

Tiki set out to be Vietnam's answer to Amazon. Now it's charting its own path

Amazon is one of the world's most valuable companies. Today, it sells everything from electronics to clothes to musical instruments and pet supplies. It has branched out into groceries, hardware devices, content streaming, and cloud and data services.

It's easy to forget that US ecommerce giant started out as an online bookseller, with Jeff Bezos shipping books out of his garage.

It's the backstory that inspired Vietnamese marketing exec Tran c Thai Son to do the same thing for his country.

When Tran founded Tiki in 2010, it started as – you guessed it – an online bookseller. He wanted Vietnamese consumers to have the same online shopping experience as their counterparts in the US. Like Bezos before him, Tran recognized that books were a vertical with a limited offline selection, but plenty of demand – almost perfect for setting up an online retail platform.

Before long, Tiki began to diversify beyond books. Today, the nine-year-old firm sells products across 26 different categories, totaling over 1.2 million stock keeping units (SKUs), corporate development president Khanh Ngo tells *Tech in Asia*.






"We have tens of thousands of books today in our portfolio," he adds, underlining Tiki's continued commitment to its roots. "What we started as a book-only ecommerce company is now diversified into everything from motorcycles, digital services like cancer insurance, mobile top-up, and electronic household appliances."

Homegrown player

Southeast Asia, the battle for ecommerce leadership is largely fought between two Singapore-based companies: Lazada, owned by Alibaba, and Shopee, part of NYSE-listed Sea Group. But in Vietnam, the lay of the land is a little different. Homegrown player Tiki is jostling with the duo for dominance.

It won't disclose gross merchandise volume (GMV) or revenue figures, though Ngo confirms that GMV has consistently grown by at least 3x over every year of its existence, and 3.3x during 2018.

One publicly available metric which gives an indication of the company's performance is web page visits. According to market research firm iPrice, which uses estimates from SimilarWeb, Shopee tops the country in terms of monthly visits as of January this year, followed by Tiki, Lazada, and fellow Vietnamese site Sendo.

Doanh nghiệp	Lượng truy cập web mỗi tháng	xếp hạng iOS	xếp hạng Android	Youtube	Instagram	Facebook
1  Shopee	40.771.200	#1	#1	153.820	130.030	14.350.700
2  Tiki	35.697.300	#2	#3	364.433	118.000	2.797.500
3  Lazada VN	29.087.600	#3	#2	139.491	69.450	28.245.000
4  Thế Giới Di Động	28.872.500	#7	#5	574.900	2.070	3.374.700
5  Sen Đỏ	25.364.800	#4	#4	92.365	13.200	2.707.300

Both of Tiki's closest competitors are regional businesses, with proven experience in cross-border operations. That could give them the edge over Tiki as it considers its options for international expansion. But Truong Dang, content marketing executive and Vietnam analyst at iPrice, thinks the Vietnamese company may have a few aces up its sleeve.

"Tiki's monthly website traffic increased by a whopping 80 percent within only six months, which took them from the fourth highest position among ecommerce websites in Vietnam to second place. This result was good enough to even put them among the top 10 merchants with highest monthly web traffic in Southeast Asia," he says.

He notes that the boost in visits came soon after JD's investment in Tiki. The Chinese ecommerce major led the company's January 2018 series C round, which was reportedly worth US\$50 million. Existing investor VNG – which was recognized in the most recent edition of Google and Temasek's much-cited annual report on Southeast Asia's digital economy as Vietnam's only tech unicorn to date – also joined the round.

"We can safely say that this new source of capital was vital to their newfound success," Truong tells *Tech in Asia*.

"However, even before these successes, Tiki had always looked to be heading towards the right direction, by putting a strong emphasis on customer service and engagement," Truong believes.

This indicates why the likes of JD have been prepared to bet big on Tiki, which operates in one of the world's most promising and fastest growing markets. Vietnam's middle class is ballooning, with both disposable income and internet connectivity on the rise.

It is in this context that Tiki has gained three times as many followers on YouTube compared to Lazada and Shopee – and twice as many Instagram followers as Lazada, according to iPrice data.

"That coupled with their familiarity with the local market, proven by their successful viral advertising campaigns, gives them a certain advantage over their multinational competitors," Truong argues.

Granted, metrics like web traffic, social media followers, and GMV may simply be a sign of boosted marketing spending rather than long-term customer retention. Yet efficient marketing spending is critical to a successful ecommerce operation.

