Comparative Analysis of Lazada and Shopee E-commerce Firms in Southeast Asia: Alibaba Strategies for Competing in the Regional Market

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Abstract: This thesis aims to compare Lazada with Shopee, a Southeast Asian e-commerce enterprise, to assess the efficacy of Alibaba's strategies for entering and succeeding in the Southeast Asian e-commerce sector. Within this thesis, it gives an in-depth analysis of the current state of e-commerce in South East Asia. Due to its diversified consumer behaviors and specific commercial constraints, this region has recently emerged as a worldwide focal point for digital commerce. Alibaba, the world's largest e-commerce company, is a significant Southeast Asian player through its subsidiary Lazada. However, local e-commerce businesses may provide unique perspectives and approaches based on location. This research examines the similarities and differences between Lazada and regional e-commerce competitor Shopee to identify the primary market forces in each firm's practice in the industry. The study compares and contrasts the two kinds of online retailers by looking at how each one approaches the market, handles logistics, and interacts with customers in Southeast Asia. The research provides a framework of best practices, actionable insights, and recommendations by identifying the strategies that have allowed Alibaba's success in Southeast Asia and comparing them to those adopted by local companies.

Keywords: E-commerce in Southeast Asia, Competitive strategy, Lazada, Shopee, Alibaba.

1. Introduction

Lazada, an Alibaba affiliate, is Southeast Asia's leading e-commerce platform. This vast and varied area of 11 nations presents Lazada with its problems and possibilities (Kwak, Zhang & Yu, 2019). One of the most active and promising areas in this digital transition is Southeast Asia, which has significantly benefited from the fast development of e-commerce.

Indonesia, Malaysia, Thailand, Vietnam, and the Philippines are just a few countries where Lazada operates, each with a distinct culture (Oh & No, 2020). Lazada has adapted to this variety by tailoring its platform to each region, expanding its catalog to include more goods, and partnering with retailers in each area. In addition, Lazada has put money into e-wallet solutions and digital payment systems like Alipay to accommodate the growing cashless culture in many Southeast Asian countries.

Market share in Southeast Asian online retail has shifted dramatically over the last three to five years, illustrating the industry's volatility (Benmamoun et al., 2019). Many startups local e-commerce businesses have appeared, each trying to carve out its niche and compete with international powerhouses like Lazada. Shopee is the most prominent among the rapidly rising local e-commerce companies.

Shopee, a division of Sea Group, has become one of Southeast Asia's most prominent online marketplaces because of its explosive sales development. Shopee's rapid development, scalability, and centralized business model increased its income. The firm quickly gained market share through regular marketing and promotional efforts (Benmamoun et al., 2019). Shopee's widespread success in Southeast Asia may be attributed to its mobile-first philosophy, intuitive interface, and commitment to fostering local relationships (Kwak, Zhang, & Yu, 2019). Shopee's meteoric rise has made it a formidable competitor to e-commerce leaders like Lazada and given it a commanding presence in essential regions like Indonesia, Vietnam, and the Philippines.

In response, Lazada has strengthened its strategic alliances, increased its logistical expenditures, and redoubled its efforts to improve customers' shopping experiences (Wu & Gereffi, 2018). How does Lazada (Alibaba) combine "leveraging China" with "localizing in Southeast Asia"? It is worth studying.

1.1. Company Background

1.1.1. E-commerce Business Sector in Southeast Asia

The COVID-19 epidemic has ushered in a new age of rapid expansion for the e-commerce industry in Southeast Asia, which has been expanding rapidly since the middle of the 2010s (Arora et al., 2022). From 2016 to 2021, the value of all transactions conducted through the Internet increased by a factor of five, or 40 percent every year. As a percentage of total retail sales, e-commerce grew from 5% to 20% (Chen & Feng, 2022). This next level of the Southeast Asian online marketplace is not only about monetary growth. People all over the subcontinent are increasingly turning to the Internet to shop for various goods from various vendors.

Figure 1. E-Commerce Market in Southeast Asia has Passed Supply-Chain. Source: (Arora et al., 2022)

Most Southeast Asian e-commerce economies have, in the
recent past, reached their inflection points when significant increases in e-commerce growth were seen (Figure 1 above). More individuals in the area now have access to the Internet due to the widespread adoption of smartphones and other digital devices, and this growth has been fueled by the emergence of competitive online marketplaces like Lazada, Shopee, and Sendo (Lu et al., 2021). Most e-commerce firms are likely to adopt a more cautious growth strategy and emphasize maintaining profitability due to the deteriorating and less predictable state of macroeconomics. Despite this, the industry still has substantial room to expand.

1.1.2. Alibaba E-commerce Company

Alibaba Group is one of the world's largest and leading e-commerce enterprises. Since acquiring Lazada in 2016, Alibaba has invested in Lazada several times. By investing in Lazada, Alibaba can not only further consolidate its position in the Southeast Asian market but also further expand its market capitalization, as shown (Figure 2). Through this calculated move, Alibaba has accessed the thriving and quickly expanding Southeast Asian market.

![Figure 2. History of Alibaba Market Cap](Image)

Source: (Alibaba (BABA) - Market Capitalization, n.d.)

1.1.3. Alibaba's E-commerce Platform Lazada in Southeast Asia

As one of Asia's largest e-commerce companies, Lazada has many users and sales and is an essential competitor of Alibaba in the Southeast Asian market. It launched in 2012 and has become the most successful regional internet marketplace. The breadth of Lazada's product selection, which includes electronics, clothing, makeup, and home decor, is a significant factor in the company's success. Additionally, Lazada provides several features to ease online buying, including safe payment options, doorstep delivery, and an intuitive mobile app. Lazada has over 100 million monthly active users and 80 million active consumers annually (Schone, 2022). The number of active users has increased by 200% since Alibaba acquired Lazada.

