



**AN EXAMINATION OF THE MERGERS AND ACQUISITIONS
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Abstract

The merger of Gojek and Tokopedia, two leading start-ups in Indonesia, culminated in the creation of a unified entity known as GoTo on May 17th, 2021. This strategic integration marks a significant milestone, positioning GoTo as a major player in the Southeast Asian market. The primary objective of this study is to comprehensively analyze the factors and challenges inherent in the GoTo E-Commerce Merger process. Employing a qualitative research methodology, this study delves into the complexities of the merger, shedding light on critical aspects. The merger not only facilitates geographical expansion for GoTo but also positions it strategically to enhance operational effectiveness and efficiency. This geographical expansion is a crucial aspect, as it allows GoTo to tap into other Southeast Asian markets, creating a formidable presence that enables it to compete more effectively with prominent technology conglomerates. However, the post-merger scenario for PT GoTo has not been without its share of challenges. The study identifies and scrutinizes four major challenges faced by the company in the aftermath of the merger. This study provides a nuanced examination of the GoTo E-Commerce Merger, offering valuable insights into the underlying factors and challenges faced by PT GoTo. Through a qualitative research methodology, the study contributes to a



comprehensive understanding of the dynamics at play in the post-merger landscape, shedding light on critical aspects that demand strategic attention and management.

Keywords: Merger, Acquisition, E-commerce, PT GoTo

INTRODUCTION

The rapid acceleration of technological improvement undoubtedly characterizes the contemporary world. As an intrinsic aspect of human existence, technological advancement makes individuals inherently aware of novel technologies that enhance the execution of diverse tasks. The widespread proliferation of the internet has significantly contributed to advancements in technology, transforming human behaviors and routines. The internet enables individuals to efficiently retrieve a wide array of information, shaping various aspects of daily life.

A survey conducted in 2021 revealed that Indonesia boasts a significant internet user base, totaling 202.2 million individuals. With internet connectivity widespread across multiple locations in Indonesia, diverse activities stemming from internet usage have emerged, including a notable rise in business-related endeavors.

“E-commerce”, a term denoting business activities utilizing technology, encompasses a digital platform accessible through computers. Coined by Kotler and Armstrong (2012), it enables consumers to access information and entrepreneurs to conduct commercial operations. Laudon and Laudon (2019) define E-Commerce as a transactional process wherein consumers engage in electronic buying and selling activities, facilitated by computers, particularly in the context of business-to-business commerce.



The formalized merger of Gojek and Tokopedia has given rise to the conglomerate known as GoTo. Founded by Nadiem Makarim, Michaelangelo Moran, William Tanuwijaya, and Leontinus Alpha Edison, Gojek and Tokopedia, initially startup companies with distinct service orientations, now integrate electronic commerce, financial services, and on-demand services. This integration enhances operational capacities, creating a comprehensive trading system tailored to consumer requirements.

Regarding new product development, the financial implications and accelerated time-to-market can be mitigated through acquisitions (Toha, 2023). Acquiring established businesses with extensive networks reduces costs and risks compared to starting new ventures (Octaviani, t.t).

LITERATURE REVIEW

Lower Risk Compared to Developing New Products

According to Nareswari (2021), companies engaging in acquisitions are perceived to bear lower risks compared to those developing new products. This is attributed to the acquiring company's ability to achieve cost-effective operations by leveraging the combined resources of merging entities, enhancing productivity more than creating new products (Saputra, 2023).

Increased Diversification for Business Growth

Turiastini and Darmayanti (2017) highlight that companies use diversification strategies to enhance business units, introduce novel products, and expand market presence. Acquisitions play a crucial role in enhancing diversification, and positively influencing business performance by incorporating existing business units for growth and expansion opportunities



(Wanitasari, 2021).

Reshaping The Firm's Competitive Scope

Acquisitions contribute to reshaping a company's competitive scope by enhancing diversification, and positively impacting business performance (Nareswari, 2021). This is achieved by incorporating existing business units, creating prospects for growth and expansion.

Learning and Developing New Capabilities

An acquisition can lead to an improvement in a company's financial ratios, impacting its capacity to fulfill capital requirements, enhance liquidity, and reduce credit risk (Ramadhana, 2022). This provides companies with opportunities to cultivate novel capabilities through improved performance.

RESEARCH METHOD

The research methodology selected for analysis is a qualitative technique. Sugiyono (2019) defines the qualitative approach as a research method based on postpositivism, which entails the investigation of natural objects or experiments. Researchers are essential in using diverse data collection tactics to achieve triangulation in this methodology. The data processing methodology utilized employs the library study approach, which entails using data sources from scholarly journals, books, and news stories that are relevant to the conducted research. Sugiyono (2018) defines literary studies as a field that involves theoretical inquiries, references, and scholarly works focused on the values, culture, and norms that arise within the social contexts being studied. In his work, Nasir (2013) presents a definition of library research as a process of data collection that comprises the analysis of



books, notes, literature, and various reports that are related to the specific issue being addressed. Library research can be defined as the systematic collection of material from various sources, including reference books, literature, memos, and reports, that are relevant to the study of values, culture, and norms. This procedure is undertaken to address a specific topic of examination.

