

INANC BALCI Co-Founder and CEO

LAZADA.COM.PH

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Inanc Balci, co-founder and CEO of Lazada Philippines, is of mixed race. But he identified himself as Turkish, being born and raised in Istanbul.

When the opportunity came to establish an e-commerce platform, the US-educated Balci never hesitated to choose the Philippines as the launchpad in 2012. Balci saw the opportunities for the social media savvy Filipinos. Those opportunities have turned into realities and opening doors to more entrepreneurs.

Balci has steered Lazada, and the whole Philippine e-commerce industry to new heights, where now over 10,000 sellers cater to over a million monthly transactions.

Lazada

Starting out as retail e-commerce focusing on electronics products, Lazada has expanded into fashion and all other categories. Not only that, it has also opened as a marketplace and allows cross border selling/importing. It will soon become a social commerce company.

Lazada is the Philippines' online shopping mall that is rapidly changing the retail scene across the archipelago. It has quickly revolutionized the meaning of online shopping in a country where shopping in traditional malls is essentially the core lifestyle of every Filipino.

With the largest online assortment of products ranging from mobile and laptops to consumer electronics to books and media, health and beauty, home appliances, fashion and accessories, Lazada Philippines offers its wide customer base everything they need in one place.

Since its establishment in the Philippines, Lazada continues to strive to live up to its objective of improving people's lives through effortless and risk-free shopping. It continues to offer products and retail solutions that combine sense and simplicity, with the end goal of providing superior value to its customers.

Lazada Philippines is making online shopping more practical for every Filipino.

Retailing made easy

Balci, who graduated with a double degree in Industrial Engineering and Economics from Purdue University in the United States, began his career at an investment bank in London where he worked on mergers and acquisitions. He identified the strong potential of e-commerce and joined Rocket Internet in 2012 as Managing Director.

Balci started Lazada in the Philippines in 2012 from scratch as the company moved into 5 Southeast Asia.

Lazada seeks to simplify shopping, make it more convenient. The brick and mortar retailing can be a very difficult business because a retailer has to address the demand and supply side. But with e-commerce, retailing can be made easy.

"We started very quickly and after two years we came up with an online shopping mall. So rather than one store, we have lots of stores so we've unlocked money and not limited on small items but 40 million items in the Philippines," says the 31-year-old Balci.

They also put up warehouses in strategic areas. It has over 40 distribution centers in the country so they can deliver orders to customers faster. They also offer warehousing services to Lazada merchandizers. As much as 10 percent of merchants are using their facilities.

Lazada has now evolved not just as an e-commerce platform but for other business models as a marketplace and as a venue for cross border retailing.

The marketplace now allows merchants to sell their products online. The cross border business model enables merchants located abroad with operations, especially China and Korea, to also sell their merchandise online. This is a combination of retail e-commerce and cross border. Today, Lazada carries 40 million products in various categories.

Challenges When Balci decided to establish Lazada in the Philippines, all he knew then was the potential of the market. What he did not know was how difficult it was to operate here.

He realized sooner the challenges in the Philippine market.

First, the Philippines is an archipelago with over 7,100 islands, making logistics a nightmare.

In addition, the mode of payment and connectivity are limited and pose as hindrances to any businessman who strives to provide a nationwide service.

To address logistics concerns, the company launched the Lazada Express to ensure products are delivered as fast possible. Traditional logistics has been operational in the country, but ecommerce logistics is still very new.

So far, Lazada Express delivers 80 percent of Lazada packages and the rest are being outsourced to third party service providers for remote areas like Mindanao.

“We are now the second largest last mile logistics company,” says Balci.

Delivery is the same day for orders for Metro Manila coming in before 12 noon and for items coming out of their own warehouse.

On the payment issue, Balci noted that majority of Filipinos do not use credit cards and there is a high percentage of unbanked population. This has forced them to accept cash on delivery. Now, majority or 75 percent of sales are paid via COD.

“We are able to address the payment issue,” he adds.

Connectivity in emerging economies remained a challenge, but Internet speeds are improving. Customers are now able to use their mobile phones to connect to the Internet.

What Lazada did was to focus on the mobile ecosystem so people with mobile phones can have access to its products.