![Figure 3. Lazada Active User Base](Image)

Source (Schone, 2022)

1.1.4. Shopee E-commerce Company

Shopee, the biggest e-commerce platform in Southeast Asia, offers various products and services. It launched in 2015 and has since become one of the most well-known internet markets in the area. Singapore, Malaysia, Indonesia, Thailand, the Philippines, and Vietnam are just a few Southeast Asian nations where Shopee is active. Shopee's unique approach to online shopping is one of its most vital points. Shopee Mall, a curated collection of items from reliable merchants, and Shopee Pay, an integrated mobile payment system, are two of the platform's most well-known features. Shopee's in-app games and attention-grabbing promotional activities have also won praise for the service. As a subsidiary of Sea Limited, a major technology company in Southeast Asia, Shopee has had access to substantial funding for business growth and technological development. Shopee has dominated the Southeast Asian e-commerce market due to its dedication to its customers and constant efforts to enhance the online buying experience. Shopee has become the most downloaded app in Southeast Asia in just five years. It has more than 290 million monthly visits (Schone, 2022).

![Figure 4. Shopee Active Users](Image)

Source (Schone, 2022)

1.1.5. Strategies for Competing in the Regional Market

Lazada's strategy to compete on a global scale involves tailoring its goods and services to specific geographical markets. Lazada tailors its platforms and services to the local demands in Southeast Asia because of the region's varied cultures, languages, and consumer habits. Lazada is an excellent example of localization since it offers country-specific platforms with localized content, language choices, and payment methods (Reardon et al., 2021). Lazada builds trust and loyalty with local customers by adapting to their needs and preferences. This approach goes beyond traditional e-commerce to include logistics, marketing, and customer assistance, all while maintaining sensitivity to cultural customs.

Lazada prioritizes developing a reliable logistics and infrastructure network to face the specific difficulties of the Southeast Asian market (Tian & Li, 2023). Last-mile delivery challenges are compounded by the region's archipelagic nature and topographic heterogeneity. Cainiao, Lazada's logistics arm, works with regional service providers, invests in cutting-edge tools, and employs innovative strategies to boost delivery timeliness and dependability. Lazada guarantees that items are delivered to clients quickly by tackling logistical challenges directly, which increases client satisfaction and loyalty.

Lazada aggressively pursues strategic collaborations and investments in local enterprises to compete successfully in the
area market (Naughton, 2020). These partnerships provide a platform for the two parties to acquire knowledge from one another, share resources, and grow together (Janjevic & Winkenbach, 2020). In addition, via its relationships with governments and regulatory organizations, Alibaba has helped spread the word about the benefits of digital inclusion and lawful business practices. These joint initiatives strengthen Alibaba's commitment to the region, and the company gains credibility as an excellent corporate player.

Lazada knows the need to adapt to Southeast Asia's mobile-first economy. Lazada emphasizes mobile commerce by providing intuitive mobile applications and enhanced mobile experiences (Zhu, 2022). In addition, the cashless movement in the area is mirrored by Lazada's investments in digital payment systems like Alipay and e-wallet alternatives (Wu & Gereffi, 2018). Due to these innovations, more people will likely use Lazada's platforms, which streamline the payment process and make consumers feel safe and satisfied.

1.2. Research Aim, Questions, and Objectives

The research proposal aims to compare Lazada with Shopee Southeast Asian e-commerce enterprises to assess the efficacy of Alibaba's strategies for entering and succeeding in the Southeast Asian e-commerce sector.

This research proposal seeks to answer the following research questions:

1) What are the differences between Lazada and Shopee in Southeast Asia?
2) What are the performances of Lazada and Shopee in Southeast Asia?
3) How does Alibaba combine "taking advantage of China" with "localization in Southeast Asia"?

The following are the core research objectives for the response to the above research questions:

1. To explore the similarities and differences between Lazada and Shopee in terms of business models, including product, profit, customer, promotion, technology & logistics.
2. To examine Lazada and Shopee's performances in Southeast Asia from the four dimensions of financial performance, internal process, customers, learning and growth.
3. To determine Alibaba's localization efforts by digging into Alibaba's past successful experience in e-commerce in Southeast Asia.

2. Literature Review

2.1. Competition Strategy Theories

2.1.1. Shareholding Mapping Theory

This theory aims to reveal a company's complex ownership structure, including the names and percentages of significant shareholders and the distribution of the company's shares. Learning who owns what firm shares is crucial to understanding the governance, control, and influence dynamics that drive strategic choices and results (Zeithaml et al., 2020). It can alter governance procedures, investment plans, rules and regulations, and even public opinion (Cortez & Johnston, 2017). This theory can help to have a deeper understanding of the organizational structure and explain the difference in Shopee and Lazada's competitive strategies from the equity perspective.

2.1.2. Business Model Theory

The business model includes five aspects: product model, user model, promotion model, profit model, and technology (Johnson, 2022). The business model defines what kind of product the company will offer, what kind of value will be created for what kind of users, and what method will be used to generate business value in creating user value. Therefore, the business model can be used to analyze the similarities and differences of enterprises.

2.1.3. Consumer Decision-Making Process Theory

Businesses that want to connect with their target audience must have an in-depth understanding of the complex decision-making process that consumers engage in. The consumer decision-making process hypothesis, often known as the consumer buying process, is a model that breaks down the many considerations that a person makes before making a purchase (Cortez & Johnston, 2017). The marketing and psychology fields rely heavily on this theory to construct an understanding of customer behavior and create strategies that streamline the decision-making process. Through this theory, the customer's psychology has been studied more deeply to formulate a questionnaire more in line with consumer behavior.

![Figure 5. Flowchart of Consumer Decision-Making Process](Source: (Cortez & Johnston, 2017))

2.1.4. Segmentation of Consumer Market

The theory of consumer market segmentation provides companies with a significant competitive advantage. They may maximize the effectiveness of their advertising by focusing on specific groups of customers. Companies may avoid alienating any part of their customer base by tailoring their products, prices, and marketing strategies to the particular needs of that part of the market (Groening, Sarkis & Zhu, 2018). Through the theory of market segmentation, it is necessary to look closely at how the six Southeast Asian countries differ and to realize the importance of localization.

2.1.5. Balance Scorecard Theory

Strategic performance may be measured using the Balanced Scorecard theory developed by Drs—Robert Kaplan and David Norton in the early 1990s (Kotler et al., 2015). The distinctive strength of the Balanced Scorecard theory is its capacity to give a complete assessment of an organization's performance. It provides a more all-encompassing view of an organization's health and trajectory by considering the financial, customer, internal process, and learning and development perspectives (Saura, Palacios-Marqués & Barbosa, 2023). Therefore, the study can comprehensively evaluate Lazada and Shopee's performance through the balanced scorecard theory.

