

# ZALORA sees Greater KL as door to Asean's e-commerce boom

By all accounts, Southeast Asia is poised for an e-commerce boom in the coming years and Kuala Lumpur is the key to open the door to that growth, from e-retail giant ZALORA's perspective.

Zalora, a major regional e-commerce player owned by global e-commerce giant Global Fashion Group has set up a regional e-fulfilment hub-cum-headquarters in Kuala Lumpur in 2017. With support from InvestKL — a government agency under the Ministry of International Trade and Industry (MITI) — Zalora has grown the facilities into what is today its engine of growth in the region.

The hub not only houses 70% of the group's inventory but also its customer service, marketing, commercial purchasing, finance and human resources functions across all its eight markets in the region.

On top of that, the majority of its leadership team is also based in Kuala Lumpur. In fact, its parent company Global Fashion Group has also moved key positions to KL, which affirms the global strategy to position the Malaysian capital as the engine of entire organisation.

"We wanted our hub to be the main driver of ZALORA's regional operations, supporting all of its markets across Asia. Today, the KL hub serve as the heart of the organisation, fuelling our next stage of growth," says chief marketing officer Elias Pour.

But the journey from Kuala Lumpur has only just begun for ZALORA, despite already seeing an average annual growth rate of 25% year-on-year.

It has invested €5.5 million so far. "Given its importance to the company, we are committed to continue investing in both our KL HQ and regional e-fulfilment hub in the next five years," says Pour.

Plans in the pipeline include expanding its warehousing space next year. Its current warehousing facilities span 470,000 sq ft across five levels — the equivalent of nine football playing fields.

Its workforce is also set to grow in tandem with its expansion. At present, ZALORA employs 600 employees in its Kuala Lumpur operations, of which 90%



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— Pour

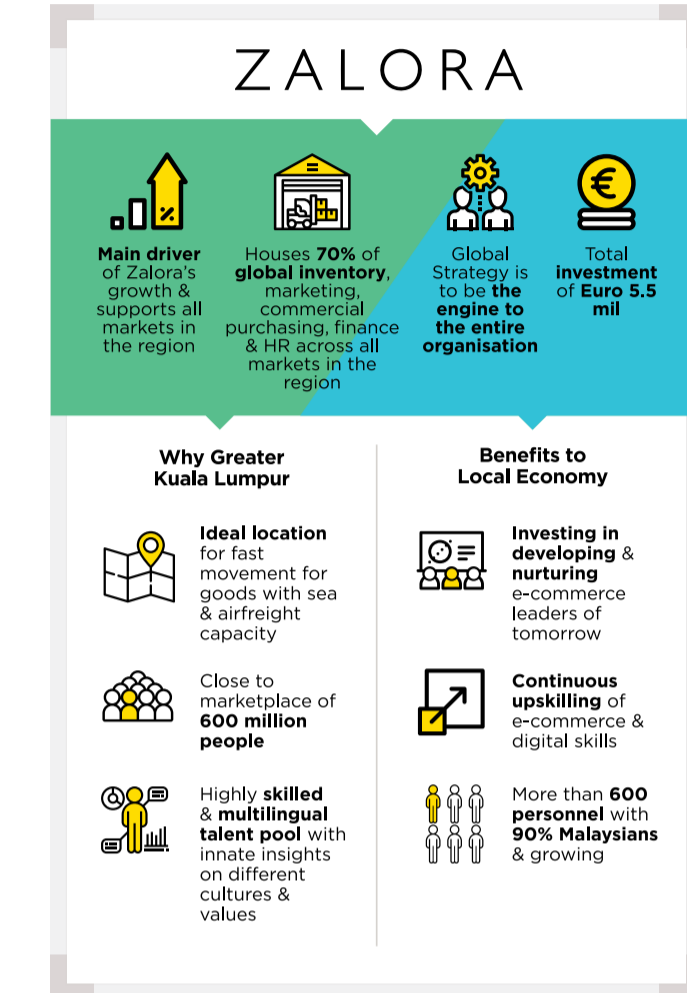
are Malaysians. The figure is expected to hit 1,000 in the next five years.

**“Kuala Lumpur is important”**

The capital city is a crucial cog in ZALORA's e-commerce machine. And one key advantage is simply the geography. "Kuala Lumpur's geographical location is ideal for the movement of goods with its extensive sea and airfreight capacity. Our current regional e-fulfilment centre is located within 60km of major dock facilities and two major airports, with easy access to highways," says Pour. "This helps us in getting items in and out fast, enabling us to bring products from the runway to the customer faster than any regional fashion e-commerce player in Southeast Asia."

The added speed is critical for ZALORA as the region represents a significant part of its future prospects. Southeast Asia is home to over 600 million people or nearly a tenth of the global population.

Given that it is mainly in emerging and developing economies, ZALORA projects that the fashion and lifestyle market will



grow three times faster than those in developed markets such as the US and Europe.

"This will result in a larger share being spent on fashion and lifestyle products as a display of pride and prestige, as consumers now have more disposable income. The opportunities in Southeast Asia are endless, and there is no question about why we are focusing on the region," Pour adds.

And e-commerce is now the anchor of the internet economy in the region, overtaking online travel. In 2019, e-commerce accounted for US\$38 billion — a sevenfold growth over four years (2015: US\$5.5 billion).

That means e-commerce accounted for 38% of Southeast Asia's internet economy in 2019, which was valued at US\$100 bil-

lion (39% higher than in 2018) by Google's e-Conomy Southeast Asia report.

And the growth is only just beginning, according to ZALORA. It expects e-commerce to surpass US\$15 billion by 2025 on stronger-than-expected growth.

