

E-commerce Adoption Readiness and Need Identification in the Timber Industry

10 JUNE 2021










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- **Survey Results:**
 - Profile of Respondents
 - Level of ICT Adoption
 - The Intensity of E-commerce Usage
- **Policy Implications and Recommendations**






- **Industries' Experiences in E-commerce Development and Adoption**
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Project Report Contents

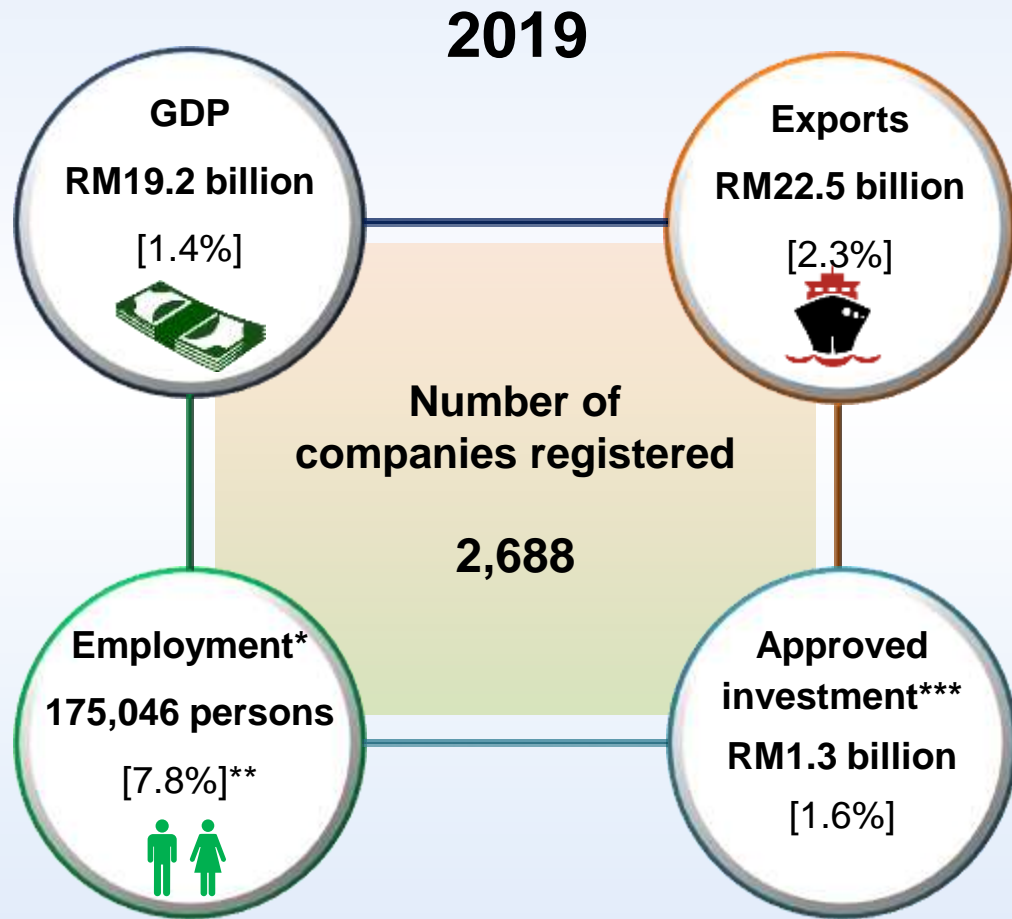
-  **Objective of the Study** 
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-  **Conclusion, Policy Implications and Recommendations**

-  **Readiness** → Assess the state of e-commerce adoption and level of awareness (Large vs SMEs)
-  **Barriers** → To identify, examine factors and barriers hindering e-commerce adoption
-  **Facilitation** → To investigate the need of Government's facilitation support for e-commerce adoption
-  **Solutions** → To assist organization and company preparing for e-commerce adoption – Why the needs and How?
-  **Direction** → To propose policy recommendations for now and future for the development of ICT in enhancing business prospects

 **Quantitative** +  **Qualitative**

 **ATTENTION** No data and information available of ICT and e-commerce adoption in the timber and timber products industry

Timber and timber products' contribution to Overall Economy



Source: Department of Statistics, Malaysia (DOSM); MTIB; MIDA

* Includes employment in wood products and furniture of the manufacturing sector. Furniture comprises wooden and cane furniture as per DOSM's Monthly Manufacturing Statistics.; ** total national employment:

***Wood & wood products and furniture and fixtures



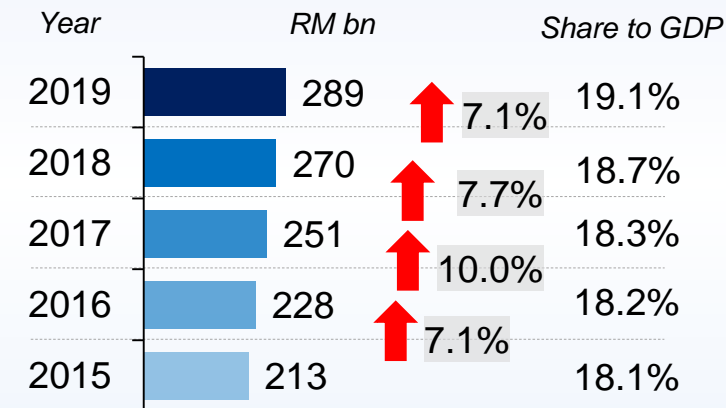
Malaysia's E-commerce Trend



Lacking "digital push" e-platform is one of challenges and dilemmas faced by Malaysia's timber and timber products industry

Meanwhile, the fact showed that...

Malaysia's digital economy* is booming...

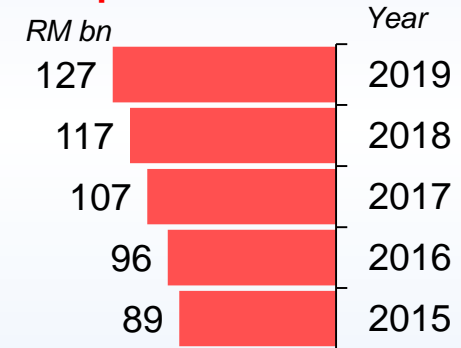


Source: DOSM Noted: *Gross Value Added of ICT industry (GVAICT) + E-commerce (non ICT industry)

Malaysia's e-commerce sales was largely boosted by domestic users, suggesting that *there is an immense potential of e-commerce in the international marketplace...*

In 2015, only 5.2% (47,556 businesses) of total establishments were involved in e-commerce in Malaysia

E-commerce's gross valued added grew by **9.3% pa** in 2015-2019



Type of Market	2015		2017		CAGR
	RM billion		RM billion		
Domestic	357	400	400	357	5.8%
International	41	48	48	41	7.8%
Total	398	448	448	398	6.0%

Source: DOSM

Low Digital Adoption in Marketing and Delivery Services

Malaysia's e-commerce policy landscape



Selected e-commerce initiatives

No	Incentive
1.	SME Digitalisation Grant
2.	Perkhidmatan eDagang Setempat (PeDAS)
3.	Business Scale-Up Programme (Biz-Up Programme)
4.	Soft Financing Scheme for Digital and Technology (SFDT)
5.	MSME E-commerce Campaign
6.	The Shop Malaysia Online Campaign

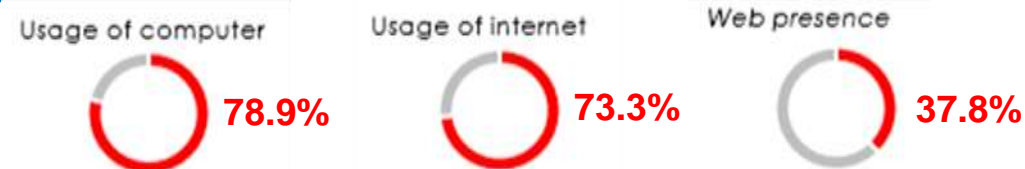
Source: Various

Malaysia's network connection

Positive correlation between ICT adoption and E-commerce adoption

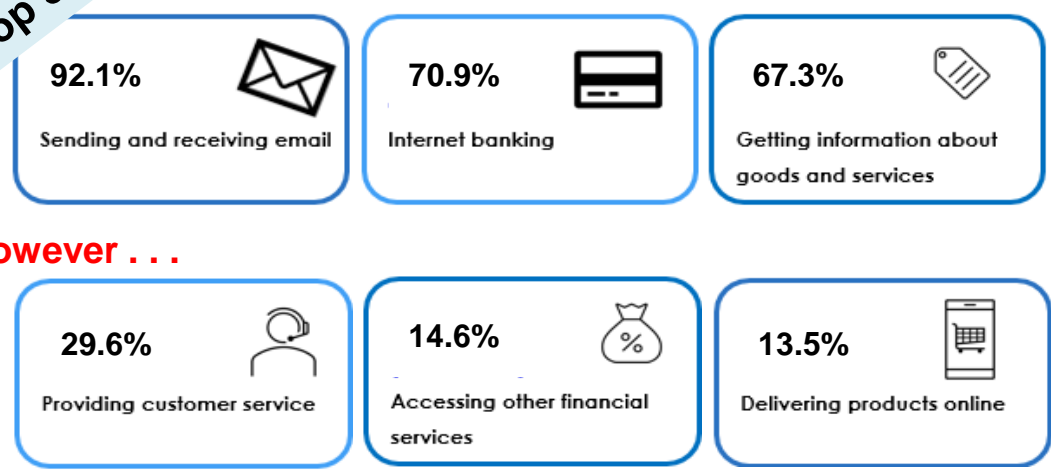
In fact ~

% usage of computer, internet, and web presence compared to total establishment (2017)



% purpose of internet usage compared to total establishments using internet (2017)

Top 3



However . . .