To assure the accuracy and reliability of qualitative data in this research, a range of methodologies can be utilized: 1) Triangulation: Researchers have a vital role in utilizing diverse data collection procedures to guarantee triangulation. This entails employing many methodologies or data sources to augment the legitimacy and dependability of the findings; 2) Informant checking validation. Conducting informant validation entails verifying the credibility of responses by testing them with the study participants. This process ensures that the collected data appropriately reflects the opinions of the participants; 3) Library Study Approach: The data processing methodology entails employing a library study approach, scrutinizing scholarly publications, books, and news stories that are pertinent to the research. This approach guarantees a thorough comprehension of the principles, customs, and standards inside the social environments being studied.

RESULTS AND DISCUSSION

The merger between PT GoTo Gojek Tokopedia Tbk, a prominent on-demand service provider in Indonesia, was announced on May 17, 2021. This strategic alliance establishes a formidable entity within the technology sector



of Southeast Asia. This merger facilitates the integration of two prominent Indonesian start-ups, namely Gojek and Tokopedia was established as a corporation that has achieved a market valuation of over \$18 billion. During the process of merging, PT Tokopedia was acquired and subsequently transformed into a subsidiary of the Gojek company (PT Solusi Karya Anak Bangsa), resulting in the renaming of the entity as PT GoTo Gojek Tokopedia. The decision to merge the two enterprises was motivated by multiple factors, ultimately leading to a favorable outcome for both entities.

Firstly, mergers enable recently established companies to consolidate their operations and establish a more robust presence in the Indonesian market. Gojek has gained recognition for its provision of ride-hailing services, food delivery, and various other on-demand services. Conversely, Tokopedia has established itself as an e-commerce platform. By amalgamating their resources, this newly formed corporation may leverage Gojek's extensive user base of 100 million individuals and Tokopedia's proficient e-commerce capabilities to develop an all-encompassing application that provides a diverse range of services encompassing shopping, food delivery, transportation, and financial services. This notion is further substantiated by a clear declaration made by the CEO of Tokopedia, whereby he expressed that "Gojek and Tokopedia mutually enhance each other - We aspire to genuinely evolve into the preferred ecosystem". According to William Tanuwijaya (2021), it is desirable for our vision and mission to synergistically align, resulting in a combined impact that exceeds the sum of their contributions. The integration of services and user base facilitates the ability of the newly formed company (GoTo) to



establish a more cohesive and streamlined customer experience, potentially resulting in heightened customer loyalty and revenue expansion.

Furthermore, the merger facilitates the geographical expansion of the GoTo company beyond the borders of Indonesia, enabling its entry into several Southeast Asian markets. Both Gojek and Tokopedia have expanded their operations to several additional countries, including as Singapore, Thailand, and Vietnam. Nevertheless, via the consolidation of their respective resources, the newly formed corporation can enhance its competitive position with other regional entities, including Grab, Shopee, and Sea Limited. The heightened level of competition can lead to the acquisition of a significant competitive advantage, so facilitating accelerated expansion and a larger market presence. Consequently, this can lead to amplified revenue generation and enhanced profitability.

Furthermore, the merger facilitates the enhancement of operational processes' efficacy and efficiency for the GoTo organization. Through the process of consolidating its activities, GoTo will be able to achieve cost reduction and resource optimization, ultimately leading to enhanced profitability. Mergers additionally enable organizations to capitalize on economies of scale, thereby facilitating improved bargaining power with suppliers and the ability to provide customers with more competitive pricing options. Moreover, mergers enable organizations to optimize their processes and minimize redundancy to enhance efficiency. This step has significant importance as the organization is encountering escalating competition from both well-established participants and emerging contenders inside the market. Through the process of joining, GoTo will have the opportunity to



enhance its operational efficiency and concentrate its efforts on delivering improved services to its customer base.

The combination facilitates enhanced access for GoTo enterprises to a wider range of resources and skills. Both Gojek and Tokopedia possess highly skilled teams of engineers, product managers, and other professionals. Through their collaboration, they can effectively exchange knowledge and skills, hence enhancing the quality of their products and services. Moreover, GoTo possesses the capability to tap into a broader spectrum of financial resources, including investors and strategic partners, facilitating the advancement of growth and fostering innovation.

