

# The Performance after Foreign Venture Capital Firm Investment on Start-Up Business in Indonesia- Case Study: Tokopedia

Lawrence Benedictus<sup>1</sup>, Brady Rikumahu<sup>2</sup>

<sup>1</sup>Telkom University, Faculty of Economics and Business, Bandung, Jawa Barat, Indonesia

<sup>2</sup>Faculty of Economics and Business, Telkom University, Bandung, Jawa Barat, Indonesia

**Abstract:** *This study aims to determine there is an impact of foreign venture capital investment to startup business performances based on the products sold in Indonesia. And also, there is a correlation and relationships with the foreign funding with the traffic website and ranking to the business performances of start-up business. Another thing beside the performance is the condition of e-commerce in Indonesia regarding the performance itself as so many competitor in this industry. The condition of the brand performance index in e-commerce business in Indonesia is very important because it is effected the purchase decision and consumer behavior from the online buyer. This research uses quantitative as the method to find the result of this study to observe population or specific samples, collect data from research instruments by using descriptive and explanatory as the analysis technique for the research. Descriptive is used to find the relationship between each variable and explanatory is to analyzed the relationship between each variable. The sample that used in this research is Tokopedia. Tokopedia is the one of start-up business in Indonesia and also it is the one of unicorn start-up business in Indonesia. Right now, Tokopedia is the first rank of start-up business in Indonesia above other Indonesian start-up like bukalapak, traveloka and etc. Tokopedia got 7 foreign investment from foreign venture capital firm in the last 8 years it established the company. The result of this research is there is correlation regarding the amount of investment to the performance of start-up business itself. The performance of this research related the relationship between the number of investment and also the business performance in the start-up business after it got the investment of foreign venture capital firm to developed the business performance.*

**Keywords:** event study, start-up business, foreign venture capital firm, venture capital, performance

## 1. Introduction

With the increases in startup business development in Indonesia, this will be an attractiveness for foreign venture capital firm to do investment in providing capital for helping startup business financial and also to make the commerce activity in Indonesia more efficient and reachable. The internet technology has enabled to connect the individual business and also the small or medium business to meet each other on the internet. Internet technology facilitated the indirect interactions between the seller and the buyer. The development of start-up business and electronic commerce is also related with the rapid developments in electronic marketplace. According to Grieger (2003), these days internet-based online marketplaces (Ems) are getting more and more popular [9]. Nowadays, foreign venture capital firm has a big role in economic development and also the new or old business development. Not just the development for the economic and business, but also the development of foreign venture capital firm. According to Guler and Guillen (2010), when a venture capital firm enters foreign market, it also enters new relationships, which are critical to its survival and success in the new market [10]. According to Khanna and Palepu (2005), a major reason why venture capital firms from developed country hesitate to enter emerging market markets is the high level of uncertainties caused by the underdevelopment of the institutional infrastructure needed for the smooth functioning of markets [15]. There is a correlation regarding the development of products sold that effect the traffic and also the increasing of the rank. With so

many products that sold in an e-commerce site, it is certain that the growth of website traffic will increase due to the increase of goods available as well as the merchants' more and more. With the growth of traffic and also products sold will occur in a formula of an e-commerce as it will be the choice of consumers in finding what is needed with a quality platform and quantity is not need to doubt it.

## 2. Literature Review

Firm is a business organization such as corporation, limited liability company or partnership, that sells goods or services to make profit. According to economy perspectives by Molengraaff on Abdulkadir's book (2006), the company is an entire act that is perpetrated continuously, acting out for income, by trading or delivering goods or entering into trade agreements [1]. The objectives of a firm depend of why the firm was established. Foreign venture capital is one of financing source for startup companies and small business that are believed to have long term growth potential. Indeed, the globalization of venture capital has been marked by substantial cross-border entry into emerging markets (Aylward, 1998) [3]. The role of foreign venture capital is very important related the beginning or the development of the business. According to Ptacek, Kaderabkova and Piecha (2015), generally, there exist at least two stages of venture capital early stage investments in start-up businesses and later stage investments in developing companies [20]. According to Graham (2013), said a startup is a company designed to scale very quickly [24]. A startup is a company working to