Source: DOSM



Survey Results:

- **Profile of Respondents**
- **Level of ICT Adoption**
- **The Intensity of E-commerce Usage**



Profile of Respondents (The survey period: mid-Aug to mid-Sept 2020)

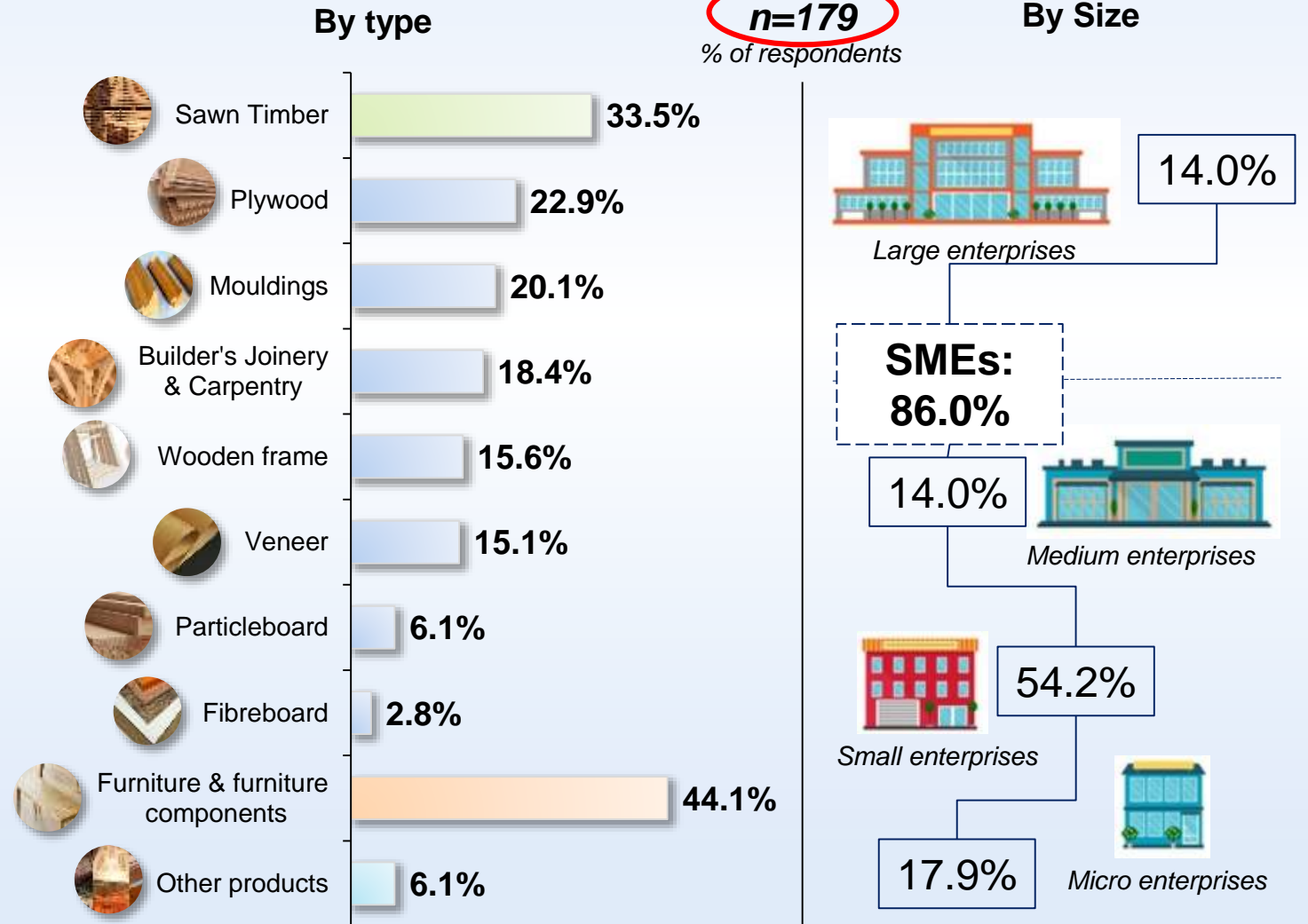
Qualitative (face-to-face interview)

25 Interviewees

4	Sawn Timber	2	Plywood & veneer
4	Mouldings	2	Wooden frame
2	Fibreboard	4	Pallet
1	Flooring	4	Furniture
2	Trading – Sawn timber & mouldings		

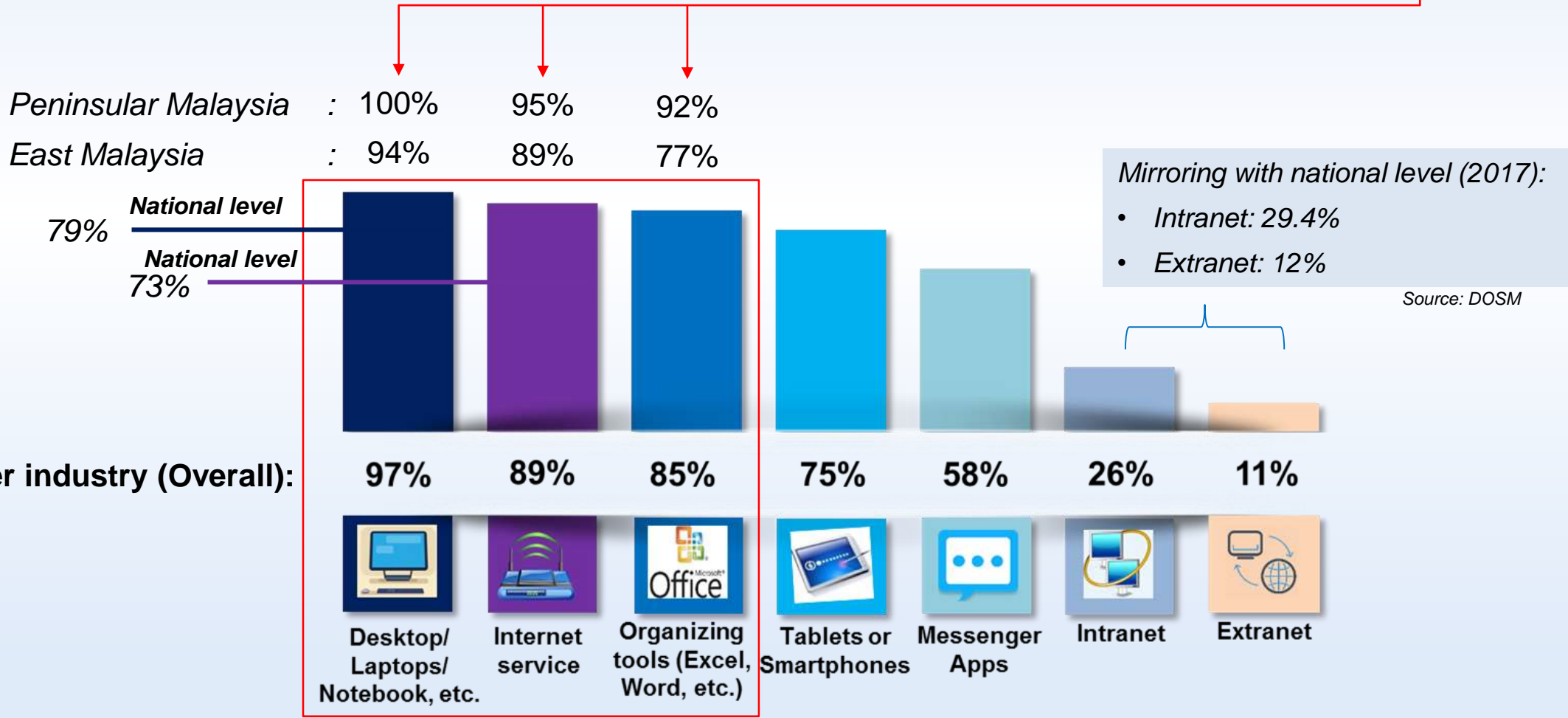
7 interviewees adopted e-commerce
 1 of interviewee failed to adopt e-commerce
 18 interviewees yet to adopt

Quantitative (questionnaire: multiple-choice and Likert scale questions)



Applications Still Limiting to Basic ICT Tools

- Almost all timber companies, especially in Peninsular Malaysia (PM) have adopted **basic ICT devices and tools.**
- The adoption rate of **computers and internet access** has surpassed average national adoption rate.