2.2. Existing Study of E-commerce Competitive Strategies

As a result of shifting consumer preferences and rapid technology development, e-commerce has expanded from a minor to a major contributor to the global economy. The
characteristics of the online retail sector are ever-evolving, necessitating a constant evolution of marketing methods. To provide a theoretical underpinning for the following in-depth discussion of the development of Lazada and Shopee, this section of the paper examines current trends in e-commerce marketing using a wide range of recent resources.

E-commerce companies increasingly invest in omnichannel strategies because customers want a consistent experience whether they purchase online or in a physical store. Businesses are developing unified and consistent customer experiences across all channels to increase customer engagement and satisfaction (Novak, 2023). Personalized advertising is still the most effective method. E-commerce sites use AI and machine learning to analyze customer information and provide customized suggestions. According to eMarketeer (2023), customization is crucial since it increases conversion rates and client retention.

Online marketplaces are rapidly being integrated into social networking sites. Instagram and Facebook, for example, have included purchasing capabilities so that users can browse, research, and make purchases without ever leaving the app. An article by Hutchinson (2023) discusses this development, pointing out the importance of "social commerce" in advertising. E-commerce companies use sustainability and ethical marketing methods to appeal to an increasingly eco-conscious client base. Farzin et al. (2022) highlights the competitive advantage for businesses implementing sustainability efforts and including environmental effects in their marketing strategies.

Optimization of e-commerce sites for voice search is gaining popularity as speech-activated devices like Amazon Echo and Google Home proliferate. Ellis (2023) published research highlighting the significance of voice search SEO and its potential to revolutionize how customers engage with online stores. The use of virtual reality (VR) and augmented reality (AR) in e-commerce is improving the process for consumers. According to a 2023 article published by TechCrunch, virtual reality (VR) and augmented reality (AR) are helping online retailers improve sales and decrease returns by letting consumers "try before they buy" (TechCrunch Is Part of the Yahoo Family of Brands, 2023). Online video ads are becoming more popular. YouTube and TikTok have emerged as widespread venues for showcasing products and providing instructional guides. According to Saura, Palacios-Marqués & Barbosa (2023), videos greatly influence online shoppers' decisions.

3. Methodology

3.1. Methodology for Objective 1

3.1.1. How Objective 1 Was Achieved?

The business model forms the foundation of business activity, including five aspects: product model, customer model, promoting model, profit model, and technology (Johnson, 2022). This theory can help differentiate how companies operate, create value, and achieve profitability.

Product Model: This indicator is mainly measured by examining Lazada and Shopee's product type, brand, price, and barriers to entry for merchants to understand their respective product positioning.

Customer Model: Different target customers determine different strategies and different company operations. This metric requires a deep understanding of Lazada and Shopee's target customer segments.

Profit Model: For a company, the profit model is very important. This metric focuses on Lazada's and Shopee's profit generation.

Promoting Model: The promotion model can be the company's promotion means or advertising means to promote enterprises. Therefore, the two enterprises' promotion means and advertising promotion should be explored in this indicator.

Technology & Logistics: Electronic platform technology and logistics are important for e-commerce enterprises. Exploring the differences helps us understand the differences between the companies.

3.1.2. Source of Information

The qualitative methods were used to compare and contrast Lazada and Shopee's company policies, market reports, and research papers by relevant scholars to understand the differences between companies. The information gathering also comprised website content, social media postings, and digital adverts, which underwent a content analysis to gauge the efficacy of the competitive strategy. Lazada and Shopee were compared and contrasted regarding their respective branding strategies, including their use of language, visuals, and price. The research compared Lazada's business mode with Shopee to conclude their relative efficacy.

3.2. Methodology for Objective 2

3.2.1. How Objective 2 Was Achieved?

A mixed qualitative and quantitative approach to compare the strategic performance of Lazada and Shopee across four scoreboard dimensions. According to this theory, profits are not everything when measuring a company's health. Meeting client expectations, streamlining internal procedures, and encouraging a culture of learning and innovation are all very important to the success of any business. And the results were presented using graphs, charts, and other visual representations to make it simpler to analyse and compare Lazada and Shopee's performance.

3.2.2. Financial Perspective

The strategy, development paths, and competitive dynamics of Lazada and Shopee in the Southeast Asian e-commerce business may be better understood by comparing their financial performances. This point of view is concerned with more conventional financial indicators like sales, profit, and ROI. Aligning with the general aim of sustainability and financial development, it aids organisations in assessing their financial performance and profitability. Profitability is an effective measure of a company's financial performance (Gandini, 2016).

Therefore, the financial health of both Lazada and Shopee can be intuitively studied by analyzing their revenue and net income growth rates. The research will consider changes in the financial positions of these organizations that may have occurred beyond the time covered by the utilized data (2019-2022).

3.2.3. Internal Process Perspective

Lazada and Shopee, two significant players in the Southeast Asian e-commerce business, have different management systems. Every company has established its leadership style and organizational structure to succeed in the increasingly complicated and cutthroat e-commerce market. The internal architecture of the enterprise can directly affect the internal operations and processes (Gandini, 2016). Therefore, analyzing the organizational structure of Lazada and Shopee is crucial to interpreting the enterprise's internal
processes.

Moreover, this viewpoint also examines the internal operations and processes vital to providing value to clients. Successful businesses first identify and quantify their essential efficiency, quality, and creativity functions. The objective is to increase efficiency and production (Gandini, 2016). For e-commerce companies, GMV is an important indicator to measure the company's efficiency. And total order is an important indicator to measure the company's output. Therefore, the companies' internal processes can be effectively evaluated by analyzing the growth rate of GMV and total orders of Lazada and Shopee.

3.2.4. Customer Perspective

Organisations adopt this stance when reflecting on things from the customer's viewpoint. Customers' priorities, wants, and expectations are uncovered, and KPIs like satisfaction, loyalty, and retention are evaluated. Organisations strive for market dominance and competitive advantage by identifying and satisfying client demands (Gandini, 2016).

Southeast Asia has many countries. Regional culture is complex. And the customer experience is very important. Dong Zheng, CEO of Lazada, also mentioned in the interview that customer experience is essential and central to Lazada. From the perspective of customers, we can more intuitively compare the advantages and disadvantages of Lazada and Shopee. Therefore, customer satisfaction can be effectively evaluated using Lazada and Shopee's customer satisfaction survey. The number of users on Lazada and Shopee can also be a useful measure of customer loyalty and retention.