solve a problem where the solution is not obvious and success is not guaranteed. Start-up business is kind of business that aims to meet a marketplace need by developing or offering an innovative product, process or service. According to Janita and Miranda (2013), e-marketplace as a way of doing business that uses Internet technology to bring together multiple buying and selling firms around a website or platform, enabling them to transact business through various mechanisms, and directed either by a neutral third party outside the exchanges that take place, or by one or more of the parties involved (buyers or sellers) [13]. According to Shahriari, Shahriari and Gheiji (2015), the business includes various activities such as the electronic exchange of goods and services, instant delivery of digital content, business plans, collaborative design and engineering, electronic stock exchange, government procurement, direct marketing, services after the sales [23]. If the seller still using the traditional models, it could take much time to become a global player or to develop their market wider. According to Chirani, Taleghani and Mogadham (2012), the brand performance can be taken in to account as a factor that corresponds to the evaluation of brand success in the markets and it can help the brands achieve their goals in the market place [6].

### 3. Methodology

This research uses quantitative descriptive-explanatory analysis. Descriptive research tries to find the right and sufficient description of all activities, objects, processes, and humans. Descriptive statistics provide simple summaries about the sample and about the observations that have been made. According Sulistyo and Basuki (2006: 110), descriptive research related to the collection of facts, identify and predict relationships within and between variables [21]. According to Sekaran (2001), explanatory research (explanatory research) is a study that aims to analyze the relationships between one variable with other variables or how a variable affects other variables [22].

Quantitative method is a research method that attempts to accurately measure behavior, knowledge, opinion or attitude (Cooper & Schindler, 2011) [7]. According Sekaran (2011: 158), descriptive study conducted to know and be able to explain the characteristics of variables studied in a situation [22]. According to Nazir (2005: 58) comparative research is a kind of descriptive research that wants to find the answer basically about cause - effect, by analyzing the factors causing the occurrence or emergence of a particular phenomenon [19]. According to Hamidi (2005: 75 - 76) states that the unit of analysis is a unit under study that can be individuals, groups, objects or a background of social events such as individual or group activities as research subjects [12]. According to Gratitud Kholil (2006: 62), longitudinal research is a type of research and aims to measure opinions, attitudes or behavior of a group of people from time to time [17]. Polit and Hungler (1999:37) refer to the population as an aggregate or totality of all the objects, subjects or members that conform to a set of specifications [20]. Quantitative research paradigm emphasizes the importance of generalizability and reliability aim is to apply the relationship

obtained among variables to the general, i.e. the population. In this study, the population of this research is the startup business in Indonesia. The sample to be taken from the population must be truly representative or representative. The sample of this research is Tokopedia.

This method using Purposive Sampling as the sampling technique. According Sugiyono (2010), the definition is the techniques to determine the sample of research with some specific considerations that aims to obtain data that can later be more representative [25].

- 1) The biggest Indonesia's startup business in e-commerce based on rank.  
Based on the startupranking.com in 2017, Tokopedia is the first rank of startup business in Indonesia and also the 33rd rank in the world with score 89.400 above GoJek (82.823), Bukalapak (88.041), and Traveloka (87.567) [33].
- 2) The amount of funding from venture capital.  
Based on crumchbase.com, from the first year their established they got 8 investments. There are 1 local venture capital and then 7 seven foreign venture capital. The total funding amount from their 8 year established is US\$ 1.300.000.000 [35].
- 3) The valuation of the company should achieve the "unicorn" title.  
Unicorn is a title for a startup that already achieves the valuation more than US\$ 1.000.000.000. The title was given not just from the investment but also the worth and value of the startup itself. In 17th August 2017, Tokopedia achieved the unicorn title after got funding from Alibaba Group [5].

### 4. Result and Discussion

After 8 years stand Tokopedia has listed there are 8 investments provided for Tokopedia. The author wants to show a list of tokopedia investors from 2009 to 2017.