In conclusion, the merger facilitates enhanced competitiveness for the GoTo company in the worldwide market, enabling it to effectively contend with prominent technology conglomerates such as Amazon, Alibaba, and Tencent. These corporations have made substantial investments in Southeast Asia and have extended their range of services and products inside the area. By forming a strategic alliance, GoTo can enhance its competitive position and establish a stronger presence and market strength in the sector, enabling it to effectively compete with major global giants.

Challenges Associated with Mergers

The amalgamation of two prominent corporations, Gojek and Tokopedia, under the name GoTo, is expected to encounter many challenges. Due to their notable performance in Southeast Asia, it is evident that these two corporations employ distinct business techniques. The GoTo corporation encountered a multitude of challenges after the merger.

One of the primary challenges encountered in the process of



integration pertains to the amalgamation of two distinct organizations, each with its unique cultural attributes. Gojek cultivates a corporate culture that emphasizes expeditious execution of tasks, encourages employees to exhibit innovative thinking, promotes effective communication, and fosters a sense of pride among its workforce. These practices are implemented to enhance employee performance and foster loyalty. In the context of organizational culture, Tokopedia has established a distinctive practice wherein employees are granted considerable autonomy in several aspects, including attire and work-related matters. This approach fosters a conducive and pleasant environment for the workforce. Given the merger of GoTo, it is imperative to retain and integrate workers who possess a comprehensive understanding of the distinct organizational cultures of both organizations. The execution of activities necessitates prompt completion, while maintaining a tranquil ambiance.

In addition, a significant challenge is in ascertaining the leadership and organizational framework of the amalgamated corporation. It is well recognized that the Gojek and Tokopedia companies are separately led by distinct individuals. The Chief Executive Officer (CEO) of Gojek is Mr. Kevin Aluwi, whilst the CEO of Tokopedia is Mr. William Tanuwijaya. However, the amalgamation of the two enterprises necessitates the establishment of a novel organizational framework, hence demanding consensus from the respective heads of both entities. During this process, it is expected that divergent viewpoints would arise, leading to a final consensus being established. Specifically, Andre Soelistyo from Gojek is set to assume the position of CEO inside the GoTo Group, while Patrick Cao from Tokopedia



will serve as President of GoTo.

Moreover, there has been a notable escalation in the company's debt and financial losses. The amalgamation of the two corporations will result in a concomitant escalation in debt and losses. The financial statement of GOTO Company for the first quarter of 2022 reveals a net loss amounting to IDR 6.61 trillion, indicating a substantial rise of 237.87% compared to the preceding reporting period. Similarly, GoTo's debt, totaling IDR 16.61 trillion, experienced a 3.11% growth compared to the preceding period. Hence, organizations need to possess an understanding of the potential challenges that may ensue from excessive debt, like the peril of insolvency, financial hardships, and related predicaments.

Finally, an excessive amount of diversification. Both Gojek and Tokopedia companies have adopted analogous diversification strategies. The corporation known as Tokopedia provides a wide array of products, totaling in the millions, which are organized into 21 distinct categories. These categories encompass a diverse range of items, including but not limited to clothes, food and beverages, beauty products, health-related items, electronics, household goods, and kitchen supplies. In the present context, the Gojek enterprise provides a range of 14 distinct goods, including GO-FOOD, GO-CAR, GO-SEND, GO-RIDE, GO-MART, and other more. regards to the given subject matter, In the event of a merger between the two companies, the amalgamation of their respective diversification strategies will occur. The increasing level of variety within firms poses challenges in effectively managing the development of their product portfolio, perhaps leading to a decrease in overall performance and revenue generation.



CONCLUSION

PT GoTo Gojek Tokopedia Tbk, a major on-demand service provider in Indonesia, announced a merger to create a dominant force in the Southeast Asian technology sector. During the merger, PT Tokopedia was acquired and became a subsidiary of the Gojek company (PT Solusi Karya Anak Bangsa), leading to the renaming of the entity as PT GoTo Gojek Tokopedia. The combined entity, known as GoTo, aims to capitalize on Gojek's extensive user base of 100 million individuals and Tokopedia's strong e-commerce capabilities. The collaboration seeks to develop an integrated application offering services such as shopping, food delivery, transportation, and financial services.

This integration is anticipated to enhance the client experience, potentially fostering customer loyalty and revenue expansion. The heightened competition is expected to provide competitive advantages, leading to accelerated growth and an expanded market presence. The merger allows the exchange of information and skills between Gojek and Tokopedia, enabling the development of superior goods and services.

In terms of leadership, Andre Soelistyo from Gojek is appointed as the CEO of the GoTo Group, while Patrick Cao from Tokopedia serves as the President. The merger is not without challenges, with potential issues like an escalation of debt and financial losses due to the diverse product offerings. Preserving and integrating the workforce and organizational cultures of both entities will be crucial for a successful merger.

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