"ZALORA is gearing up for continued growth across its key markets, including Malaysia, over the next three years with expected annual growth rates of 30% to 50%. Our fulfilment centre in Malaysia plays a significant role in enabling and supporting such a rapid scale expansion," says Pour.

To tap that potential, e-commerce players are now in a race to build efficient supply and logistics capability to get quality products to customers as fast as possible. Hence, being in Kuala Lumpur confers

ZALORA a strategic speed advantage.

"Building logistics networks with reliable nationwide and region-wide coverage has long been the main objective of the large scale e-commerce players and ZALORA's regional e-fulfilment hub in Malaysia is a concrete example of this move," says Pour.

**'Win-win for Malaysians'**

For Malaysians, ZALORA's investment into Malaysia is a win-win proposition as it not only creates employment but also opens doors for professional upskilling in a fast-growing economic sector.

A unique capacity in the Kuala Lumpur talent pool is an innate insight into different cultures and values by virtue of having a diverse, harmonious society, says ZALORA.

"The population is also highly educated and urbanised, giving us an excellent talent pool that is brimming with digital natives and capable skilled workers able to operate across a multilingual environment," says Pour.

"People are the heart of our business, and the quality of our solutions and services are dependent on the people behind them. A diverse and educated talent pool provided us skills and cultural insights that helped us navigate the nuances in all our markets."

What is on the table for Malaysian talent is opportunity. As e-commerce is a relatively new phenomenon, there is a lack of experienced professionals and ZALORA is also investing significantly in developing e-commerce leaders of tomorrow.

"ZALORA is committed to nurturing this talent pool and providing them with best-in-class training, grooming the next generation of e-commerce leaders in the heart of Malaysia."

"In addition to training and skill building, working for ZALORA represents the unique opportunity of working in the headquarters (not just the local execution offices) of an international e-commerce company, something that other e-commerce players, which mostly have local execution teams in KL, cannot offer," says Pour.

In fact, its current head of regional eProduction Ashley Wong and cluster head of human resources Ching Yee Jiun can attest to that focus on internal talent development, having risen through the ranks.

A number of former ZALORIANs in Malaysia have also gained sizeable knowledge and know-how and they have left to become e-commerce entrepreneurs themselves, the firm adds.

## How InvestKL helped Malaysia score big with ZALORA

The digital economy is fast emerging as the new engine of growth, particularly in Southeast Asia, where exponential growth is still on the cards.

And as Malaysia grapples with slow growth and increasing competition for investment capital, InvestKL — an agency under the Ministry of International Trade and Industry (MITI) — showed foresight by recognising that e-commerce is a potential catalyst to spur the nation's growth.

That is why its success in attracting ZALORA to set up its regional fulfilment hub-cum-headquarters in Kuala Lumpur represents a major coup over other major cities in the region.

"We recognise that having a leading global e-commerce player here will not only bring significant investments and job creation, but also e-commerce expertise that can help grow the local talent pool," says InvestKL acting CEO Muhammad Azmi Zulkifli (pictured).

ZALORA is one of 78 multinational companies (MNC) that the agency had attracted to set up regional headquarters in Kuala Lumpur between 2011 and 2018. To date, the approved investments total RM11.7 billion.

InvestKL focusses on bringing in large global multinationals and unicorns to Greater KL. In 2019, it aims to bring in more companies with high-impact and high tech activities, that will bring value to the nation.

It is worth noting that its success in wooing ZALORA to Kuala Lumpur came on the back of much hard work and diligent support on InvestKL's part.

According to ZALORA, among its key challenges initially was figuring out how to draw back the Sales and Services Tax (SST) for items shipped to customers outside of Malaysia. The documentation was extensive and there was no digital drawback process. "InvestKL worked side by side with the ZALO-

RA team, engaging with the Royal Malaysian Customs Department and the Ministry of Finance (MoF) to explain the challenges and help obtain necessary approvals for the drawback."

"The second big challenge for the e-fulfilment centre was to obtain a bonded warehouse licence. InvestKL supported the initiative and helped ZALORA obtain this licence, giving the company a scalable and sustainable foundation to manage the tremendous growth of the region," said ZALORA.

In fact, the close support and commitment demonstrated by InvestKL and other government agencies was the decisive factor for ZALORA in choosing Kuala Lumpur, apart from its geographical location, the firm says.

"InvestKL was invaluable in helping ZALORA understand the best potential set-up for the regional hub and worked



with us together with the local authorities (Royal Malaysian Customs Department, MoF, Ministry of International Trade and Industry, Malaysia Digital Economy Corporation and Malaysian Investment Development Authority) to

eventually find a solution to this issue, securing the longevity and sustainability of our business," ZALORA adds.

Then there are the strong fundamentals of Kuala Lumpur itself, which include a vibrant talent pool, quality infrastructure and high quality of life.

So, has the city lived up to ZALORA's expectations? The short answer is yes.

"Yes it has met our expectations. More importantly, the fact that Malaysian authorities have also been quite forward-looking in terms of the emerging e-commerce and trying to support e-commerce players, especially the pure play platform players like

us, is a major plus," ZALORA adds.

Now, Kuala Lumpur and, by extension Malaysia, is reaping the rewards for InvestKL's insightful choices, especially with policies coming into place to accelerate Malaysia's digital economy.

Among others, local government bodies have a pioneering regional e-commerce in their backyard to assist in developing the local industry, tapping into best practices and industry-specific insights.

But the job is far from done for InvestKL, who has some way to go before fulfilling its mandate of 100 MNCs. "We will continue to selectively pursue investments that will add value to our economy and fit into the Shared Prosperity Vision 2030 (SPV 2030) agenda.

"We realise that we cannot play the game of throwing money or incentives to attract MNCs, thus the value proposition must play to Kuala Lumpur's fundamental strengths," Azmi says.