**Table 4.1:** List of Tokopedia's Investor 2009-2017

Year	Venture Capital Firm	Type of Funding Series	Amount
2009	Indonusa Dwitama (local)	Seed Funding	Rp 2.400.000.000
2010	East Ventures	Series A	Undisclosed
2011	Cyber Agent Ventures	Series B	US \$ 700.000
2012	Beenos Partner	Series C	Undisclosed
2013	Softbank Ventures Korea	Series D	Undisclosed
2014	Softbank Telekom Corp and Sequoia Capital	Series E	US \$ 100.000.000
2016	Horizon Ventures	Series E	US \$ 147.000.000
2017	Alibaba Group	Series E	US \$ 1.100.000.000

Source: Collected from various website sources such as Crunchbase, Tokopedia and Dailysocial

This research is using the assumption of the author since the data are secondary and put it into table and graph.

Based on Table 4.1, that Tokopedia in its first year (2009-2010) has not received investment from foreign investment. According to Burżacka and Gąsiorowska (2016), venture

capital funds are created by public investors (government agencies and local authorities) [6].

**Table 4.2:** Tokopedia's Performance in Products Sold in 2009-2017

Year (Per 17 <sup>th</sup> August)	Traffic	Percentage	Ranking	Products Sold		Percentage
				Before Foreign Investment	After Foreign Investment	
2009-2010	241.000	-	28.488	115.617	-	-
2010-2011	976.000	304.97%	12.742	-	624.000	439.71%
2011-2012	939.000	-3.79%	13.634	-	2.664.000	326.92%
2012-2013	3.590.000	282.32%	4.863	-	14.400.000	440.540%
2013-2014	6.230.000	73.5%	2.827	-	24.000.000	66.6%
2014-2015	16.000.000	156.82%	1.781	-	72.000.000	200%
2015-2016	35.000.000	118.75%	569	-	198.000.000	175%
2016-2017	65.000.000	85.71%	251	-	360.000.000	81.81%
2017-2018	113.000.000	Not finish vet	177	Not finish vet	Not finish vet	-

Source: Processed by the author in 2018

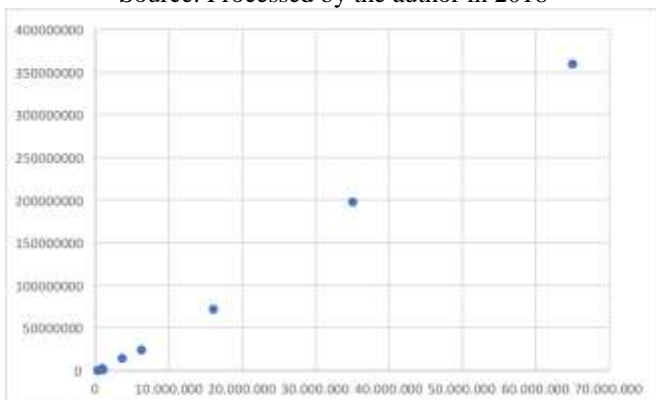
From table 4.2, the data shows that in Tokopedia's first year the number of products sold was 115.617. After Tokopedia's first year, Tokopedia started got funding from foreign venture capital firm. Based on Table 4.1, Tokopedia began to gain investment from foreign investment from East Ventures (2010), Cyber Agent Ventures (2011), Beenos Partner (2012) Softbank Ventures Korea (2013), Softbank Telkom Corp and Sequoia Capital (2014), Horizon Ventures (2015) and Alibaba Group (2017). Moreover, the formal venture capitalists who used to primarily target young pre-revenue businesses, have less burden of stability (Kedrosky, 2009; Greene et al. 2010) [16].

This table shows the correlation regarding the growth of traffic will impact the products sold and also the products sold growth.