The Lazada and Shopee customer experience and satisfaction questionnaires were distributed to customers in six Southeast Asian countries via Survey Monkey's online platform. NVivo then analyzed the collected information for customer satisfaction, and the results were presented as a word cloud and overall statistics. Secondly, a descriptive analysis of the number of users of Lazada and Shopee in the last five years in six Southeast Asian countries is conducted using the statistical tool Spss (v26). These companies' mean, maximum, minimum, standard deviation, and kurtosis are examined. The aim is to understand the company's performance from the customer's perspective.

3.2.5. Learning and Growth Perspective

The last point of view concerns the potential for innovation, learning, and personnel development within the company. Performance indicators include staff education, skill growth, and responsiveness to market fluctuations. Constant progress and new ideas may be encouraged by employing people with a wide range of skills and abilities (Gandini, 2016).

Therefore, this indicator can be effectively assessed through qualitative analysis of Lazada's and Shopee's corporate reports, Lazada's 2023 ESG report, Shopee's and Lazada's corporate policy reports, and interviews with senior executives, with a focus on exploring Lazada's and Shopee's investment in employee training and development, or exploring the companies' ability to respond to new market trends.

3.3. How Objective 3 Was Achieved?

Objective 3 uses qualitative methods of analysis. This includes secondary data, market reports from Alibaba and Lazada, and interviews with senior executives. The aim is to explore Alibaba's existing successful competitive strategy. The experience will be shared with companies wishing to enter the regional market.

This is based on the following aspects of the in-depth analysis: (1) Analysis of Alibaba's market entry and investment in Southeast Asia and identification of Alibaba's partners. (2) Analysis of Alibaba's technological advantages in the Southeast Asian market, including Alipay, Alibaba Cloud, AI and big data. (3) Analyze Alibaba's cross-border business. (4) For companies' long-term competitiveness, the analysis of social responsibility is very important.

4. What are the differences between Lazada and Shopee in Southeast Asia?

4.1. Business Model of the Two Companies

4.1.1. Product Model

Lazada mainly promotes high-end goods and consumption upgrading similar to domestic TMall, especially enabling self-owned brands, and has its own logistics system, focusing on customers' cognition of the brand. On the contrary, Shopee is based on C2C mode, similar to domestic Pinduoduo and Xianyu. The entry threshold for merchants is low, providing a platform for online transactions for most small retailers. Products are affordable and brand-free.

4.1.2. Profit Model

Both Lazada and Shopee make a profit by charging commissions for their products. Lazada's commission rate remained 1% to 4%, while Shopee's was 5% to 6%. By contrast, Shopee's commissions are higher.

4.1.3. Customer Model

Shopee is positioned to target Southeast Asia's middle and low-level consumer market, while Lazada targets white-collar workers, students, and other medium and upper-income earners. Lazada's consumer groups have a significant consumption premium. So, the two business methods are therefore different.

4.1.4. Promotion Model

Promotion Means: Shopee's main marketing strategies are low-price flash sales and explosive models. Free shipping is another promotional tool of Shopee. However, Lazada creates a consumption atmosphere of low-price brand-name goods sales, which helps promote consumption and ensure the platform's and merchants' profits.

Advertising Promotion: One of the most coveted benefits for Shopee merchants is Google Ads with Shopee. Shopee sellers can use it to market their products to the customers who are most likely to buy them in the first place. The result is an increase in the store's visibility to potential buyers. In addition, Shopee works with celebrities, singers, and dancers to create material that buyers will love and appreciate. As a result, Shopee is good at influencing customers' purchase decisions by exceeding expectations.

Lazada uses AI search recommendations and AI translation. This delivers a customised experience when shopping. This approach highlights the item to the most appropriate buyer from the seller's perspective. Consequently, conversion rates reached new heights.

4.1.5. Technology & Logistics System

Lazada's operating platform has Alibaba's current level of e-commerce technology, which is equivalent to today's TMall operating platform technology. Moreover, Alibaba built Alipay's payment method into Lazada to make payments faster. On the contrary, Shopee's operating platform is equal to the technical level of China's e-commerce operating...
platform ten years ago, and its stability is relatively backward. Lazada uses LGS logistics To Ship, requiring sellers to change their order status to Ready to Ship within 48 hours. Lazada has its own logistics system, which is monitored throughout the process. Shopee sellers can use the official logistics SLS or choose their logistics. Sellers can set their delivery time as three days or seven days. There are no strict delivery time rules. However, the delivery time is set to 7 days or more, and the front desk product display page will become a presale state, affecting the conversion rate.

4.2. Chapter Summary

The respective business models of Lazada and Shopee are analyzed in this chapter. Lazada is positioned as middle and upper-class consumers, focusing on brands. Lazada has advanced operation technology, fast logistics services, and a focus on user experience. Lazada delivers an AI-customized experience when shopping. However, Lazada has high barriers to entry, and commissions are relatively low. In comparison, Shopee's positioning is the low and middle consumers who mainly play a low-price strategy. The barrier to entry is low and the commission is relatively high. Co-advertising with local stars and exclusive Google Ads attracts local audiences. Shopee is quickly occupying the Southeast Asian market. However, the logistics service has a high degree of freedom, which means it may not guarantee timely delivery, and Shopee needs to pay attention to the development of operational technology. In general, Lazada and Shopee have different business models. Their respective advantages and disadvantages are obvious.

5. What are the performances of Lazada and Shopee in Southeast Asia?

This chapter focuses on four dimensions of a balanced rewards card (financial performance, internal operations, customers, learning, and growth) to analyze the implementation and development of Lazada and Shopee in Southeast Asia over the past year.

5.1. Financial Performance

5.1.1. Lazada's Financial Performance

From the latest five years of Alibaba's financial annual report, Alibaba International's business revenue grew primarily due to the increased revenue generated by Lazada. Lazada's income and loss are directly related to Alibaba International's business performance and are in a specific proportional relationship (Kwak, Zhang & Yu, 2019). Figure 6 shows the steady and continuous growth of Alibaba's international retail, indicating that Lazada's recent performance in Southeast Asia is quite good. However, Alibaba Group has yet to disclose less about Lazada's financial performance.

