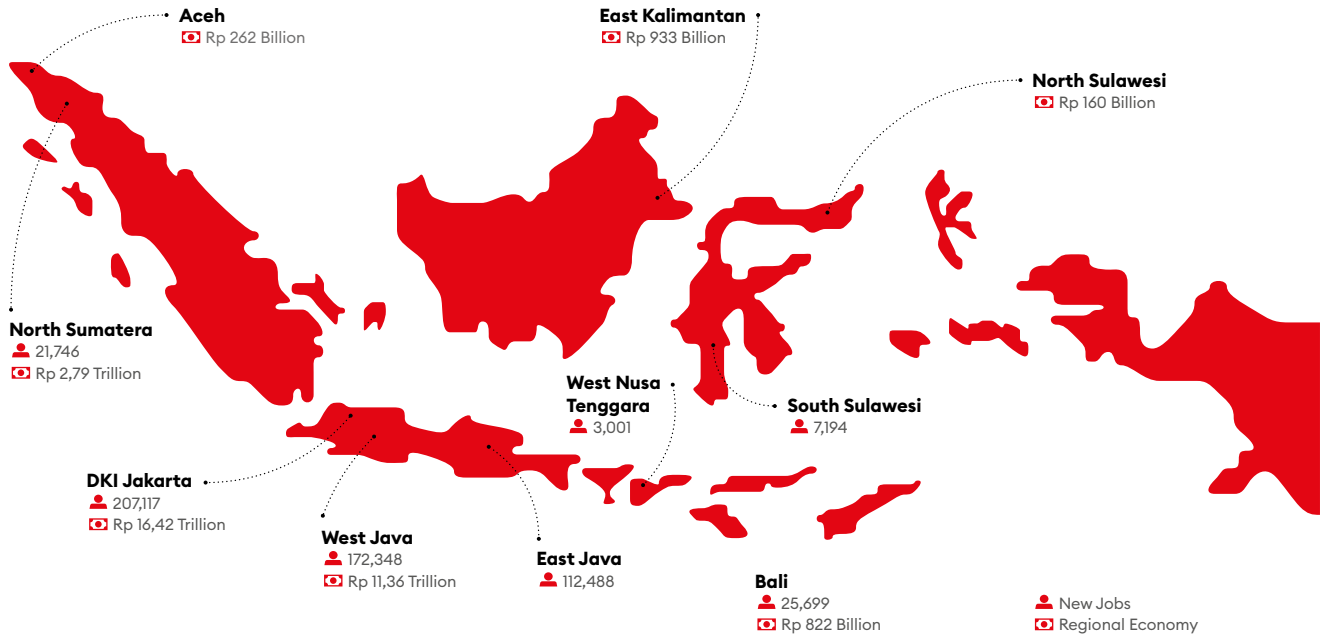
2010

UNDISCLOSED
amount Series A
funding by East
Ventures

2011

\$700,000
of Series B funding
by CyberAgent
Ventures

TOKOPEDIA'S IMPACT IN JOBS CREATION AND REGIONAL ECONOMY



SOURCE: LPEM FEB UI

and partnership. The Pegadaian-powered Tokopedia Emas product allows customers to buy and sell gold at a very affordable price starting Rp 500 (3 US cents). Pegadaian says the partnership has helped the company to grab 1 million new customers. Herdi adds that Tokopedia is the first digital marketplace that applies a white label concept for the product.

To use the platform, users only need to submit their email address and mobile phone number to become a seller or buyer in Tokopedia. This easy process has resulted in more than 90 million active users monthly and gross merchandise value (GMV) of Rp 73 trillion in 2018. Tokopedia expects the GMV to surge to Rp 222 trillion in 2019.

While the basic service is free, Tokopedia also offers paid premium membership for sellers. Using TopAds membership, sellers can promote their products and shops using a cost-per-click system that starts from Rp 250 per click. Meanwhile, Power Merchant

sellers get the privilege to join promotional events like cashback and free shipping, as well as gaining insights from Tokopedia about market trends and competition. Tokopedia takes a 1% service charge for every product sold by Power Merchants. The company also enables international and local brands, official distributors, and selected sellers to open an Official Store at Tokopedia. Tokopedia charges up to 15% commission for every sold product by an Official Store, and in return, it gets a dedicated business team from Tokopedia and can integrate its shop with the platform's API. Over 3,000 sellers are already registered as Official Stores in Tokopedia, including Samsung Electronics, P&G, and King Koil.

