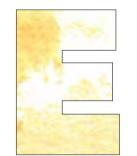


DELIVERING



A rising band of digital insurgents is transforming the delivery industry in Southeast Asia

Words by Mark Smith Illustration by Natalie Phillips

rom the days of the ancient Silk Road – an overland trade network that spanned vast swathes of Asia - the region has forged a reputation as a beacon of global commerce. However, as more cost-effective methods of transport, such as shipping, appeared, the Silk Road was consigned to the history books.

Now, a new Silk Road is emerging - one driven by technology, necessity

and entrepreneurial zeal that promises labour supplies, which are tailor-made to usher in what some experts claim could be a new golden age of trade, with a rapidly emerging disruptive delivery industry at its core.

The term 'disruptive' is most often associated with financial technology, or fintech, where upstart companies have embraced the use of apps and websites to offer easily accessible financial services to new markets and customers. This technology has allowed them to encroach on markets that had long been dominated by traditional banks, brokerages and trading houses.

Now, trade and logistics firms are following suit, with Southeast Asian

for these startups.

Where once trade may have involved ships, lorries and aircraft operated by a multinational corporation with a vast workforce, a single entrepreneur with an app or a website can now offer the same service. In many cases prospective customers can place orders using an app, and that app can assign the job to a contractor a big player, or a private individual with their own scooter or van working on an ad hoc basis – to make the delivery.

"Digital innovation is shaking up consumer industries," says Noam Berda, CEO and co-founder of Singaporeinsurgent companies embracing the based logistics firm Zyllem. "It's shiftopportunities afforded to them by both ing power from brands to consumers, an explosion in internet use and the cur-shifting value from traditional players rent makeup of the region's cities and to digital insurgents and putting

the online shopper in the driver's seat."

Zyllem is perhaps typical of the new tide of disruptive delivery firms on the rise in Southeast Asia. Launched in 2014, its software platform for mobiles and desktops matches customers to local transport firms and independent delivery contractors. Last year, it expanded operations to Malaysia and the Philippines.

Another company making use of tech is Detrack. The Singapore-based startup provides its technology to existing delivery players, allowing them to "compete with the big boys", according to cofounder Fanny See.

Its software lets companies monitor delivery progress in real time, notifying them of key milestones via text or email. She said: "Being the middleware, we are easy to integrate and we offer them tech which would take them months or years to build, so they can use it right away in gaining market share."

There are a number of factors driving the growth of this new wave of smart logistics firms. Principal among them are technology and accessibility. Smartphone adoption has occurred at such breakneck pace in Southeast Asia that it has largely 'leapfrogged' desktop internet use, with smartphones often becoming a consumer's first experience of the internet.

According to a recent report by global market intelligence firm IDC, total smartphone shipments to Southeast Asia hit more than 100m units last year. a year-on-year growth of 22%, while the number of 4G-capable handsets being shipped here more than doubled to 30m.

Of the \$40m in online sales Singapore e-commerce giant Lazada made over a three-day period in December, 60% came via a smartphone or its dedicated smartphone app.

Web use in general is also developing rapidly. A joint report released in May by Google along with Singaporean sovereign wealth fund Temasek found that Southeast Asia is now the world's fastest-growing internet region, with 260 million web users and an additional 3.8 million users coming online every month.

This increasing access to the net is also driving e-commerce. Although still a small market compared to the West, internet use for shopping is growing. According to the Temasek and Google report, greater internet penetration will see the Southeast Asian e-commerce market increase from \$5.5 billion last year to \$88 billion in 2025.

"In Southeast Asia, there is sufficient awareness, education, financing and infrastructure to be able to fully embrace technological advances"

In December, Bangkok-based startup aCommerce reported that it had almost doubled its number of clients compared to the same period in 2014, with the average number of orders received per client also doubling, prompting CEO Paul Srivorakul to claim Southeast Asia was "on the cusp of an e-commerce

Last month Indonesia asked the chairman of China's Alibaba Group Holding, Jack Ma, to act as an advisor in the development of its emerging e-commerce industry. Such rapid growth is creating an oppor-

tunity for e-commerce and tech-driven delivery firms to grow symbiotically.

Last year Singapore hosted the first Last Mile Fulfilment Asia event, a conference designed to forge links between retailers, e-commerce firms, parcel, logistics and fulfilment companies in the region. A second event in March this year was three times bigger and attracted more than 4,000 attendees, with Grev Orange co-founder Samay Kohli telling the conference that "the best e-commerce platforms in the world are worth nothing without reliable logistics infrastructure".