5.1.2. Shopee's Financial Performance

Unlike Alibaba Group, Sea Group is more transparent about Shopee's financial performance. Shopee has shown solid financial success in recent years. Revenue (Figure 7) for Shopee was $7.8 billion, and adjusted EBITDA was $1.1 billion in the fiscal year that concluded on December 31, 2022.

5.1.3. Comparison of the financial performance of two companies

Both Lazada and Shopee have taken different approaches to the Southeast Asian e-commerce business, and it shows in their respective financial performances. Table 1 compares Lazada and Shopee's financial results in the recent two years. As Table 1 shows, Alibaba's international e-commerce revenue grew 13% year over year in 2022, with Lazada's revenue being the primary source. Shopee grew 51% year over year in 2022. Shopee's revenue growth was more significant than Lazada's. In addition, Shopee's net income growth is higher than Alibaba's international e-commerce. Shopee, a local e-commerce player in Southeast Asia, is growing faster than Alibaba.

Table 1. Comparison of the two companies' financial performance in recent two years

<table>
<thead>
<tr>
<th>Metric (billion)</th>
<th>Alibaba Group ($)</th>
<th>Ali's International E-Commerce ($)</th>
<th>Shopee ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue (2021)</td>
<td>117.2</td>
<td>15.0</td>
<td>5.2</td>
</tr>
<tr>
<td>Revenue (2022)</td>
<td>144.2</td>
<td>17.1</td>
<td>7.8</td>
</tr>
<tr>
<td>Net income (2021)</td>
<td>20.1</td>
<td>2.2</td>
<td>5</td>
</tr>
<tr>
<td>Net income (2022)</td>
<td>34.2</td>
<td>4.1</td>
<td>1.1</td>
</tr>
<tr>
<td>Revenue growth (2021-2022)</td>
<td>23%</td>
<td>13%</td>
<td>51%</td>
</tr>
<tr>
<td>Net income growth (2021-2022)</td>
<td>71%</td>
<td>87%</td>
<td>116%</td>
</tr>
</tbody>
</table>
5.2. Internal Process

5.2.1. Management of the Two Companies Lazada’s Organizational Structure

With offices in Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam, Lazada is a dominant e-commerce platform in Southeast Asia. Each nation has its own CEO and management team as part of the company's decentralized management structure. The Group CEO is responsible for Lazada’s overall strategic direction, while the Country CEOs are responsible for the day-to-day operations in their respective regions. Financial, technological, customer service, business development, marketing, human resources, logistics, and legal are all only some of the responsibilities of the other C-Suite executives.

After Alibaba acquired Lazada, Lazada's system is more like a copy of Alibaba's management style in China. Alibaba has TMall executives, Taobao executives, Cainiao executives, and 1688 senior managers parachuted into Lazada to play an important role. Due to the changeable management style, Lazada's management will form significant internal friction within Lazada. It is highly unfavorable to its development in Southeast Asia.

5.2.2. Shopee's Organizational Structure

Shopee, created by its founder, Forrest Li, has a strict organizational structure. The company's regional and local operations throughout Southeast Asia are managed by the leadership team, which includes senior executives like Chris Feng. Shopee has a centralized management structure ensures all its operations in the area adhere to the same high standards. Centralized management is responsible for the company's operational efficiency and rapid expansion throughout numerous Southeast Asian regions.

Lazada is a decentralized organization. There are subsidiaries in six Southeast Asian countries, and its leading executives have 154 people, including 57 Chinese. By contrast, Shopee has a centralized organization with just 26 executives, mostly Southeast Asians (Figure 8). The comparison shows that Lazada's management is mainly Chinese. Alibaba China's management and operations may shift their mindset to Lazada. This action is not conducive to Lazada's localization in Southeast Asia.

5.2.3. GMV & Total Orders of the Two Companies

Momentum Works, a company that helps startups grow, recently released research stating that Lazada was Southeast Asia's second-biggest e-commerce platform in terms of GMV in 2023. It had a gross merchandise value of $20.1 billion. Shopee came out on top, putting it first with a GMV of $47.9 billion. Undoubtedly, Shopee is a massive challenge for Alibaba in developing the Southeast Asian market.

![Figure 9. Key player’s GMV Performance in SEA (in US$ B)](Image)

In 2022, according to TMO Group's latest data summary, Lazada's orders grew more than 100% yearly, while Shopee's grew 150.1% year over year (Table 2). Shopee has been growing at a phenomenal rate.

<table>
<thead>
<tr>
<th>Year</th>
<th>Shopee GMV (US$ B)</th>
<th>Shopee Total Orders</th>
<th>Lazada GMV (US$ B)</th>
<th>Lazada Total Orders</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>24.3</td>
<td>2.8</td>
<td>13.0</td>
<td>2.5</td>
</tr>
<tr>
<td>2021</td>
<td>42.5</td>
<td>5.6</td>
<td>20.0</td>
<td>3.2</td>
</tr>
<tr>
<td>2022</td>
<td>47.9</td>
<td>8.4</td>
<td>21.0</td>
<td>6.5</td>
</tr>
</tbody>
</table>

Growth Rate (2020-2021)

<table>
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<tr>
<th>Shopee</th>
<th>Lazada</th>
</tr>
</thead>
<tbody>
<tr>
<td>53.8%</td>
<td>26.6%</td>
</tr>
</tbody>
</table>

Source: (Momentum Works, 2023)

5.3. Customer

5.3.1. Customer Satisfaction Survey

Distribute surveys to e-commerce customers in Southeast Asia through the Survey Monkey platform. Consumers who have used Lazada and Shopee will be given preference in the selection process. The sample objects should be distributed in six Southeast Asian countries. Diverse positions, experiences, and points of view will be encouraged to collect valuable data. To ensure a sufficient depth of information is acquired from the participants, the sample size will be established using the concept of data saturation, where data gathering will continue until no new themes or insights emerge from the questionnaires.

5.3.2. Data Processing

Data pre-processing is very important before text data analysis. We can obtain valid questionnaires through data pre-processing to improve the study's accuracy. The number of questionnaires will reduce by eliminating invalid questionnaires through data pre-processing. The pre-processing result of the questionnaires is in (Table 3).