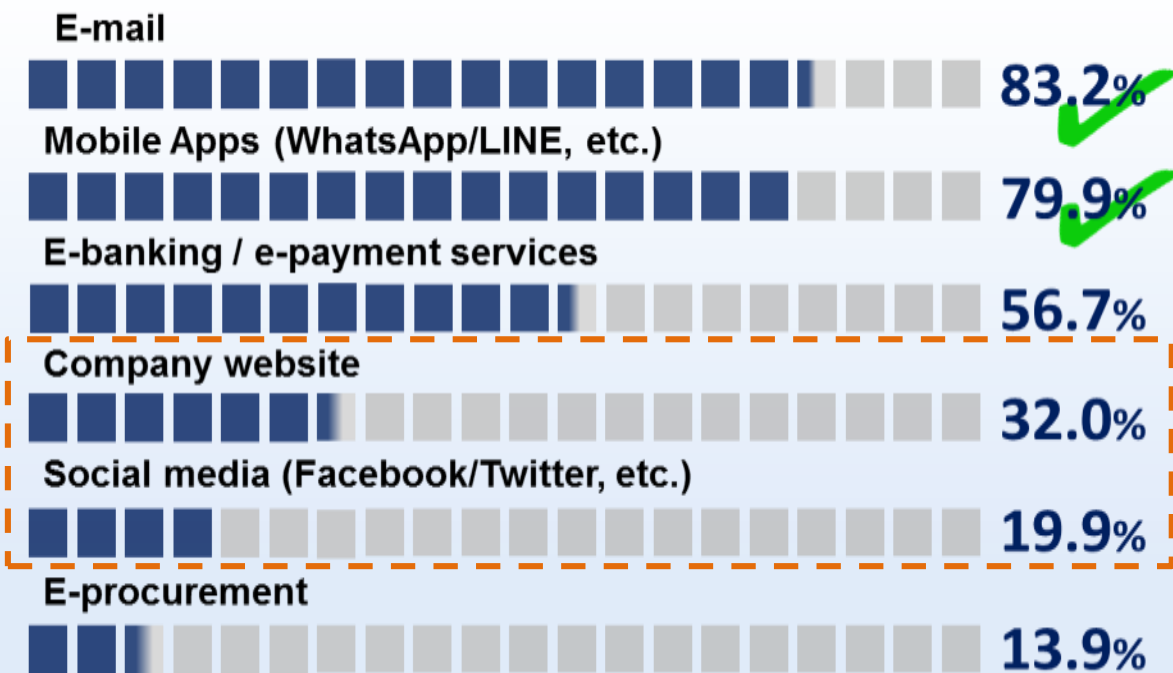


ICT Usage Needs Enhancement in the Timber Industry

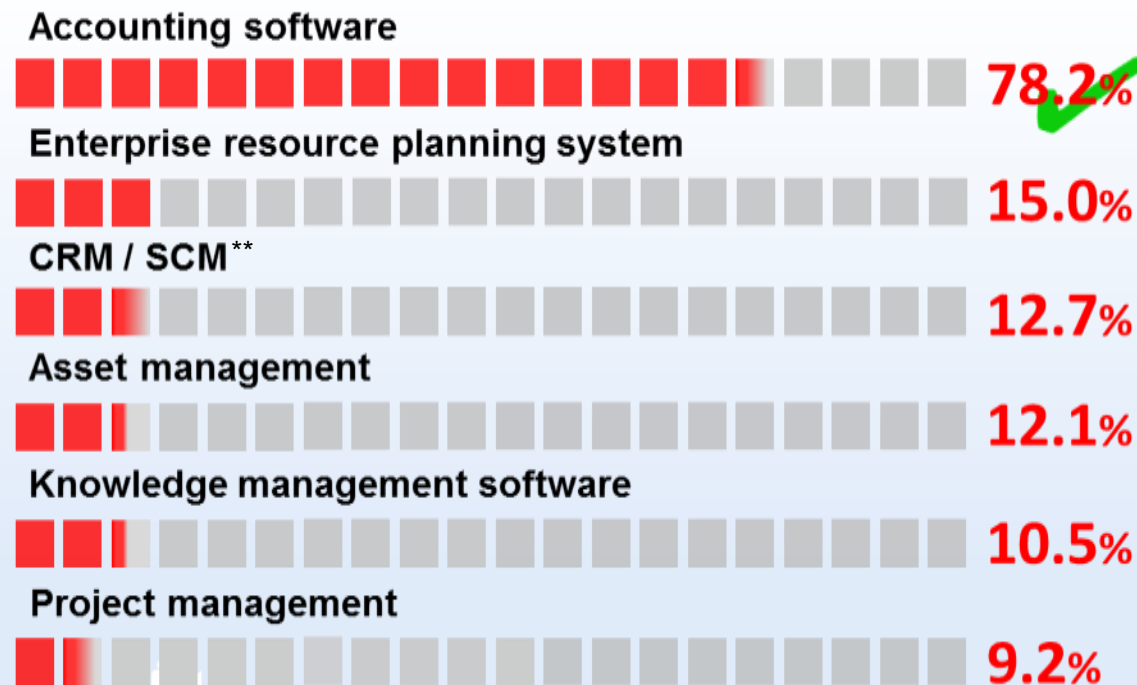
- Timber and timber products companies **do not fully tap on the web-based technologies** (such as company's website and social media platforms) to explore business opportunities, **citing cost constraints and lack of technical expertise**.
- In terms of company website, **large companies (56.0% of respondents)** usually **have their own website** compared to SMEs (28.0%). Ironically, **SMEs use social media (21.9%)** more frequently than large enterprises (8.0%).

Lack of resources and technical know-how

General ICT applications – 47.6%

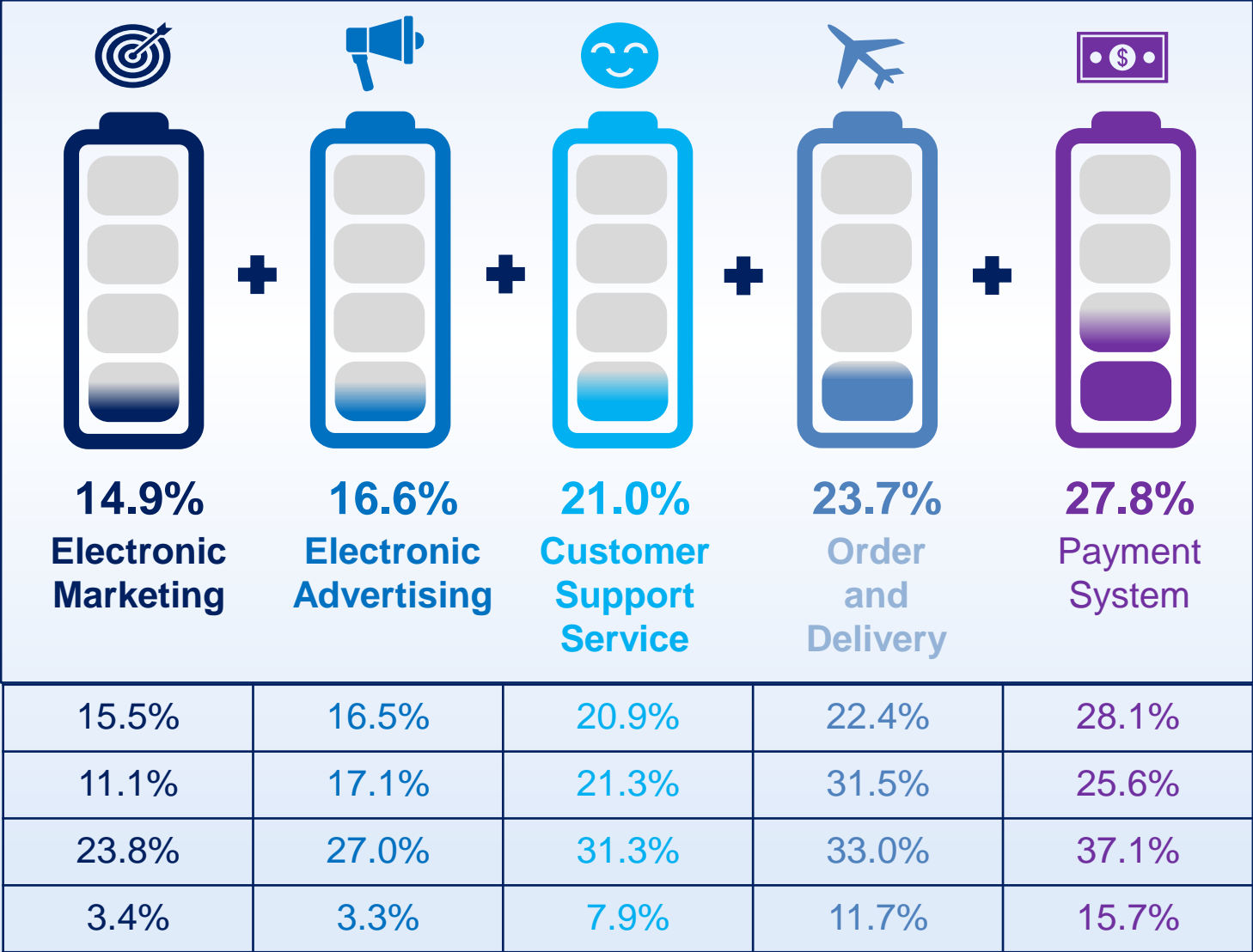
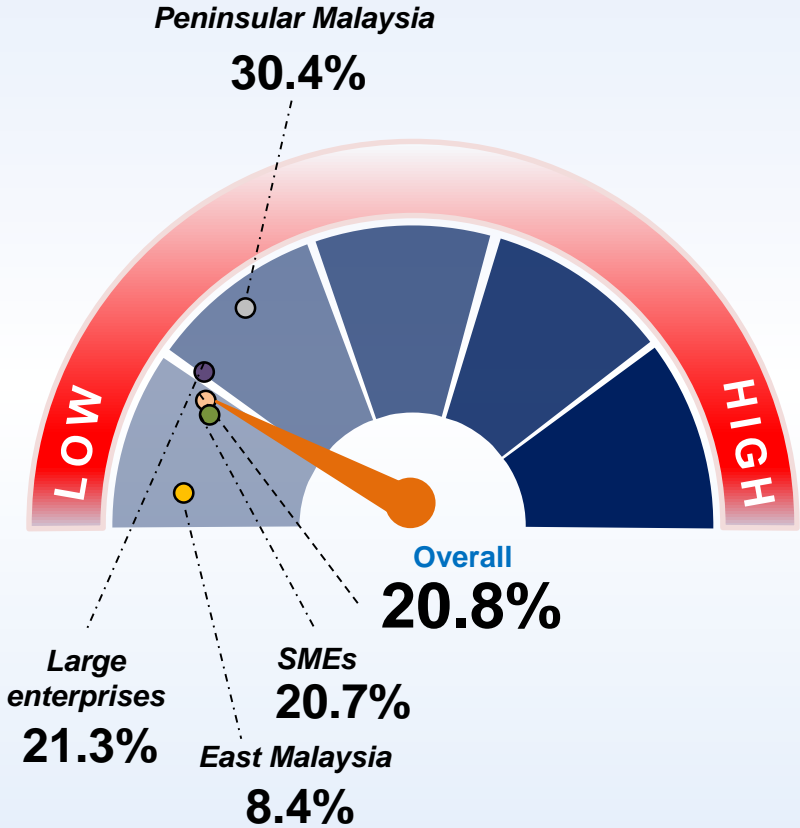


Specific system or software – 23.0%



Note: Most widely used + widely used; **CRM = Customer Relationship Management; SCM = Supply Chain Management