**Table 4.3:** Traffic, Ranking and Products sold of Tokopedia in 2009-2017

Year (Per 17 <sup>th</sup> August)	Traffic	Percentage	Ranking	Products Sold		Percentage
				Before Foreign Investment	After Foreign Investment	
2009-2010	241.000	-	28.488	115.617	-	-
2010-2011	976.000	304.97%	12.742	-	624.000	439.71%
2011-2012	939.000	-3.79%	13.634	-	2.664.000	326.92%
2012-2013	3.590.000	282.32%	4.863	-	14.400.000	440.540%
2013-2014	6.230.000	73.5%	2.827	-	24.000.000	66.6%
2014-2015	16.000.000	156.82%	1.781	-	72.000.000	200%
2015-2016	35.000.000	118.75%	569	-	198.000.000	175%
2016-2017	65.000.000	85.71%	251	-	360.000.000	81.81%
2017-2018	113.000.000	Not finish vet	177	Not finish vet	Not finish vet	-

Source: Processed by the author in 2018



**Figure 4.1:** Scatter Chart of Traffic (x) and Products Sold (y)  
 Source: Processed by the author in 2018

From table 4.3 and figure 4.1, it shows that traffic effects the products sold. The effect given by traffic with increasing the amount of traffic that goes into tokopedia, then the transaction process will increase in every year. If we look at the year 2016 with the amount of traffic almost doubled than the previous year, sales of products sold very far (figure 4.2). In 2012-2013, Tokopedia had the biggest growth in products sold with 440.540% with the number of traffic achieved 3.590.000 in a year.

Tokopedia needs the assessment in the development of e-commerce in brand index category to know who are Tokopedia's competitor in Indonesia. Based on brandindex.com, it shows top 5 e-commerce in Indonesia how media and news impact the consumer decision and purchase behavior.

**Table 4.4:** Top 5 E-Commerce in Indonesia in 2015-2017 based on brand index

No	Brand	2015	2016	2017
1	Tokopedia	34.6	45.1	35.0
2	Lazada	37.0	33.7	29.2
3	Traveloka	39.5	39.8	34.3
4	OLX	24.1	-	-
5	Zalora	20.6	-	-
6	Bukalapak	-	36.0	23.2
7	Blibli	-	21.8	14.4

Source: brandindex.com



**Figure 4.3:** Top 5 Indonesia's E-Commerce in 2015-2017 based on brand index.  
 Source: brandindex.com

In 2015, Tokopedia is in 3rd place with a total score of 34.6 under Traveloka and Lazada (table 4.4). In 2016, Tokopedia succeeded to become the 1st rank in the top 5 brand index start-up business in Indonesia to shift Traveloka which is positioned 1 in 2015. Based on the above chart Tokopedia shows positive results with no down rating at all (figure 4.3). From the research result, there are so many data regarding the improvement of Tokopedia itself. Every data has correlation with another data, so it has an impact with another data. Based on the table 4.1, the list of investor's amounts will be tested on the table 4.10 to find the relevancy of the amount with the Tokopedia's performance, brand index, traffic website and also website's rank in the world. The author combines the data and put it into the table.



**Table 4.5: Data Compilation**

Year	Amount of Investment	Product's Sold (pcs)	Brand Index	Traffic	Rank
August 17 <sup>th</sup> 2009 – August 17 <sup>th</sup> 2010	Rp 2.400.000.000	115.617	Not included in top 5 rank	241.000	28.488
August 17 <sup>th</sup> 2010 – August 17 <sup>th</sup> 2011	Undisclosed	624.000	Not included in top 5 rank	976.000	12.742
August 17 <sup>th</sup> 2011 – August 17 <sup>th</sup> 2012	US \$ 700.000	2.664.000	Not included in top 5 rank	939.000	13.634
August 17 <sup>th</sup> 2012 – August 17 <sup>th</sup> 2013	Undisclosed	14.400.000	Not included in top 5 rank	3.590.000	4.863
August 17 <sup>th</sup> 2013 – August 17 <sup>th</sup> 2014	Undisclosed	24.000.000	Not included in top 5 rank	6.230.000	2.827
August 17 <sup>th</sup> 2014 – August 17 <sup>th</sup> 2015	US\$ 100.000.000	72.000.000	Not included in top 5 rank	16.000.000	1.781
August 17 <sup>th</sup> 2015 – August 17 <sup>th</sup> 2016	No investment	198.000.000	3	35.000.000	569
August 17 <sup>th</sup> 2016 – August 17 <sup>th</sup> 2017	US\$ 147.000.000	360.000.000	1	65.000.000	251
August 17 <sup>th</sup> 2017 – August 17 <sup>th</sup> 2018	US\$ 1.100.000.000	The data is doesn't exist because it's not finish yet.	1 December 2017	113.000.000 December 16 <sup>th</sup> 2017	177 December 16 <sup>th</sup> 2017