<table>
<thead>
<tr>
<th>No. of Questionnaires</th>
<th>Clean Questionnaires</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lazada</td>
<td>233</td>
</tr>
<tr>
<td>Shopee</td>
<td>260</td>
</tr>
<tr>
<td>Total</td>
<td>493</td>
</tr>
</tbody>
</table>

Customer satisfaction ranges from 1 to 10, 1 to 4 as negative, 5 to 6 as neutral, and 7 to 10 as positive. Statistical methods and procedures will be used to analyze the
quantitative data using statistical software (SPSS V26 and NVivo). Statistical software was used to make descriptive statistical analyses and visual presentations of the collected valid questionnaire texts.

5.3.3. Finding
Customer satisfaction analysis: From the collected questionnaire data, Lazada has 226 valid questionnaires, of which 102 (45%) are positive, 69 (31%) are negative, and 55 (24%) are neutral. For Shopee, there are 246 valid questionnaires, of which 99 (40%) are positive, 90 (37%) are negative, and 57 (23%) are neutral (Table 4). Customer satisfaction for both companies is more positive than negative. In general, consumers have a supportive attitude towards e-commerce platforms.

Table 4. Customer Satisfaction Analysis Result for Lazada and Shopee

<table>
<thead>
<tr>
<th>Satisfaction</th>
<th>Total</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Positive</td>
<td>102</td>
<td>45</td>
</tr>
<tr>
<td>Negative</td>
<td>69</td>
<td>31</td>
</tr>
<tr>
<td>Neutral</td>
<td>55</td>
<td>24</td>
</tr>
<tr>
<td>Total</td>
<td>226</td>
<td>100</td>
</tr>
</tbody>
</table>

Frequent Words Analysis: Text statistics analyzed the platform opinions of Lazada and Shopee customers, and the frequently appearing words were counted and presented using NVivo software. The result mainly discusses the advantages and disadvantages of Lazada and Shopee platforms.

Lazada’s Frequent Words: In Lazada's Word Cloud (Figure 16), words that appear more regularly appear larger. In the text of the opinion that Lazada is worth preserving, "Lazada" appeared 102 times, "Technology" appeared 89 times, "Logistics" appeared 73 times, and "Payment" appeared 64 times (Table 5). Consumers are pretty satisfied with the Alibaba platform's technology, logistics, and payment methods. Alibaba can continue to leverage its advantages in the future and increase investment in technology.

Among the suggestions that Lazada needs to be improved, "Lazada" appeared the highest, 68 times; "expensive" appeared the second most frequently, 47 times; "High" appeared 32 times; "Postage" appeared 21 times (Table 5). It would be impractical for Alibaba to replicate the Chinese e-commerce operation model in Southeast Asia. The GDP per capita of the six Southeast Asian countries is lower than that of China, and Southeast Asian consumers are pursuing high-quality and affordable products. The product upgrading strategy followed by Alibaba is undoubtedly in need of adjustment.

Shopee’s Frequent Words: The same Shopee Consumer Experience survey was text-processed to find the most frequently used words. Among them, "Shopee", "Covenient", "Promotion", "Easy", "Effective", "Cheap", "Claim", "Fast", "Vouchers", "Low", "cost", and "Suitable" were the most frequent words for positive opinions. At the same time, those for improvement suggestions were "Shopee", "Quality", "Bug", "Slow", "Technology", "Brand", "Logistics", and "Service". Results are displayed in Word Cloud (Figure 17).

Among the positive opinions about Shopee, "Shopee" appeared the most frequently, 98 times, "Cheap" 82 times, "Vouchers" 43 times, and "Claim" 24 times (Table 6). It means affordable goods are more attractive than branded products, so Shopee quickly became the top e-commerce platform in several Southeast Asian countries. This is also worth learning from Alibaba's adjustment of competitive strategy.

Among the improvement suggestions put forward by consumers for Shopee, "Shopee" appears 90 times, "Quality" for 69 times, "Dissatisfaction" for 58 times, and "Technology" for 25 times (Table 6). It shows that Shopee's operation technology still has significant space for improvement. The product quality is not guaranteed, the logistics transportation time could be faster, and the operation platform often has bugs. These shortcomings are also worthy of the attention and improvement of Shopee.

Table 5. Positive and Negative Frequent Words for Lazada

<table>
<thead>
<tr>
<th>Frequent Words in Positive</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lazada</td>
<td>102</td>
</tr>
<tr>
<td>Technology</td>
<td>89</td>
</tr>
<tr>
<td>logistics</td>
<td>73</td>
</tr>
<tr>
<td>payment</td>
<td>64</td>
</tr>
</tbody>
</table>

Figure 11. Words Cloud for Lazada. Source (NVivo data handling)

Source (Spss data handling)
5.3.4. Discussion
By comparing the two consumer satisfaction surveys, Lazada's satisfaction is higher than Shopee's. Lazada pays attention to customer experience, not a single sales volume ranking, but a comprehensive product ranking, such as product logistics time, praise, and customer service response speed, which are buyers' experiences but also essential indicators of the platform. Shopee, on the other hand, focuses on sales ranking, and in Shopee, AD traffic is the core.

5.3.5. Number of Users (Descriptive Analysis)
The data was collected from https://www.statista.com/ for both Lazada and Shopee. The data was analysed using SPSS (v26) to draw the following insights regarding the competitive landscape of Lazada and Shopee in the e-commerce sector.

Table 7 shows the descriptive analysis of the number of users that visited Lazada and Shopee from 2018-2022. Lazada had a maximum of 57 million visits compared to Shopee's 150 million users during the same period. According to the table below, Shopee had the highest number of users, with a mean of 269 million, compared to 39 million, with a standard deviation of 93.97 and 13.04, respectively. This means that Shopee is better at keeping and retaining customers than Lazada.

5.4. Learning and Growth
From cloud computing and middleware to e-commerce business modules such as search, recommendation, payment, and logistics to cutting-edge technology applications such as big data, AI, AR, and IOT, Lazada has been innovating. In addition, Lazada's 2023 ESG Report points to a comprehensive learning and growth system for employees. At Lazada's in-house digital learning platform GROW, employees can take over 1,000 courses.

