

Indonesia Investments

‘Merger for Tech Giants Gojek and Tokopedia?’

- Creating a Super Eco-System in the Digital Economy of Indonesia
- Both Startups Bound to Benefit from Improved Efficiency after Merger
- Gojek-Tokopedia Studying to Go Public in Indonesia and United States after Merger
- Does Tough Competition from Grab and Shopee Force Gojek and Tokopedia to Merge?
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Van Der Schaar Investments B.V.
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Preface

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Mega Merger for Tech Giants Gojek and Tokopedia?

Possibly the biggest story in local Indonesian media over the past couple of days (if we exclude coverage of any COVID-19-related matters) is the news that popular on-demand, multi-services platform, and digital payment technology group Aplikasi Karya Anak Bangsa (better known as Gojek) – for now Indonesia’s only homegrown Decacorn (referring to a tech startup company that is valued above USD \$10 billion) – is in talks (in fact in the final stages, reportedly) to merge with popular Indonesian e-commerce platform Tokopedia (one of the homegrown tech startups that achieved the unicorn status; referring to a valuation above USD \$1 billion). Based on the input of people familiar with the matter, the two companies have agreed to conduct due diligence on their respective businesses.

The merger between Gojek and Tokopedia would be huge as both startups facilitate money flows that equal around one percent of Indonesia’s gross domestic product (GDP), each. So, if achieved, the new organization (after the merger) would account for (at least) two percent of Indonesian GDP. Few companies can make that claim.

Why Would Gojek and Tokopedia Want to Merge?

Both companies’ eco-systems seem to complement each other, quite perfectly. For example, Tokopedia is a very efficient e-commerce platform where the purchase of a product can be done (online) in an easy, safe, and quick manner. However, getting

the products from the seller's store, or warehouse, to the online shopper has always been the bottleneck in terms of time and money. Often, the products are cheap on the e-commerce platform (compared to purchasing the item in a physical store), but the transportation costs can make it relatively expensive in the end. Moreover, it can take several days before an item is delivered (this depends on the distance between the product and destination, but also on buyer's choice of mode of transportation; regular delivery – a bit cheaper – will require more days for the product to arrive).

However, after merging with Gojek, we can imagine that Tokopedia will have access to Gojek's distribution and logistics network, which should make the transportation of the e-commerce products cheaper and quicker.

[...]

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