Low Adoption Rate in Digital Technology in the Timber Industry

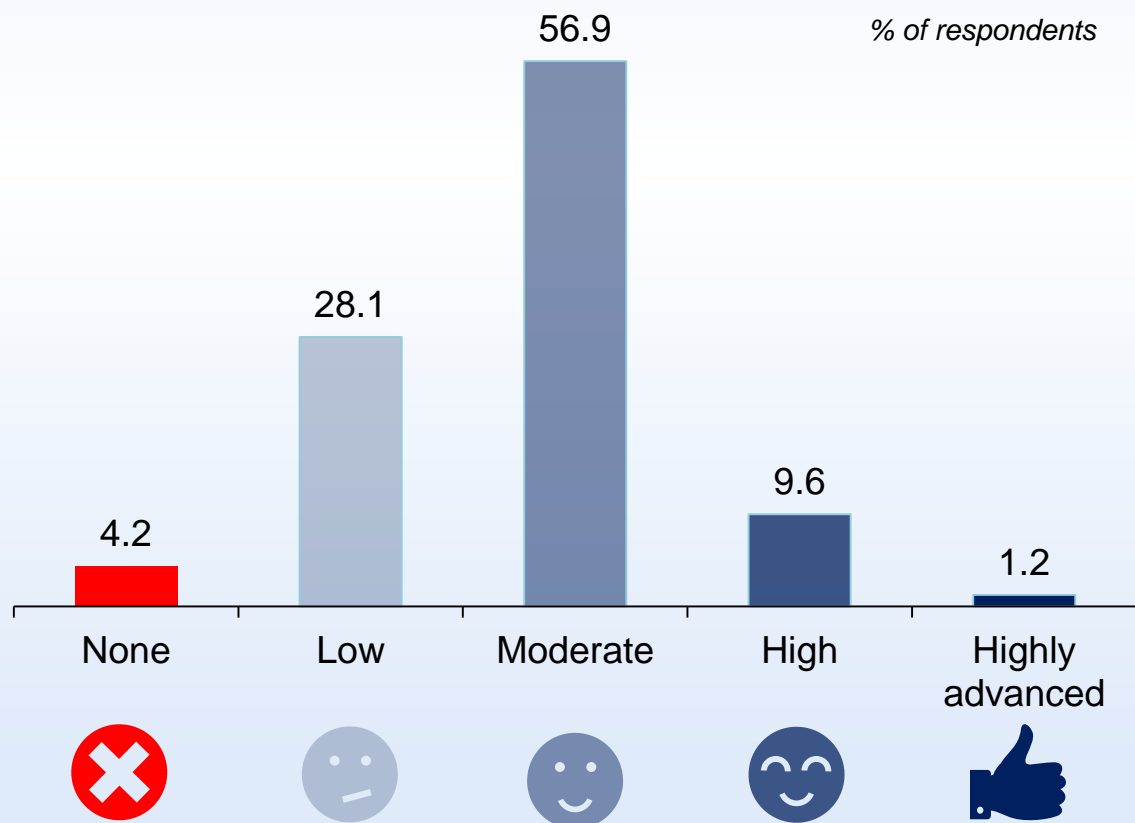


Note: *Most widely used + widely used; 20% weight for each component

Mismatch Between Perception and Current Level of Digitalisation

- The current adoption of digital technology is rated as “Low (20.8%)”.

Overall self-perception on the use of digital technology



- Respondents who perceived themselves as “moderate” in the level of digitalisation turned out to be “Low (20.3%)”
- Respondents who perceived their level of digitalisation as “High” or “High advanced”, the current adoption level is a tad above moderate level (50.8%).

Digital Features Applications	Moderate Group	High Group*
1. Electronic marketing	2.7%	7.7%
2. Electronic advertising	3.3%	8.4%
3. Customer support service	4.2%	11.1%
4. Order and delivery	4.7%	11.8%
5. Payment	5.5%	11.8%
Total score :	20.3%	50.8%

Note:*= Respondents who rate “high” + highly advanced”; % = “Most widely used” + “Widely used”; 20% weight for each component

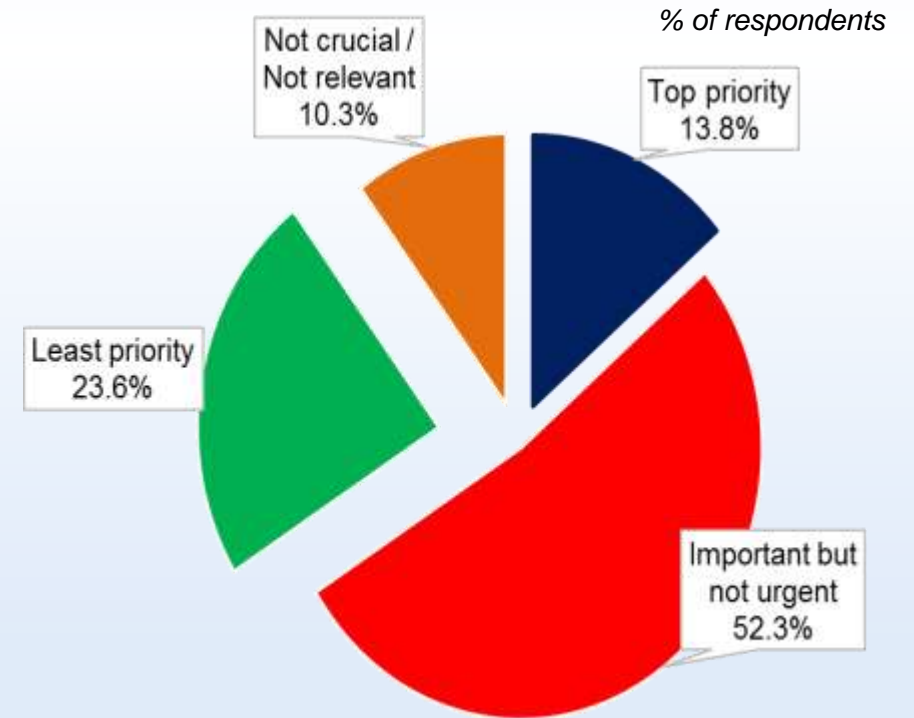
The Intention to Adopt Digital Technologies in 2 to 5 years

- By size of operations, **24.2% of SMEs are using e-commerce platform** as against only **4.2% of large enterprises**. The furniture business has a higher adoption rate (31.4% of respondents) vs non-furniture (13.5%).
- By location, **timber businesses in Peninsular Malaysia have a higher usage rate (31.0%)** in e-commerce platform compared to East Malaysia (8.2%).

The intent of digital technology adoption

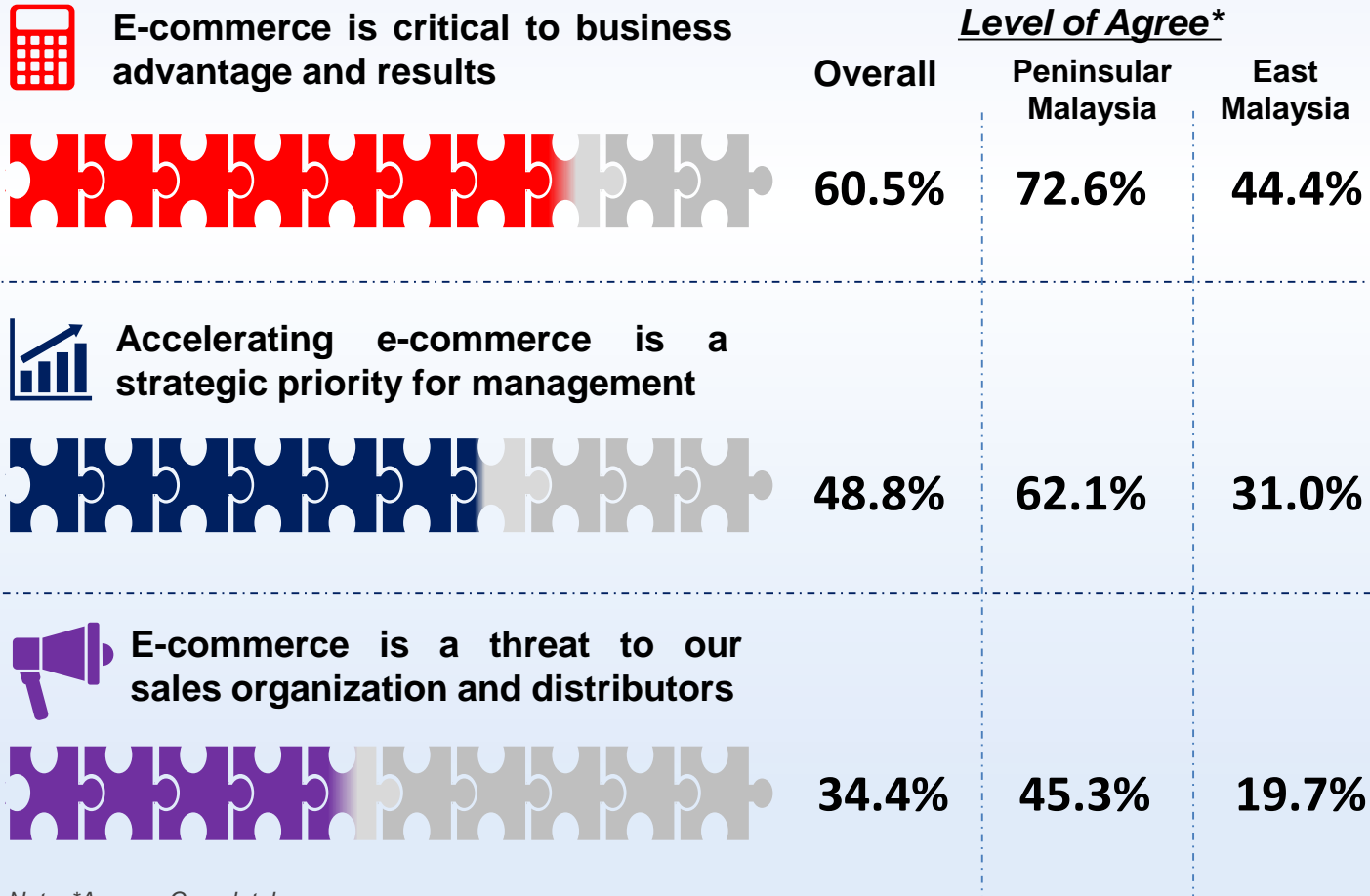
Already in use		Will consider adopting them:		Will not adopt these technologies	These technologies are unnecessary
		next 24months	in 3-5 years		
21.4%	E-commerce platform	22.0%	22.5%	17.3%	16.8%
40.2%	Social media	20.1%	16.1%	12.1%	11.5%
65.5%	Instant messaging app	12.1%	10.3%	5.2%	6.9%
29.9%	Cloud	19.5%	21.8%	14.9%	13.8%
8.2%	Big data	21.8%	34.7%	15.9%	19.4%

Is digital technology a priority for your business?