Shopee has begun to invest in technology development. Chief Operating Officer (COO) Terence Pang said Shopee constantly improves its consumer and merchant experience. Shopee plans to enhance its platform features further to attract consumers, such as improving recommendations for live content and its AR-enabled makeup fitting tool.

Both companies are more focused on market dynamics and introducing new technology experiences. However, Lazada is more focused on sustainability. Lazada has produced ESG reports for three consecutive years, highlighting its investment in employee training and development.

5.5. Chapter Summary
This chapter focuses on how Lazada and Shopee have performed compared to each other. Shopee's financial performance is growing faster. Its revenue and net profit growth are almost far ahead of Lazada's. From an internal process perspective, Alibaba changed its top management after acquiring Lazada. The variable internal operating style may be less conducive to Lazada's long-term development. Lazada's GMV and total orders were also lower than Shopee's. From a customer perspective, the ratings of Shopee and Lazada are also mixed, but the overall customer satisfaction rating of Lazada is higher. The customer retention and loyalty of Shopee are higher than that of Lazada, which shows that Shopee is a big challenge for Lazada in the Southeast Asian market. Lazada must also constantly adapt its market strategy to localize. Continuity is key to long-term competition. Therefore, Shopee and Lazada must continuously adapt to market dynamics and give employees room for growth.

6. How does Alibaba Combine "Taking Advantage of China" with "Localization in Southeast Asia"?

The study explores Alibaba's experience entering and succeeding in this dynamic and competitive regional market using secondary sources such as market reports and executive interviews. This chapter aims to explore how Alibaba can combine its advantages with localization.

6.1. Alibaba's Existing Competitive Strategies in the Southeast Asian Market
According to the TMO Group's latest release, the total GMV of major e-commerce platforms in Southeast Asia reached about $100 billion in 2022. The Digital Economy Southeast Asia report released by Google, Temasek, and Bain predicts that the overall trend of e-commerce platforms in Southeast Asia will be upward in the next five years (appendix). Alibaba's development in Southeast Asia is undoubtedly a wise decision. How can Alibaba gain e-commerce market share in Southeast Asia through Lazada?

6.1.1. Investments and Partnership
Alibaba always held great expectations for Lazada and the Southeast Asian market, so the company has consistently invested in it. Alibaba has invested US$58 billion into Lazada since acquiring the company in 2016, including US$1 billion in 2017 and US$2 billion in 2018. After Jiang Fan, formerly President of Taobao and Tmall, assumed control of the

Figure 12. Words Cloud for Shopee. Source (NVivo data handling)

Table 6. Positive and Negative Frequent Words for Shopee

<table>
<thead>
<tr>
<th>Frequent Words in Positive</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shopee</td>
<td>98</td>
</tr>
<tr>
<td>Cheap</td>
<td>82</td>
</tr>
<tr>
<td>Vouchers</td>
<td>43</td>
</tr>
<tr>
<td>Claim</td>
<td>24</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Frequent Words in Negative</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shopee</td>
<td>90</td>
</tr>
<tr>
<td>Quality</td>
<td>69</td>
</tr>
<tr>
<td>Dissatisfaction</td>
<td>58</td>
</tr>
<tr>
<td>Technology</td>
<td>25</td>
</tr>
</tbody>
</table>

Source (Spss data handling)
Alibaba international Digital Business division in 2022, the company boosted its investment in the international market and Lazada. The amount of capital injected into Lazada in 2022 exceeded $1.6 billion. Strategic acquisitions, like the one in the e-commerce platform Lazada, marked Alibaba's debut in the region and helped it quickly build a dominant position.

**6.1.2. Innovation and Technology Development**

Lazada's growth and competitiveness in Southeast Asia's dynamic e-commerce market rely heavily on the company's innovation and technical performance. In an interview, Dong Zheng, CEO of Lazada Group, pointed out that he firmly believes that Internet shopping, in its essence, is data- and technology-driven. Alibaba's dedication to novel approaches and adoption of state-of-the-art technology has made it a frontrunner in the competitive Southeast Asian market.

Alipay: With the help of its financial arm, Ant Group, Alibaba has been at the forefront of digital payment developments. Alipay has become more prevalent in Southeast Asia because of its convenience and safety in online payments.

Logistics and Delivery: Alibaba has invested in logistics technology that speeds up delivery in the last mile and simplifies supply chain management. The organization has improved delivery timeliness, reduced fuel consumption, and shortened driver trip times through cutting-edge technology. Deliveries to customers and businesses have improved because of advanced tracking technology, optimized routes, and collaboration with local delivery providers.

Alibaba Cloud: Alibaba's computing division, Alibaba Cloud, has expanded rapidly throughout Southeast Asia by offering local enterprises cutting-edge cloud infrastructure and data analytics services.

Artificial Intelligence (AI) and Big Data: Alibaba's marketing and customer interaction initiatives in the area have been bolstered by the company's use of artificial intelligence and big data analytics for consumer insights, market trends, and predictive analytics. Alibaba's innovation and technical success in Southeast Asia may be attributed to the company's dedication to digital transformation, investments in cutting-edge technology, and responsiveness to the region's unique market dynamics.

**6.1.3. Cross-Border Trade**

Alibaba has expanded to include Southeast Asian international commerce. AliExpress and Taobao are two online marketplaces that have widened customers' access to goods worldwide. Southeast Asia has given Alibaba a boost.

**6.1.4. Social Responsibility**

Improving corporate social responsibility is a factor in improving a company's competitiveness. By assuming social responsibility towards the government, the enterprises will get preferential policies and support from the government, which will enhance the competitiveness of the enterprises (Bena, 2021). Alibaba has always been committed to sustainable development as the core of its competitive edge and actively fulfills social responsibilities. In an interview, Lazada CEO Dong Zheng said Lazada's future core competencies are sustainable development and social responsibility.

Environmentally Friendly: According to the Lazada 2023 ESG report, Lazada's total greenhouse gas emissions decreased by 10% compared to the previous reporting cycle.

Sustainable Logistics: Lazada Logistics' transportation works with third-party partners to reduce the amount of road transport and eliminate the need for separate trucks, thereby avoiding the equivalent of about 7 million kilometers.

Ecological Model of Openness and Cooperation: Lazada has joined the Asia-Pacific Economic Cooperation (APEC2022) Economic Forum, an initiative aimed at helping MSMEs achieve digital transformation. Across the six markets it currently operates in, Lazada provides economic opportunities for more than 1.1 million stakeholders across the digital economy ecosystem, including sellers, e-commerce service providers, third-party logistics partners, and employees.