This is a significant measure as it makes Lazada a mobile-commerce company.

Lazada is an open platform and they have several merchants aboard.

Balci admitted they cannot control 100 percent of the products being sold on its platform, products that do not fit into the standards are sent back to them and the money paid is refunded 100 percent. Sellers are also rated to help advise buyers of their performance.

“We have millions of products that even if you have 99.9 percent satisfaction rating you still get 10,000 unsatisfied and no company can produce that because of the way our business is designed,” he adds. He, however, said that as time goes by they intend to have AI chatbots and “SWAT” teams to service customers and ensure problems are resolved faster.

“If customer reaches out to us, write to us online, we reach out to them also and we solve the problem,” says Balci.

Soon, Lazada will further widen its reach to become a social commerce company. This means that Lazada would be able to interact more with customers within the ecosystem.

Customers can follow brands, get insights, and get specific discounts. Lazada is building this infrastructure in southeast Asia.

He cited the success of Taobao Collection following the acquisition by Alibaba of 82 percent stake in Lazada two years ago.

Launched recently only in the Philippines, Taobao has changed the build and added new features with seller tools to increase sales.

Taobao, the biggest online marketplaces in the world, has a wide range of products carefully selected from its massive inventory to suit the needs of Filipino consumers.

Apart from this, Lazada also offers cash-on-delivery option for Taobao Collection products purchased, and free shipping nationwide.

The Taobao Collection features millions of products in various categories which Filipino shopaholics will now get access to.

In addition to Taobao Collection, customers are in for out of this world deals, massive discounts, unbeatable flash sales, and even more curated products from 12,000 sellers.

Balci said all these point to the fact that they already have the feature of a social commerce platform where customers can talk to merchants. These are being woven into each other. But that will be enhanced further to a more social ecosystem where participants can build on top of it as it will offer lots of tools to interact.

“We are going into the social commerce because that is the future,” says Balci. This is especially exciting for the Philippines where people love to communicate with each other. Lazada seeks to capture that cultural aspect.

Leader “We are the undisputed leader because of our infrastructure. No other company can come close, we are the only e-commerce company with sizable logistics and supply chain platform. We are the number one choice of brands whether small or big,” he adds.

This happened because Lazada was able to overcome market challenges inherent to an emerging economy.

Balci explained the unique requirements of emerging markets in southeast Asia that other e-commerce platforms may have a hard time adjusting.

These challenges are sure to discourage other e-commerce platforms that are built more for the developed countries.

For an island nation like the Philippines and other southeast Asian countries, it would be a different game and that would require much for a player to address.

“Lazada is 100 percent built for southeast Asia’s developing markets,” he adds recalling that when he first started the company, Philippine companies did not want to sell in Lazada. But two years after when they already understood that Lazada is not competing against their traditional retail business, they finally joined the bandwagon.

“It took us sometime to reach them out, but today even the smallest MSMEs are in Lazada,” recalls Balci noting these companies are now earning for their families by using their infrastructure.

This only showed that Lazada has successfully built its 3 business models from a pure e-retail, which is now a billion-dollar industry to a significantly growing marketplace, its booming logistics business, and the exciting cross border selling.

Lazada Philippines is not yet the leader among the group in southeast Asia, according to Balci. Thailand is leading because it has been ahead in the e-commerce space in terms of logistics and payments, but Balci said that the Philippines is doing very well. It may not be as big as Indonesia, but it is a significant player.

“Philippines has significantly higher potential in e-commerce than any other country in the world,” cites Balci.

This is because the Philippines is the SMS capital of the world. It is also the social media capital of the world. This means Filipinos are very good at using technology and communicating, making it easier for them to embrace online shopping.

From 1.5 percent e-retail penetration, this is projected to balloon to 20-25 percent in 10 years. Other countries have only 15-18 percent penetration in their future projection.

“Once the Internet connectivity improves, once the rates become cheaper, hopefully very soon, then we will start going to that significant tipping point,” he adds, amazed at the growth potential ahead.

There have been lots of emerging e-commerce platforms in the country, but Lazada outsmarted them all, becoming the largest online shopping mall to date.

He noted of some small competitors of private and public companies, but he was confident nothing can come close to their magnitude.