Most Felt that E-commerce Is Not A Big Threat; It Is Critical to Business Advantage

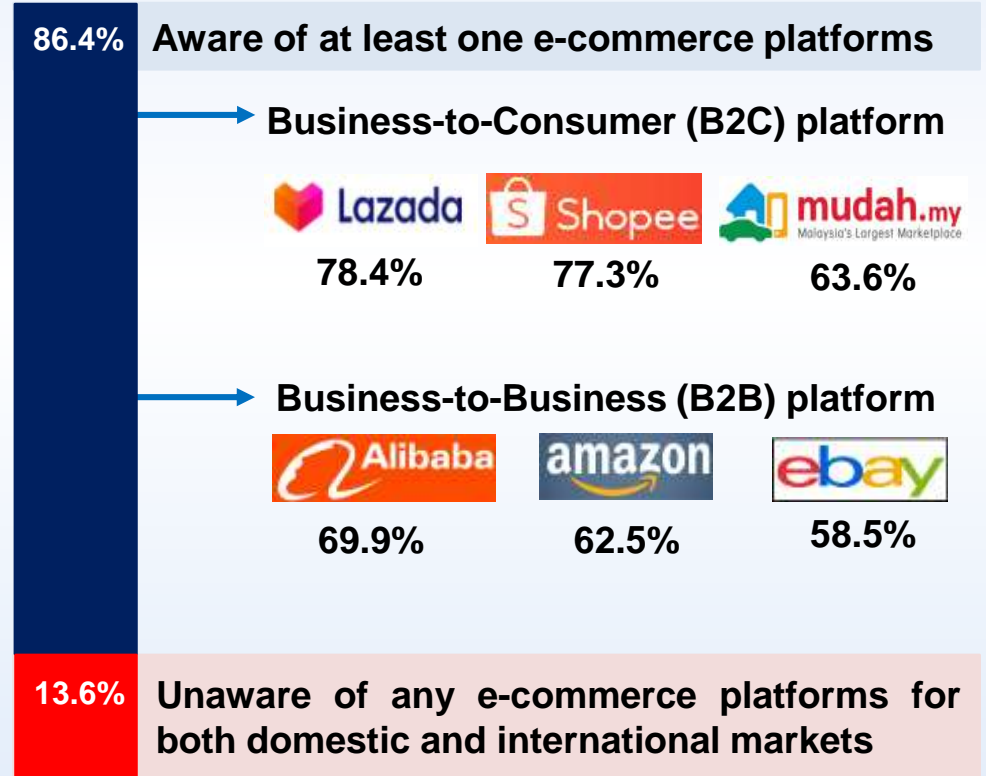
- Timber companies in Peninsular Malaysia having better awareness of e-commerce is critical to enhance businesses in the near future compared to East Malaysia.



Note: *Agree + Completely agree

- Higher awareness about B2C platform than B2B platform

% of respondents



↳ By size

- 35.5% of micro enterprises were unaware of e-commerce platforms;
- Non-micro enterprises (4.0% -10.4%) were unaware.

The Lack of E-commerce Usage in the Timber Industry

Overall current intensity of e-commerce usage in the timber industry

Not using. My business can well function without the use of e-commerce or digital technology **25.6%**

We do not know how to develop e-commerce to drive our business

17.6%

We have been using e-commerce for a number of years

14.2%

We will wait-and-see, but we are ready when the time is right to invest

42.6%



60.2% of respondents have shown interest to participate e-commerce in the coming years

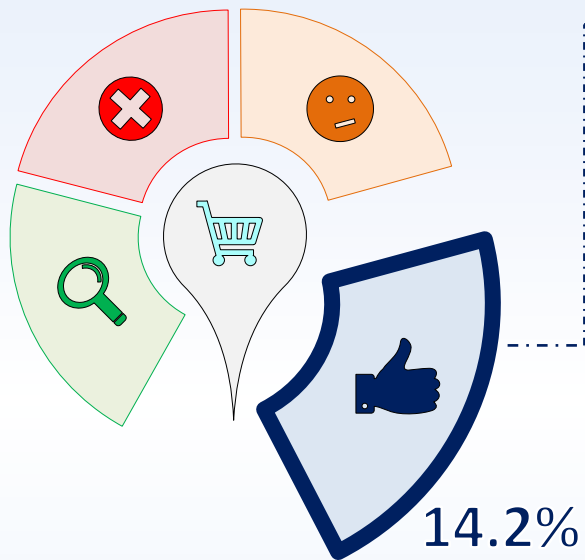
- **None of the enterprises in East Malaysia and large enterprises in Peninsular Malaysia surveyed have participated in e-commerce.**
- **By location, timber companies in East Malaysia (30.6% of respondents) indicated that they can survive without e-commerce or digital technology, whereas only 19.2% of timber companies in Peninsular Malaysia have the same thought.**



Market player

- **E-commerce is not suitable for the timber industry.** For example, sawn timber is a bulky order/per container and hence, it is inappropriate or not flexible to trade via e-commerce platform.
- **Existing customers may not favour their own suppliers to display the products' pricing online** as they worry that it may lead to end-users could potentially in direct contact with the suppliers, bypassing them (manufacturers/ sellers).

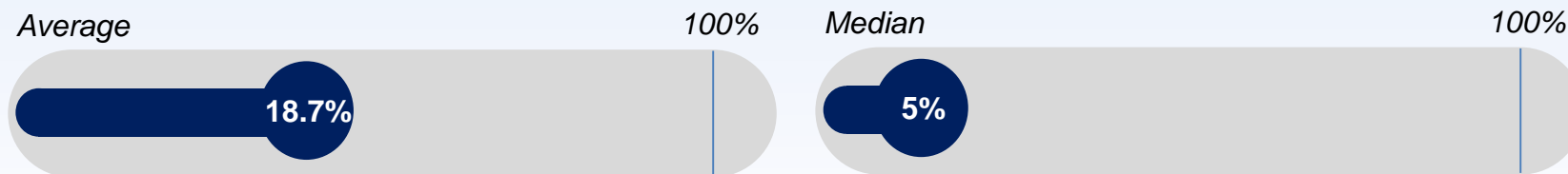
For Respondents who Have Adopted E-commerce:



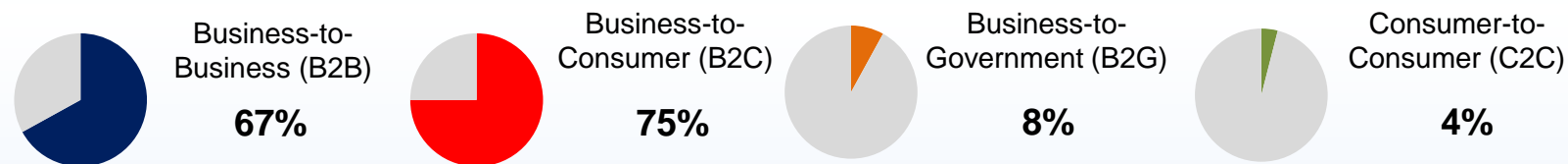
We have been using e-commerce for number of years

Average: 4.7 years
Median: 3 years

E-commerce transactions as % of total sales revenue:

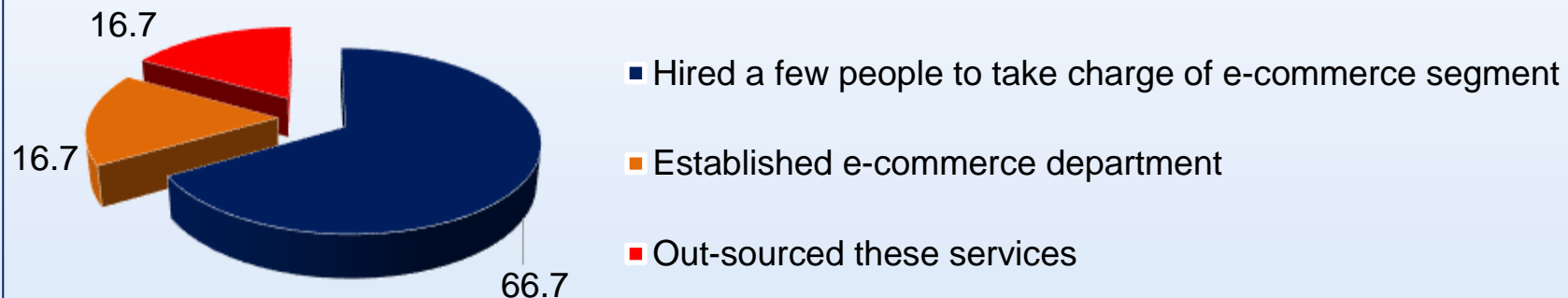


Type of e-commerce adopted:



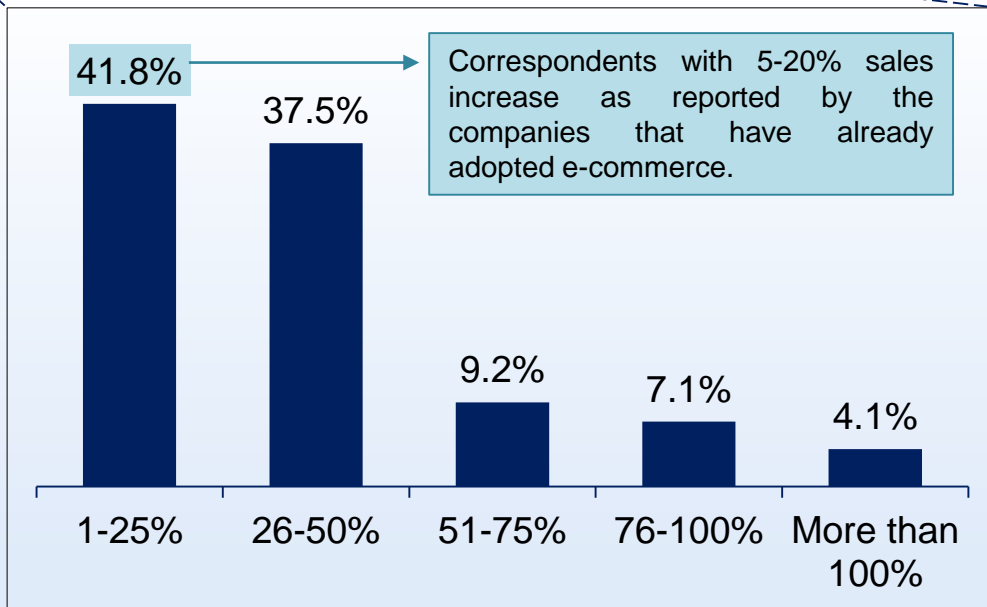
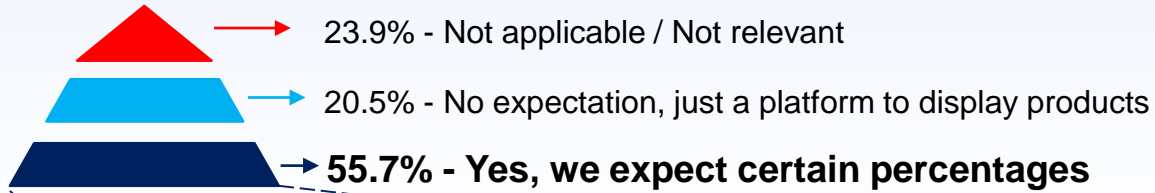
How does your company handle “e-commerce segment”?