An example of Tiki's successful marketing ploys came during Tet – Vietnam's week-long Lunar New Year celebrations – early last year.

Tet has typically been a slow time for ecommerce platforms, with online sales seeing a drop-off during the festivities. Tiki sought to turn this around with a carefully orchestrated marketing campaign starring Vietnamese pop singer and *Vietnam Idol* contestant Bich Phuong.

Another example of Tiki's leveraging of local nous is its partnership with Zalo Pay, Vietnam's answer to WeChat Pay that was developed by VNG. Zalo Pay's integration with Tiki allows shoppers to make digital payments in what's still a largely cash-based market with low credit card ownership.

Tiki's rankings in Vietnam has been in flux. App downloads tracker App Annie shows that it has been between the second and fourth on iPhones over the past two years, while it has remained the fourth most popular on Android since March 2017.

Research from local analysts Q&Me concluded that Shopee was the most often used ecommerce platform in Vietnam during 2018. The firm's focus group study found that 75% of respondents used Shopee at least once and 35% used it as their main shopping app. For Lazada, it's 70% and 30% respectively, and for Tiki it's 58% and 17%.

Nevertheless, Truong concludes: "Now that Tiki has gained access to [more] funding and had their first taste of success, we predict that they might just surprise everyone and win big in 2019." Lazada and Shopee hadn't provided comment in response to *Tech in Asia's* requests at the time of writing.

As has been the case for pioneers in other emerging markets undergoing digitization, one of the biggest hurdles faced by Tiki has been convincing consumers to change their habits and buy online.

While progress has been made, there's still more to be done, Ngo concedes.

"The number one challenge is awareness – increasing the awareness of customers to tell them they can find and buy online, and they actually can get it faster than going to a store and waiting in line. Awareness of convenience and selection is the challenge for ecommerce," he says.

Ngo adds: "A lot of selection, particularly in a category like fashion, still sits in the 'mom and pop' shops – offline stores with no structured catalog available for customers."

Cross-border sweet spot

Challenges with bringing traditionally "offline" categories online remain. But Tiki is steaming ahead by expanding its product lines.

The strategic investment from JD has furnished it with the ability to bring a wide range of popular products from China, Japan, South Korea, and Taiwan to the country.

"[JD] have listed some of their cross-border selections on our app," Ngo explains, adding that Tiki expects to announce similar product partnerships with Japanese and Taiwanese companies soon.

"We are able to do quick delivery in seven days or less for products shipped from these countries. We have over 200,000 items available through the cross-border business – everything from very high-end fashion, sunglasses, to low-price points like power banks and everything in between."

Taking a page from Amazon Prime, the company launched subscription-based TikiNow, which guarantees delivery of purchases within two hours of checkout. One in five orders on Tiki's platform goes through TikiNow, Ngo says.

"A two-hour delivery service is very difficult to do at scale," he adds. "Few companies in the world can do it well."

He reports that 98 percent of TikiNow orders are in fact delivered within 90 minutes, well within the two hours advertised.

Another recent addition to the Tiki offering is its marketplace. From mid-2017, it has been rolling out a consumer-to-consumer platform on top of its core B2C portal. It's now the fastest-expanding part of its business, says Ngo, having grown 4x since launch. With both offerings, Tiki can compete more directly with B2C-focused Lazada and C2C-centric Shopee.

Behind the scenes

Much of an ecommerce platform's critical parts are invisible to consumers. Ngo claims that Tiki has Vietnam's largest amount of fulfillment space, with over 30,000 square meters in warehouses and distribution centers across the country.

Tiki also takes pride in its tech. Its proprietary "single detailed page" aims to make shopping more seamless by solving the marketplace problem of having a single product being sold by several retailers at multiple prices, which Ngo says creates confusion on some ecommerce sites. The "single detailed page" basically displays only unique search result, "but still allow multiple sellers and Tiki as a retail platform to sell that SKU," he adds.

thinks that this kind of differentiating factor will be key to Tiki's still-putative plans to move beyond Vietnam, adding a new front in its competition with Lazada and Shopee. It's another leaf the Vietnamese startup has taken from Bezos's playbook.

"Amazon has done it, a few companies in the world have done it. Tiki owns intellectual property which we can use to serve our future customers in other markets," he says, pointing to neighboring Southeast Asian countries as likely expansion targets given their "similar dynamics" to Vietnam.

The nature of ecommerce, however, is such that there isn't a good idea that won't face attempts at copying. Tiki will need to constantly stay on its toes.

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