Detrack's See agrees. "I believe the number of [trade and logistics] startups is largely fuelled by the growth of e-commerce in Southeast Asia," she said. "The entry of marketplaces like Lazada, Tokopedia, Qoo10 and also the entry of more and more online retailers have led to an increased demand for last mile logistics... Besides the increase in demand, there's also a lot of opportunities in the last mile delivery sector due to the largely inefficient delivery service offered by the incumbents."

Indeed, another driving factor in disruptive delivery firm growth is the nature of Southeast Asian cities. Often densely populated, they can lack the transport infrastructure and the established delivery players found in Western

"In Southeast Asia, where a structure is largely absent in the way things are conducted, there's also no established delivery networks like there is with UPS in the States to become the de facto service," See added.

Max Ward is CEO and co-founder of Open Port, which provides app-based services for tracking business-to-business shipments, allowing shipping and forwarding companies, and their clients, to track deliveries on one single platform.

It has offices in six countries including Indonesia, with another due to open in Singapore later this year.

"Most of these [Southeast Asian] cities are reasonably well developed... but they lack either legacy or modern systems for managing many processes," Ward said. "With no incumbent systems or processes in place, but with the requisite infrastructure in place – internet and smartphones are key - new technology takes hold easily, with fewer barriers to adoption than you find in developed markets."

He said a lack of established ways of These are exacerbated by rapid road and doing things was combining with new technology and the desire of Southeast Asians to overcome problems, creating a drive to innovate.

are problems. Less-developed nations and cities experience greater issues... This creates impetus for innovation and change," Ward explained. "[I]n Southeast Asia, there is sufficient awareness, education, financing and infrastructure to be able to fully embrace technological advances... The traffic congestion in many major cities, and the exceptionally high costs of logistics, combined with a "richer ecosystem" that is benefiting poor visibility into the supply chain, are customers, according to See, but she precisely the kinds of issues waiting for a disruptive, technology-focused solution."

According to professor Chris Rowley of Cass Business School at City University of London, access to low-paid labour and a smaller proportion of people owning cars in some Southeast Asian countries means disruptive delivery is a field in an edge over the smaller players who which the region could excel.

In a study conducted by the Pew Research Centre, car owners accounted for less than 10% of the population in Indonesia, the Philippines and Vietnam, compared with 51% in Thailand and 82%

in Malaysia. Motorcycle penetration rates in Thailand, Vietnam, Indonesia and Malaysia, though, were more than 80%.

This low percentage of car ownership means people are less able to transport bulkier goods themselves, increasing their reliance on delivery services. This, coupled with high population densities. provides more room for the growth of such services, according to Rowley.

However, he already sees potential challenges ahead for the nascent industry.

"Traffic and congestion is an issue. layout changes in many of these cities, meaning deliveries can get lost. Also, long-term, labour costs will rise and workers may seek alternative 'better' "Solutions tend to follow where there work," he said. "If people working in these businesses are not employees but part of the so-called 'gig economy', then further problems will arise stemming from its lack of certainty of work, failure to invest and train, protection, etc."

Furthermore, the new delivery tech companies are unlikely to have things their own way indefinitely. The development of such logistics firms has led to expects the established players will make moves to protect their territory.

"They do not seem to be becoming more aggressive – as in no price wars have been waged. Instead their aggression seems to be diverted into development or expansion into projects where they have cannot afford it," she said. "For instance, Singpost [Singapore's public postal servicel is going big into 'click and collect', where they invest and build collection lockers all over Singapore for consumers to pick up their parcels themselves."

SIGNED, SEALED, DELIVERED

New delivery startups are popping up across the region

Ninja Van

Claiming to be the region's fastestgrowing startup, Ninja Van has its own fleet of 100 vans and uses cloud computing and virtualisation technology to allow its clients to create orders and track deliveries. Launched in 2014, this next-day e-commerce delivery firm is active across Singapore, Malaysia, Indonesia and Vietnam, with plans to expand into Thailand and the Philippines. In April, it secured \$30m in funds to fuel further growth.

aCommerce

Based in Bangkok, aCommerce is an end-to-end e-commerce solutions firm. Founded in 2013 by Paul Srivorakul, it recently launched in Singapore and Malaysia. With more than 1,200 staff in Southeast Asia, it offers services such as inventories, warehousing, logistics, fulfilment and digital marketing, using software that allows it to automate and optimise aspects of its processes. It also recently received a \$10m cash injection.

Zap Delivery

This Singapore-based delivery firm achieved major growth in a short space of time.

Going from zero to 1,000 registered couriers in five months, Zap uses an app to connect its customers directly with delivery contractors. The contractors use their own modes of delivery - from vans to bicycles - to pick up parcels, and customers have the ability to track the whole process from their phone using the app.