The results of this study show that partially and empirically that foreign investment companies have a positive and significant influence on the growth and development of Tokopedia after the entry of investment from foreign investment companies in 2010. According to Dhao (2016), venture capitalist brings their technical and managerial skills to support the portfolio companies' development [9]. Tokopedia not only gets funding but also get technical and managerial skills to help develop the company's development. According to Leach and Melicher (2012), venture Capitalists, on the other hand, are individuals that join informal and organized firms (startups) in order to raise and distribute the venture capital to new and rapidly growing new ventures and business opportunities [9]. This very rapid increase cannot be separated from the role of foreign investment companies to help Tokopedia in the development for 8½ years standing. With the investment funds gained, Tokopedia can use it to stay focused on running the business.

## 5. Conclusion

Based on problem formulation by using table and graph. The result of the foreign venture capital investment in Tokopedia made the number of products sold in a year always increasing from the first year they established. Based on table 4.2, Tokopedia products sold always increasing from the 2009-2017. It concludes that, with the first foreign investment in Tokopedia second year, Tokopedia have 439.71% growth in Tokopedia product sold in 2010-2011. It concludes that with the foreign funding to finance the company's development in business, has an impact with increasing products sold as the result. The impact that given from the number of website traffics and ranking it related into the performance of Tokopedia products sold. If there is an investment came to the startup business that will be used for developed the website so it can accommodate more user in the website that can made a lot of online transaction rather than few traffic and also have a lower rank and the online buyer will be not make Tokopedia as an option. Tokopedia as the one of unicorn start-up in Indonesia already got big achievement without a decreasing in top 5 of Indonesia e-commerce brand performance index. In the last three years which was 2015,

2016 and 2017, Tokopedia's competitor never showed the positive result if it compared with Tokopedia. This research shows that Tokopedia's performance after got the foreign funding made the positive result for the brand performance index that as the impact from the consumer decision and purchase behavior from media and news.

Here are some suggestions in this research. In business aspects, Tokopedia can also create research centers to help the Indonesian economy digitally. Which later this research center aims to assist the scope of e-commerce in Indonesia that exists not only in the country but can go outside Indonesia. In Indonesia economy aspects, for Indonesia, Indonesia should make regulations and laws on taxation of e-commerce to participate contribute to the development of infrastructure in Indonesia. In academic aspects Provide more concrete container by paying attention to areas that are difficult to get internet facility in order to facilitate these areas to help entrepreneurship independently through the internet.