% of respondents

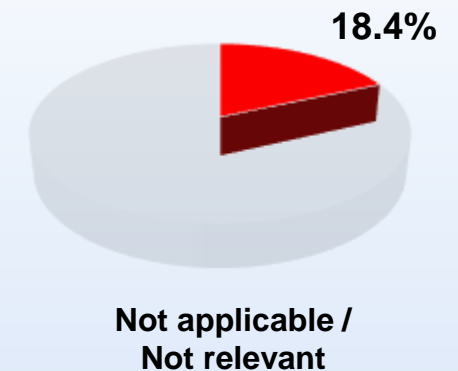
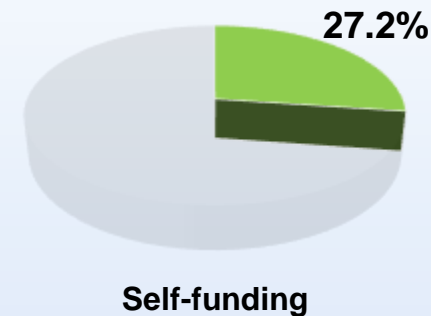
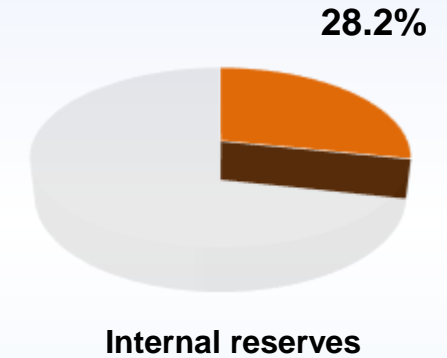
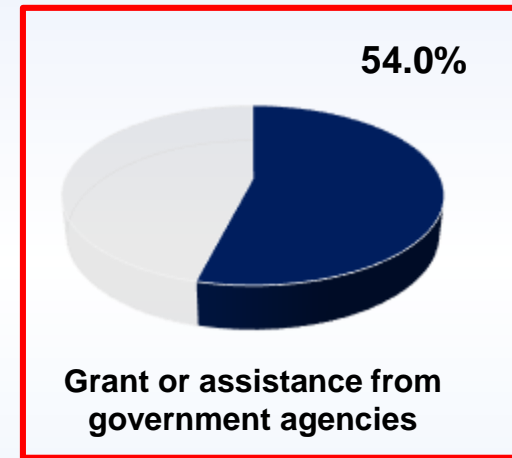


54.0% of Respondents Expect to Apply Grant/Financial Assistance From Government Agencies

Sale expectation from e-commerce



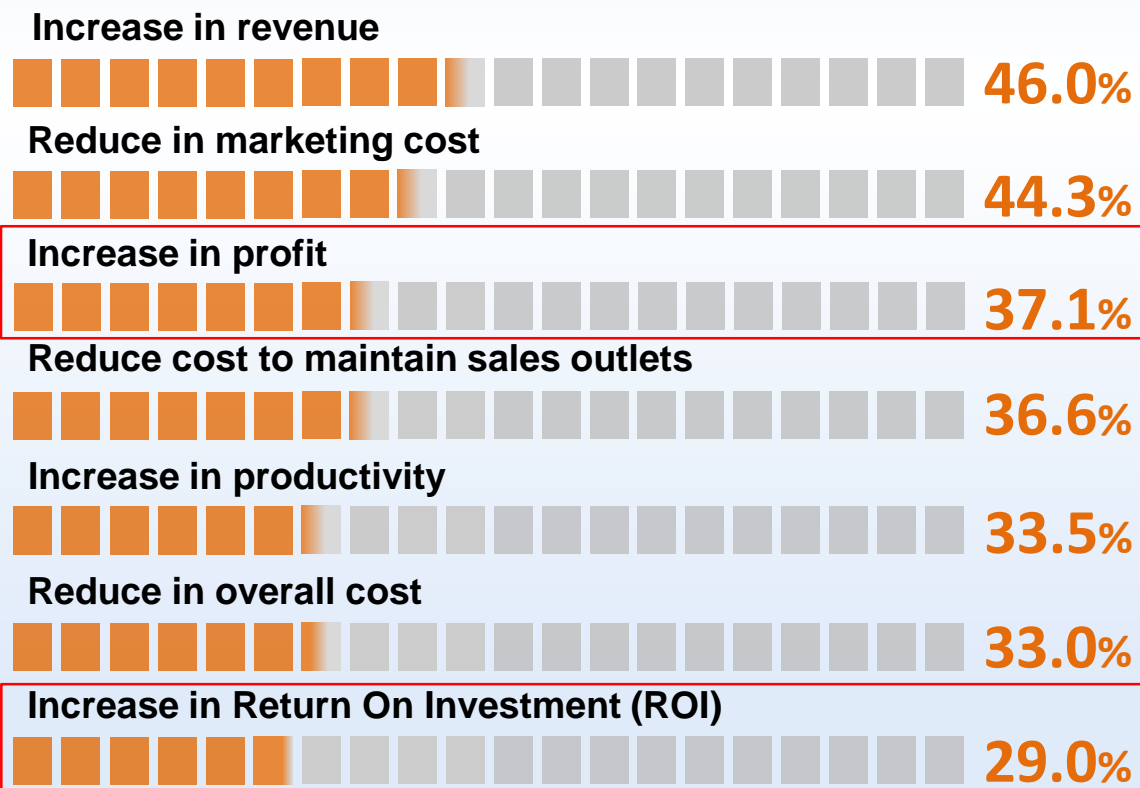
Ways to fund your e-commerce adoption or expansion



Operational Perspective Outweighs Financial Perspective

- For financial perspective, no significant change in the ranking by business segments and location. Only 37.1% of respondents expect top line growth would translate into an increase in profit.
- For operational perspective, good review and online feedback on the products in e-commerce platform will enhance the company's brand and help next customers' decision to purchase the product.

Financial perspective – 37.1%



Note: *High + Very High

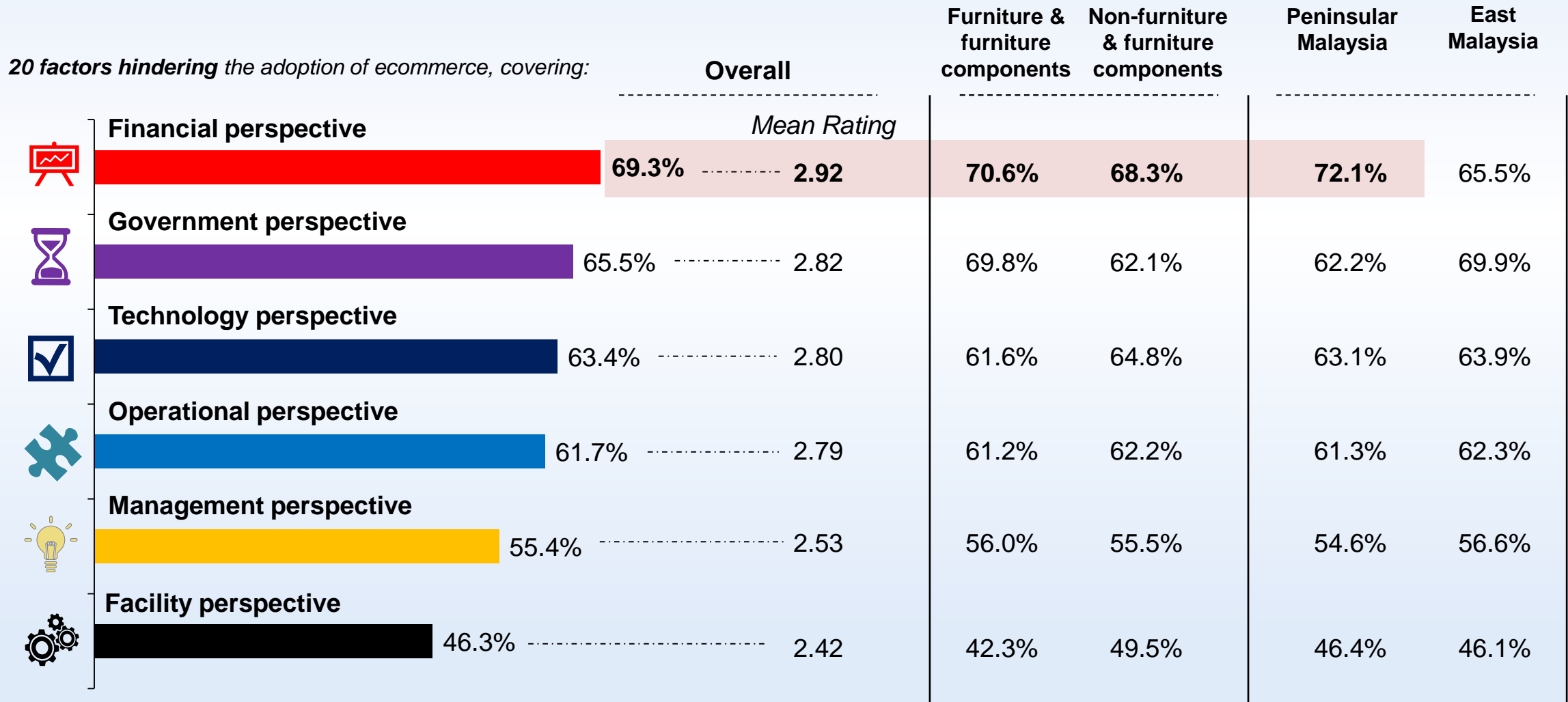


Operational perspective – 47.5% ✓



Factors Hindering the Adoption of E-commerce in the Timber Industry

- No major differences in the ranking of hindering factors for the adoption of e-commerce by business segment and location.



Note: % = constrained + very constrained + extremely constrained

Hindering Factors : Financial Perspective

Need additional staff to manage electronic commerce applications



Unaware of the importance of skill set requirement to adopt e-commerce. If needed, would prefer to train the existing staff rather than hire new staff who equipped with IT knowledge.