William comes from Pematang Siantar, a small city in North Sumatra. His late father worked at the local cigarette factory. Upon graduating from high school, his family sent him to Jakarta to study IT at Bina Nusantara University. Things got tough when his father con-





William Tanuwijaya & Leontinus Alpha Edison

“William couldn’t even converse in English back then, so it was a leap of faith for us as an Indonesian investor to invest in Indonesian entrepreneur, in the country which digital economy is not yet formed.”

Willson Cuaca, cofounder and managing partner of East Ventures

tracted cancer in his second year at university. To make ends meet, he took a part-time job as an internet cafe operator. The work shifts were long and tiring, from 9 PM to 9 AM, but it also gave him a chance to learn more about the internet. Internet access was still relatively expensive in the early 2000s.

“I fell in love with the internet from then on. It was a blessing in disguise, although it was also a struggle to study in the morning after working all night long,” he admits, adding that working the night shift inspired the owl logo of the company.

Later, William noticed that the internet created equal opportunities for everyone to improve their life. In 2007, he got the idea of starting a website that would allow sellers from across the archipelago to sell their products online. He invited his college buddy Leontinus Alpha Edison, 38, to create the business, and registered the domain under the name Tokopedia. Actually, William wanted to name the company Kopaja, a port-

manteau of “toko apa saja” (literally translated as “shop selling anything”). Kopaja is also easy to remember since it is also a popular type of public transportation in Jakarta. But then it was decided to use the name Tokopedia, which he remembers coming to his mind while he was in the toilet.

“I actually disliked the name Tokopedia because it’s too long. We initially used it only for a project name and because it was free. We thought maybe along the way we would find a better name. We wanted to change it on our fifth or sixth anniversary, but we still could not find any better name. What can I say? It’s a serendipity,” William chuckles.

In 2007, William and Leon ran Toko-

pedia as their side job. Both were working at content provider company PT Indocom Mediatama. William was the IT and business development manager, while Leon was the general manager. There were already several online shops at the time, but the common complaint was about scams: people bought things online but never received what they paid for. William and Leon wanted to solve the problem, they told their boss Victor Fungkong about Tokopedia and asked him to invest. However, Victor was not easily convinced about the idea. Finally, in early 2009, Victor decided to invest Rp 1 billion through PT Indonusa Dwitama, allowing William and Leon to launch Tokopedia on Aug. 17, 2009. The investment bought an 80% stake in Tokopedia at the time, with the remainder equally owned by William and Leon. Today, Indonusa Dwitama remains a Tokopedia shareholder, although its ownership has been diluted.

In its early years, Tokopedia only had four employees, including William and Leon. On weekends,



William and Leon would take turns to run the site and sleep in shifts. To deal with scams, Tokopedia passed on payment to the seller only after the buyer received the goods. The system worked, and not only could the company build customers and traffic, it also attracted investors. East Ventures was the first venture capital

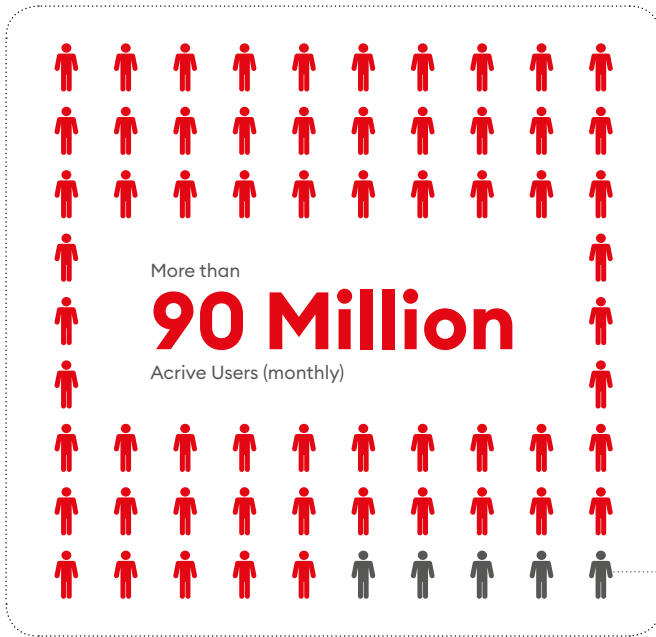
2018, while the average individual spending will go up from \$260 per year in 2018 to \$620 annually in 2022. McKinsey argues the escalation will happen because of improved trust by customers in the online commerce ecosystem. Meanwhile, more micro, small, and medium enterprises (MSMEs) having an online pres-

firm to invest money in 2010. The company now has over 4,700 employees.