Future-Ready Employees: Lazada Provides a diverse and inclusive working environment and learning platform for employees. Lazada employs more than 32 nationalities and 44% comprises women. Lazada's in-house digital learning platform, GROW, provides over 1,000 courses for employees across all markets.

Effective Management: Lazada strengthened cybersecurity measures. Lazada achieved zero substantiated complaints from customers. Lazada has best practices for protecting intellectual property rights (IPR) and processes. In September 2022, Lazada spearheaded the formation of the Southeast Asia E-Commerce Anti-Counterfeiting Working Group (SeCA), which is the first consortium of its kind in the region that is dedicated to the sharing of best practices on IPR protection policies and resources offered by the platforms.

**6.2. Chapter Summary**

Local culture and consumer habits are closely related to formulating a competitive process. An ample opportunity for Alibaba's e-commerce is the vast market potential in Southeast Asia. Alibaba has invested heavily in Lazada and has become an influential e-commerce company in Southeast Asia by applying Alipay, Alibaba Cloud, AI, and big data. The advantage of Cross-border trade and good social image is clear to see. As different market strategies affect additional market shares, Alibaba's strategic choice to combine its advantages with localization in the Southeast Asian market is correct. However, localizing needs to be continuously deepened. For example, given the consumption power of most local people, Alibaba should refrain from upgrading consumer goods in Southeast Asia.

**7. Conclusion**

In conclusion, the study of the competition between Lazada and Shopee has revealed several previously unknown nuances of the regional industry. The results of my research provide valuable insights into the techniques utilised by these corporations despite the difficulties provided by data constraints and possible source bias. Businesses that want to succeed in the dynamic and competitive Southeast Asian e-commerce sector should use the suggestions provided, such as a focus on thorough data collection, regional segmentation, and objective sourcing. Those who want to succeed in this ever-changing industry must devote significant resources to study and change with it.

**7.1. Conclusion for Objective 1**

The primary goal of this research was to compare and contrast Lazada and Shopee in critical areas, such as product positioning, profit model, customer group, promotion model, entry barrier, and operation technology. Local enterprises use varying tactics based on regional dynamics. Product selection
techniques demonstrate variety, with Lazada highlighting a broad choice of worldwide items, while local firms frequently concentrate on specific offers. Local businesses often place a premium on fostering relationships with their local user base, affecting their pricing techniques. With this knowledge, companies may better understand these crucial factors, providing a framework for developing competitive e-commerce strategies in Southeast Asia.

While Lazada relies heavily on its brand strength, Shopee's influencer collaborations efficiently build customer trust and connection. Shopee's localised marketing efforts are a strength since they allow the company to appeal to various markets. In the dynamic and competitive Southeast Asian e-commerce space, this research highlights the need for a holistic marketing strategy that integrates multiple techniques for an effective and adaptable marketing mix.

7.2. Conclusion for Objective 2

To explore the performance of Lazada and Shopee, through in-depth research, we found that Shopee's growth rate is fast, and the growth rate of revenue and profit is higher than Lazada's. The growth rate of GMV, total orders, and the number of users are more heightened than Lazada's for three consecutive years. Shopee's localization management in Southeast Asia makes it highly competitive in the Southeast Asian market. It also offers special promotions at affordable prices, which aligns with the local consumption concept. However, Lazada also deserves credit for sustainability, focusing on core platform services, continuous learning, continuous employees, and innovation, which is good for long-term development. By understanding the complex interplay of these elements, firms will be better equipped to navigate the rapidly evolving e-commerce landscape in Southeast Asia.

7.3. Conclusion for Objective 3

The study's third objective is to research how Alibaba combines "taking advantage of China" with "localization in Southeast Asia." By understanding the experience of Alibaba's triumphant entry into Southeast Asia, it has a specific guiding significance for other e-commerce companies to enter the regional market. This further shows the importance of Alibaba's continual localization development in Southeast Asia. Companies that want to thrive in today's competitive market must prioritise regulatory compliance, cultural competence, engagement with local partners, and new technology to improve logistics and the customer experience. This research highlights the need for a hybrid strategy whereby global giants like Lazada and Shopee use their skills to traverse the distinctly Southeast Asian market better, capitalising on the benefits while minimising the drawbacks to establish a lasting and formidable foothold.

7.4. Implications

The feasibility of a study on the Comparative Analysis of Lazada and Shopee, two prominent e-commerce firms in Southeast Asia, with a focus on Alibaba's strategies for competing in the regional market, is evident in the dynamic and rapidly growing nature of the e-commerce sector in the region. The Southeast Asian market has witnessed a surge in online shopping, making it a crucial area for study.

Firstly, the comparative analysis will provide valuable insights into the competitive landscape, helping stakeholders understand the strengths and weaknesses of Lazada and Shopee. This information is crucial for potential investors, policymakers, and firms to make informed decisions.

Secondly, Alibaba's strategies for competing in Southeast Asia are intriguing. As a significant player with a stake in Lazada, understanding Alibaba's approaches can offer a roadmap for other multinational companies entering the region. This knowledge can contribute to academic research and guide business practices.

Furthermore, the study aligns with current global trends, contributing to the academic discourse on international business, e-commerce, and market competition. The research outcomes could benefit practitioners, policymakers, and scholars alike.

7.5. Limitations and Ethical Considerations

This study may have limitations due to the lack of comprehensive financial and operational data for both Lazada and Shopee e-commerce enterprises. The scope and precision of the research may be compromised if certain firms do not publish all relevant financial information or if there is insufficient publicly available data. This variation among Southeast Asia's "local e-commerce firms" also presents a challenge. Market circumstances, consumer habits, and government policies vary widely from country to country. Research limitations might mean that not all regional variants were considered, and therefore, study-wise conclusions should be treated with caution.

Protecting the privacy of customers' personal information is crucial for any company, but it's more important when dealing with financial information. Researchers should use caution while working with sensitive data and refrain from sharing or using confidential material without permission. Researchers examining Lazada and Shopee e-commerce enterprises must do so without bias. Disclosure and mitigating any bias or conflicts of interest are essential for maintaining the study's integrity and independence.

References


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