## References

- [1] Abdulkadir, M. (2006). Hukum Perusahaan Indonesia. PT Citra Aditya Bhakti, Bandung.
- [2] Arikunto, S. (1992). Prosedur Penelitian. Jakarta: Bina Aksara.
- [3] Aylward, P. (1998). The GUSTO 2b And Related Studies.
- [4] Blomstorm, M., & Kokko, A. (2001). FDI, Human Capital and Educating in Developing Countries Technical Meeting.
- [5] Bhaskara, I, L, A. (2016, 22, July). Go-Jek, Traveloka, Tokopedia, Mana Lebih Dulu Jadi Unicorn?. Tirto.id, page 1. Source: <https://tirto.id/go-jek-traveloka-tokopedia-mana-lebih-dulu-jadi-unicorn-bvaP>
- [6] Burzacka, M., & Gasisiowroska, E. (2016). The Importance of Venture Capital Financing for Start-Up Companies.
- [7] Chirani, E., Taleghani, M., & Mogadham, N.E. (2012). Brand Performance and Brand Equity. Volume 3
- [8] Cooper, Donald R., & Pamela S. Schindler, (2011) Business Research Methods. (11th ed). New York: McGraw Hill International Edition.
- [9] Dhao, N.M. (2016). Venture capital to finance startups: The situation of Vietnam.
- [10] Dimov, D. & De Clercq, D. (2006). Venture capital investment strategy and portfolio failure rate: A longitudinal study.
- [11] Grieger, M. (2003). Electronic Marketplaces: A Literature Review and A Call for Supply Chain Management Research.
- [12] Guler, I., & Guillen, M.F. (2010) Home-Country Networks and Foreign Expansion, Academy of Management Journal, 53(2): 390-410.
- [13] Hamidi. (2005). Metode Penelitian Kualitatif: Aplikasi Praktis Pembuatan Proposal Dan Laporan Penelitian. Malang: UMM PRESS.
- [14] Irawan, H. (2007). Jangan Salah Menilai Konsumen Indonesia. Marketing, (Edisi Khusus "10 Karakter Unik Konsumen Indonesia"/II/2007.

- [15] Janita, M, S., & Miranda, F, J. (2013). Exploring Service Quality Dimensions in B2B E-Marketplace. Vol 14, No 4, 2013.
- [16] Kedrosky, P. (2009). Right-Sizing the U.S. Venture Capital Industry.
- [17] Khanna, T., & Krishna G Palepu, K, G. (2005). Spotting institutional voids in emerging markets.
- [18] Kholil, Syukur. (2006). Metodologi Penelitian. Bandung: Citapusaka Media.
- [19] Leach, C.J. & Melicher, W.R. (2012). Entrepreneurial Finance
- [20] Nazir, M. (2005). Metode Penelitian. Jakarta: Ghalia Indonesia.
- [21] Polit, D, F., & Hungler, B, P. (1999). Nursing Research: Principles and Method
- [22] Ptacek, O., Kaderabkova, B., & Piecha, M. (2015). Venture Capital, Private Equity and Foreign Direct Investment: Case Study of The Czech Republic.
- [23] Sulistyono & Basuki. (2006). *Metode Penelitian*. Jakarta: Wedatama Widya Sastra dan Fakultas Ilmu Pengetahuan Budaya Universitas Indonesia.
- [24] Sekaran, U. (2011). Metodologi Penelitian untuk Bisnis, 4<sup>th</sup> Edition. Jakarta: Salemba Empat.
- [25] Shahariari, S., Shahriari, M., & Gheiji, S. (2015). E-commerce and It Impacts on Global Trends and Markets.
- [26] Sugiyono. 2010. Metode Penelitian Pendidikan Pendekatan Kuantitatif, kualitatif, dan R&D. Bandung: Alfabeta.
- [27] Schubarth, C. (2013). Paul Graham on 1 'Insanely Ambitious' Y Combo Start-Up. Bizjournals.com, page 1. Source:  
<https://www.bizjournals.com/sanjose/news/2013/08/21/y-combos-paul-graham-on-his-latest.html>
- [28] Sugiyono. (2012). Metode Penelitian Kuantitatif Kualitatif dan R&D. Bandung: Alfabeta.
- [29] Tariq, T. (2013). Start-Up Financing.
- [30] <https://www.rank2traffic.com/tokopedia.com>
- [31] <http://www.brandindex.com/ranking/indonesia>
- [32] <https://www.tokopedia.com/blog/milestone/>
- [33] <https://www.sitepricevalue.com/www/tokopedia.com>
- [34] <https://www.funderbeam.com/www/tokopedia.com>
- [35] <https://www.startupranking.com/www/tokopedia>
- [36] <https://www.crunchbase.com/www/tokopedia>

## Author Profile



**Lawrence Benedictus** - Studied at Telkom University by majoring International ICT Business 2014-2018.



**Dr. Brady Rikumahu S.E, M.B.A** – Vice Dean at Faculty of Economics and Business, Telkom University. Economics Degree from University of Indonesia, Master Degree from International University of Japan and Doctor Degree from University of Indonesia.