He cited the strength of Alibaba, which acquired them and which has been operating in the market since 1999. Alibaba is extremely successful all over the world, together with its Ali Express.

“The way we learn from Alibaba is unprecedented,” he adds noting that people are now spending an average of 2 hours every day in China for Taobao.

Alibaba and a partner are planning of using robots to pick and pack and deploy ordered items in Malaysia. This technology is not yet in the Philippines but the Turkish executive said they are working with leaders to explain its benefits.

Alibaba injected \$2 billion for the southeast Asia market and is committed for further expansion.

“This is the kind of technology we are bringing into the Philippines,” says Balci.

Lazada is supported by close to 3,000 people of which 500 are direct workers. Balci said they are always on a hiring mode as business grows. They have been tapping BPO firms where they have 2,000 agents working for them.

On top of that, Balci said it is not so smart to delegate works to BPOs alone, so they have their own in-house agents. They feel the need to combine both to gain more efficiency.

“We have a lot of millennials working in our company, but there are also over 40 years of age. It is a different mixture of people and we share a lot of wisdom,” he adds noting that Lazada is a company run by Filipinos. There are only three expats working in the company.

“We rely very little on expats,” he adds.

Efficiency The Lazada e-commerce platform is not just the largest marketplace, but it has the biggest potential to push for efficiency in the retailing business.

The brick and mortar retailing is handicapped because this channel has only 8-10 hours to serve their customers compared to the 24 hours, 7 days a week of the online.

E-commerce also makes the domestic economy more efficient, competitive and helps the government in collecting taxes.

According to Balci, Lazada merchants are required to follow all government rules, including the registration of business with the Securities and Exchange Commission or the Department of Trade and Industry, Mayor’s permit, issuance of receipts, and paying of taxes.

“You have to provide an invoice as we do this together with the government because if we are going to build a scale then we are going to help everyone,” he adds.

Lazada is not just e-commerce, but the largest marketplace and still having the limitless potential to reach out to more customers and encourage more entrepreneurs to go onboard.

Balci himself does his shopping at Lazada for health and beauty products and his consumables, the same goes for fashion.

“I realize, it’s no brainer, if you don’t like the product, returns are free,” says Balci.

They are not also competing with offline or the traditional retailing. Instead, they are complementing and contributing to the efficiency of these companies.

“It makes a company become more efficient,” he adds. He, however, said that companies that do not embrace ecommerce are going to lose the potential of higher growth.

But going online will further shore up their revenues.

So, a lot of companies are now starting to sell in Lazada.

Home

As a manager, Balci has been very dynamic, collaborative and very hands-on. Most of his days are spent meeting with third parties and internal teams to go through the KPIs and how business is evolving.

He is focused in getting concrete results being part of a company that is number-driven.

“We measure every peso and every minute spent. If we cannot measure something, we cannot become the market leader,” says Balci, who was an investment banker in London engaged with investors in the e-commerce space, although at that time it was still at their very conceptual stage. Thus, doing the actual thing for the first time was so different.

For the past six years of living in the Philippines, Balci has found his second home. He loves water sports and that brought him to the beaches of Coron, Siargao and Cebu. He had been to Boracay many times and in the north, as well. But he goes to Japan for snowboarding.

He loves the all-summer weather of the Philippines, noting that Turkey snows a lot while London has plenty of rains.

Balci never loses his faith in the Philippines; he has long been convinced the local economy will continue its high growth trajectory.

“At the moment, anywhere you go in southeast Asia there is growth. At one point, it was India, Brazil, and China, but now it is southeast Asia and in this region it is the Philippines which has the highest per capita growth, even if it is just baking bread,” says Balci.

Relatively young as they are, but Balci said they have started giving back to society. It has undertaken some CSR efforts, investing some of their time engaging and understanding the country more by spending time with lots of people through non-governmental organizations such as “Bantay Bata” and Habitat for Community.

“We go to orphanages to cheer the kids up and give them hope and show people what they can do if they don’t have money,” he adds.

“To start with, a merchant needs no money, spend no money, but he can make successful sales,” he adds.

As a service provider, he believes the Lazada platform is helping others achieve their goals.

Despite its accomplishments here, Balci said Lazada is still barely scratching the surface.

“We are still taking baby steps,” he adds.