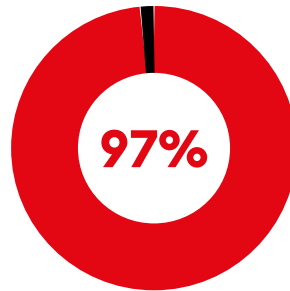
“Ten years ago, Indonesia had nothing; no digital economy and no funding ecosystem. But William and Leon stood out when we met them for the first time, the next day we sealed the deal. Their business model and numbers were similar to other early-stage startups, but their passion and fire were different. William couldn’t even converse in English back then, so it was a leap of faith for us as an Indonesian investor to invest in Indonesian entrepreneurs, in a country where a digital economy had not yet formed,” Willson Cuaca, cofounder and managing partner of East Ventures, says.

In a report titled “The digital archipelago: How online commerce is driving Indonesia’s economic development,” McKinsey says the current Indonesian ecommerce situation is similar to what happened in China in 2010. The report published in August 2018 projects the ecommerce market to grow up to eightfold from \$8 billion of spending in 2017 to between \$55 and \$65 billion by 2022. The ecommerce penetration is also estimated to rise to 83% in 2022 from 74% in

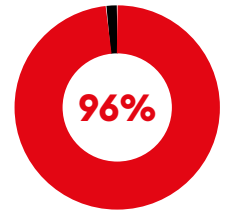
TOKOPEDIA'S USERS AND SELLERS TRACTION



SOURCE: LPEM FEB UI



Transaction in Tokopedia are done in **97%** sub-districts in Indonesia



Tokopedia sellers are located in **96%** cities in Indonesia



- **94%** of the sellers are ultra-micro entrepreneurs (with sales below Rp 100 million annually)
- Each seller booked on average **Rp 48 million** sales annually

ence will mean a wider variety of products at affordable prices and with reliable delivery.

William's future vision for Tokopedia is somewhat aligned with the report. Instead of eyeing overseas markets like other Indonesian unicorns, the company aims to expand its services toward rural areas throughout Indonesia. Currently, Tokopedia's services already reach 97% of areas in the archipelago. William says the only obstacle they see is poor internet connection and infrastructure for logistics.

A part of the company's strategy to spread its wings locally is by tapping mom and pop stores, locally known as warung. Currently, there are nearly 2 million warung across Indonesia. Tokopedia has developed a mobile app called Mitra Tokopedia that allows the stores to have direct access to consumer goods companies and distributors. Warung owners can get a more competitive price for the products and have them delivered to their store. Tokopedia also empowers the warung owners enabling them to be a payment point for their customers to pay bills and online purchases.

The company is also growing beyond organic. In June 2019, the company announced that it had acquired Bridestory, Indonesian wedding services marketplace, that allows integration between both platforms.

William also says Tokopedia plans to go public soon. He claims the company is currently on its path to being profitable in 2020. As part of its strat-

egy toward an initial public offering (IPO), Tokopedia named former Bank Indonesia (BI) governor Agus Martowardojo as its president commissioner in early 2019. The company is reported to have received as much as \$1.5 billion in final private funding before a dual stock market listing. The company is considering listing its shares on the Indonesia Stock Exchange and another exchange abroad.

"Our first 10-year vision is to be a technology company that helps anyone who wants to be an e-commerce company. In the next 10 years, we want to be a technology company that can help anyone who wants to be a technology company," William says. "So, all professions and businesses in Indonesia will be a technology company by having Tokopedia as their partner. That's our future vision."

Shailendra Singh, managing director of Sequoia Capital India, says he is positive about the IPO plan as the company has expanded its GMV approximately 100 times within the past five years and attained a solid triple-digit million-dollar revenue run rate. Sequoia India has been a shareholder in Tokopedia for over five years since late 2014.

"We are confident it will get to break-even and profits and be an IPO candidate in the next few years. We are very grateful to get a chance to participate in creating what is a very important company for Indonesia," he says.