Cost of setting up electronic commerce is high



The cost incurred in the recruitment of technical expertise manpower, investment in ICT infrastructure and e-commerce's website would require a certain amount of capital.

Difficult to justify the cost with desired benefits



- E-commerce marketplace is not a suitable platform to conduct online business due to **e-commerce is usually perceived to generate low profit margin**
- **Worry about ROI due to low sales turnover**

Market potential of e-commerce users is too small



Unable to generate sales through the online platform as customers would choose to visit the factory and conduct self-inspections of the products before placing orders.

= constrained + very constrained + extremely constrained
 = very constrained + extremely constrained = "XX%"

Note: Figure without quotation mark (" ") comprises % of respondents voted "constrained", "very constrained" and "extremely constrained"; Figure with quotation mark (" ") comprises % of respondents voted "very constrained" and "extremely constrained" only

Hindering Factors : Operational Perspective



Note: Figure without quotation mark (" ") comprises % of respondents voted "constrained", "very constrained" and "extremely constrained"; Figure with quotation mark (" ") comprises % of respondents voted "very constrained" and "extremely constrained" only



Bad experience with Alibaba's gold supplier account due to inappropriate management

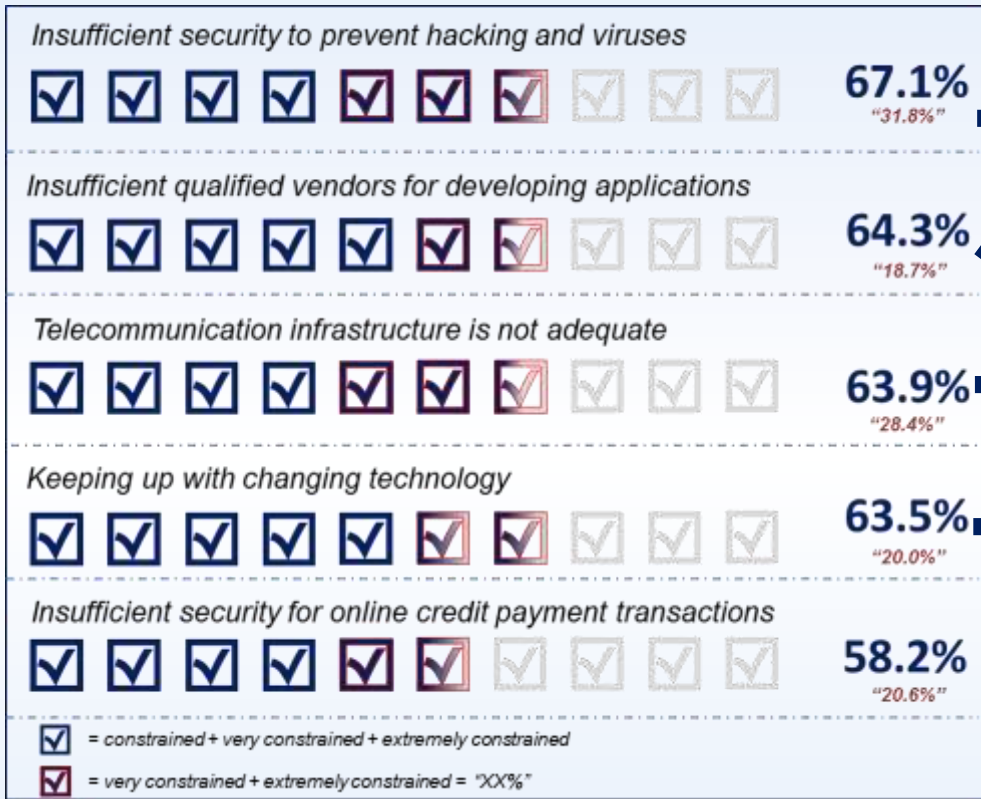


- **Problems** in the handling of e-commerce's **seller account registration process.**
- **E-commerce is only suitable for selling small-sized products** in B2C marketplace rather than B2B marketplace
- **Logistic and fulfilment is a major problem** because of the product size and faces the risk of bad debt and default issue
- **Cost of logistic would be a hindrance to customers**
- **Had bad experiences with a software company.** The system did not meet their expectation and they had to revert back to the traditional system.



- Behavioural barriers** →
- The **nature of products** offering is one of the barriers that had **discouraged companies to consider adopting e-commerce**
 - Most of the products are **customized based on their customer needs**
 - **The delivery via couriers services very difficulty and costly**
 - **"See and feel" or "feel and self-inspect" attitude**

Hindering Factors : Technology Perspective



One company was in the midst of implementing ERP system but the whole system was infected with virus. The company has lost all data.

The problem occurred because the IT vendor assumed that the company should have its own firewall and anti-virus software while the company assumed it should be part of job/role of IT vendor.



Insufficient availability of high-speed broadband data plan in areas and factories. Revenue is not able to cover the installation cost of fibre optic cable. These factories have no choice but to endure cheaper STEAMYX internet plan.



Unable to keep up with the pace of digital technologies in the implementation of e-commerce. It is far more complex and requires frequent updating and maintenance of the system by technical staff

Note: Figure without quotation mark (" ") comprises % of respondents voted "constrained", "very constrained" and "extremely constrained"; Figure with quotation mark (" ") comprises % of respondents voted "very constrained" and "extremely constrained" only

Hindering Factors : Other Perspectives (cont.)

Environmental barriers

- Most of the manufacturers indicated that there are more advantages of using distributors compared to the adoption of e-commerce. **Manufacturers do not want to upset their distributors** by setting up own e-commerce sales channels.
- Major push factors for B2C e-commerce adoption is **the limitation in logistics services**. The logistic service providers do not providing delivery services for oversize and over-weight products.
- **Manufacturers are reluctant to have another unit/division to manage the delivery of orders** because **it is not cost efficient**: (a) To deliver throughout Malaysia using the company's own delivery team; and (b) To deliver within a reasonable time schedules.

Dimension and weight limitation on parcel delivery imposed by B2C e-commerce logistic service providers

Logistics service provider	Max dimension (anyone of L/W/H)	Total dimension (L+W+H)	Actual and volumetric weight limit (kg)
J&T Express	150cm	300cm	70
Pos Laju	105cm	200cm	30
DHL Express	-	150cm	30
SkyNet	-	-	30
The Lorry	-	-	150



* L=Length; W=Width; H=Height

Note: Volumetric weight calculation: $(L \times W \times H) / 5000 = \text{kilograms}$; For Pos Laju and J&T Express: $(L \times W \times H) / 6000 = \text{kilograms}$

Policy Implications and Recommendations



GROUP OF EXPERTS ON E-COMMERCE IN THE TIMBER INDUSTRY

- Comprising representatives from the timber and timber products industry, government agencies and e-commerce experts.
- An exchange of ideas and views to formulate policies and initiatives; support capacity building.



DIGITAL TRANSFORMATION ASSESSMENT

- Carry out the gaps' identification and assessments concerning the aspects of people, process, technology and content



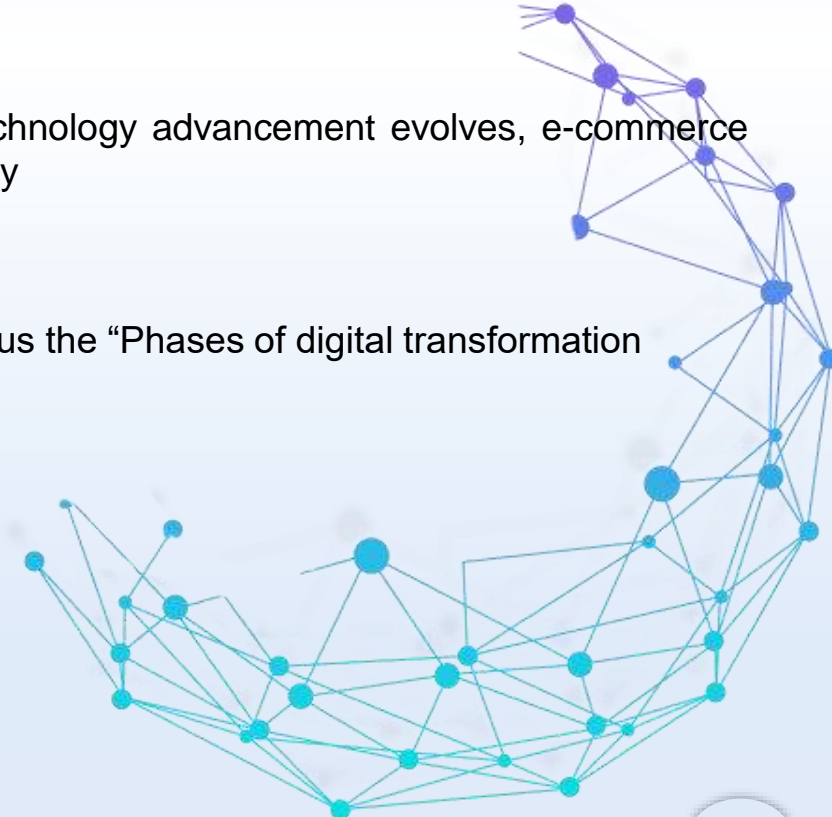
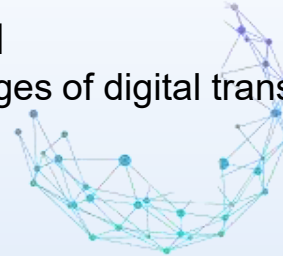
TRAINING NEEDS IDENTIFICATION

- Training is a type of continuous learning process in digital transformation as technology advancement evolves, e-commerce business models as well as the new norm of doing business will evolve accordingly



JOURNEY OF DIGITAL TRANSFORMATION

- Drawing a digital transformation roadmap -- “Stages of digital transformation” versus the “Phases of digital transformation readiness” of each industry





Industries' Experiences in E-commerce Development and Adoption



Case Study – Industries' Experiences and Stories (B2C)



NSJ Stylish Store

~Wooden craft and gift retailer

- ❖ Social media marketing strategies
- ❖ Multi-channels management

Key takeaways:

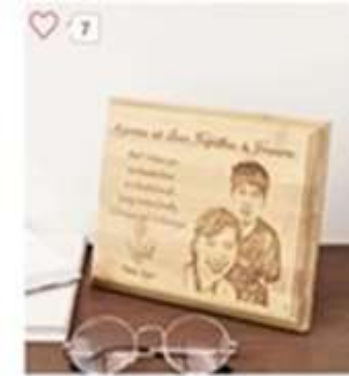
- E-marketplaces **much cheaper and fast to set-up, easier and cheaper to drive traffic than own website**
- E-marketplaces provide very clear-cut customer care policy, improve customers' confidence
- **Large user base on social media**
- Why need to adopt social media marketing?
 - To **grow brand awareness** by telling the brand's story
 - To **link the traffic from social media pages to website and marketplaces**, then improve conversion rate
 - **Solicit feedbacks and reviews** for the products
 - **Provide customer service** by handling their questions on social media and reply them fast
 - **Build loyal customers**
- Set-up multiple online sales channels as each marketplace has its own loyal customers



Personalized Bamboo Pen Set
★★★★★ (1)
RM95.00 MYR



Handcrafted Personalized Wooden Necklace
★★★★★ (2)
from RM67.00 MYR



Personalized Bamboo Plaque
★★★★★ (3)
from RM115.00 MYR



Personalized Wooden USB Flash Drive with Wooden Box
★★★★★ (2)
from RM85.00 MYR



Personalized Bamboo Cutlery Set
★★★★★ (1)
from RM20.00 MYR



Personalized Ceramic Mug with Wooden Handle
RM99.00 MYR



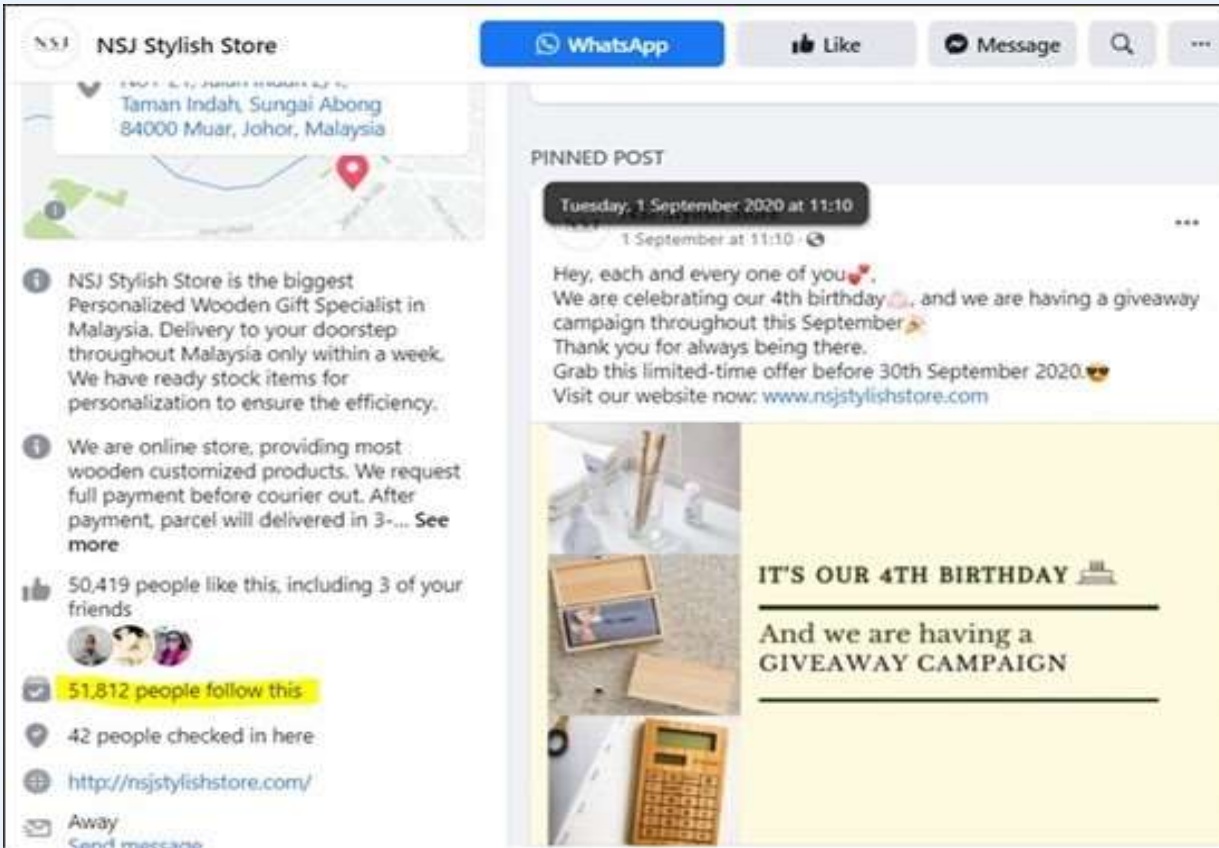
Personalized Wooden Credit Card Holder
★★★★★ (2)
RM90.00 MYR



Personalized 5 Slots Walnut Wood Watch Box
RM299.00 MYR

Case Study – Industries' Experiences and Stories (B2C)

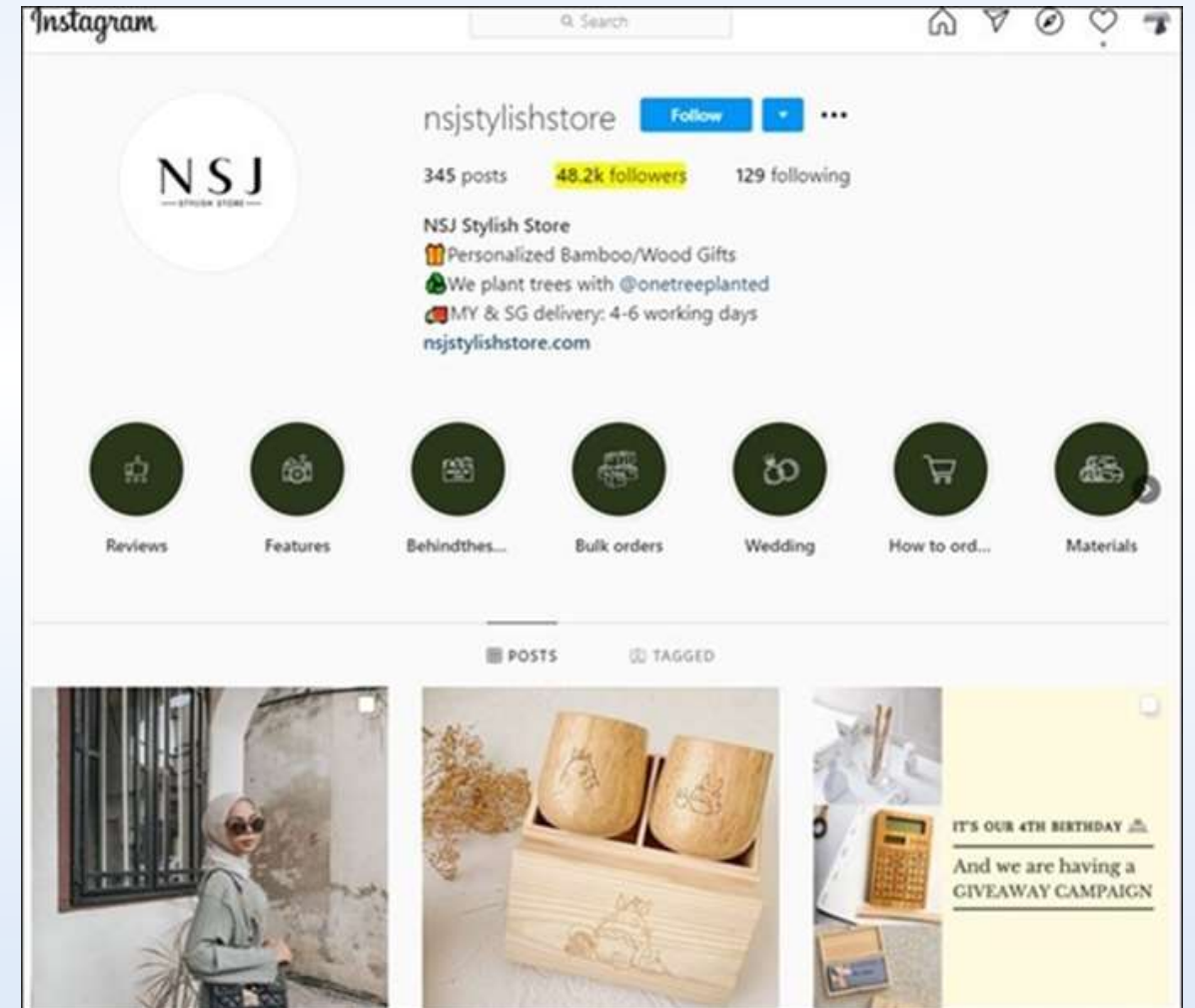
Number of followers on the NSJ Stylish Store's Facebook page



Apply multi-channel management software to manage all sales channels efficiently, with function of

- (i) channel feed management;
- (ii) order management system;
- (iii) cart-to-marketplace connector;
- (iv) analytics;
- (v) customer relationship management tools; and
- (vi) all-in-one management solution

Number of followers on the NSJ Stylish Store Instagram page



Case Study – Industries' Experiences and Stories (B2B)



Taichen Enterprise

~Timber trader

❖ Transformation
(Domestic trading → International business)

Key takeaways:

- **Discredit the myth that e-commerce platform is not the right avenue for unfinished or semi-finished timber products**
- **Cost and human resource required to start B2B e-commerce are not as high as what is expected**
- Number of transactions and reviews accumulated on the e-marketplace will give confidence to the potential buyers and help the company to get higher ranking when someone is conducting a product search in e-marketplace; resolve complaints before the buyers posting a bad review
- **Fast reply is expected**, reply any enquiry promptly as the notification of messages came through
- Customer will first try to make a small order and slowly increase the order size as the level of trust is built over time

Alibaba.com Global trade starts here

On Alibaba Sign In Join Free Order English - USD

16 YRS TAICHEN ENTERPRISE SDN BHD Favorite Supplier Gold Supplier

大展企业有限公司
TAICHEN ENTERPRISE Sdn. Bhd.

CALL US NOW!
+603 - 6189 9043

Home Products Profile Contacts Feeds Search in This Store

16 YRS TAICHEN ENTERPRISE SDN BHD Chat Now! Contact Supplier

COMPANY OVERVIEW

Company Album

Basic Information

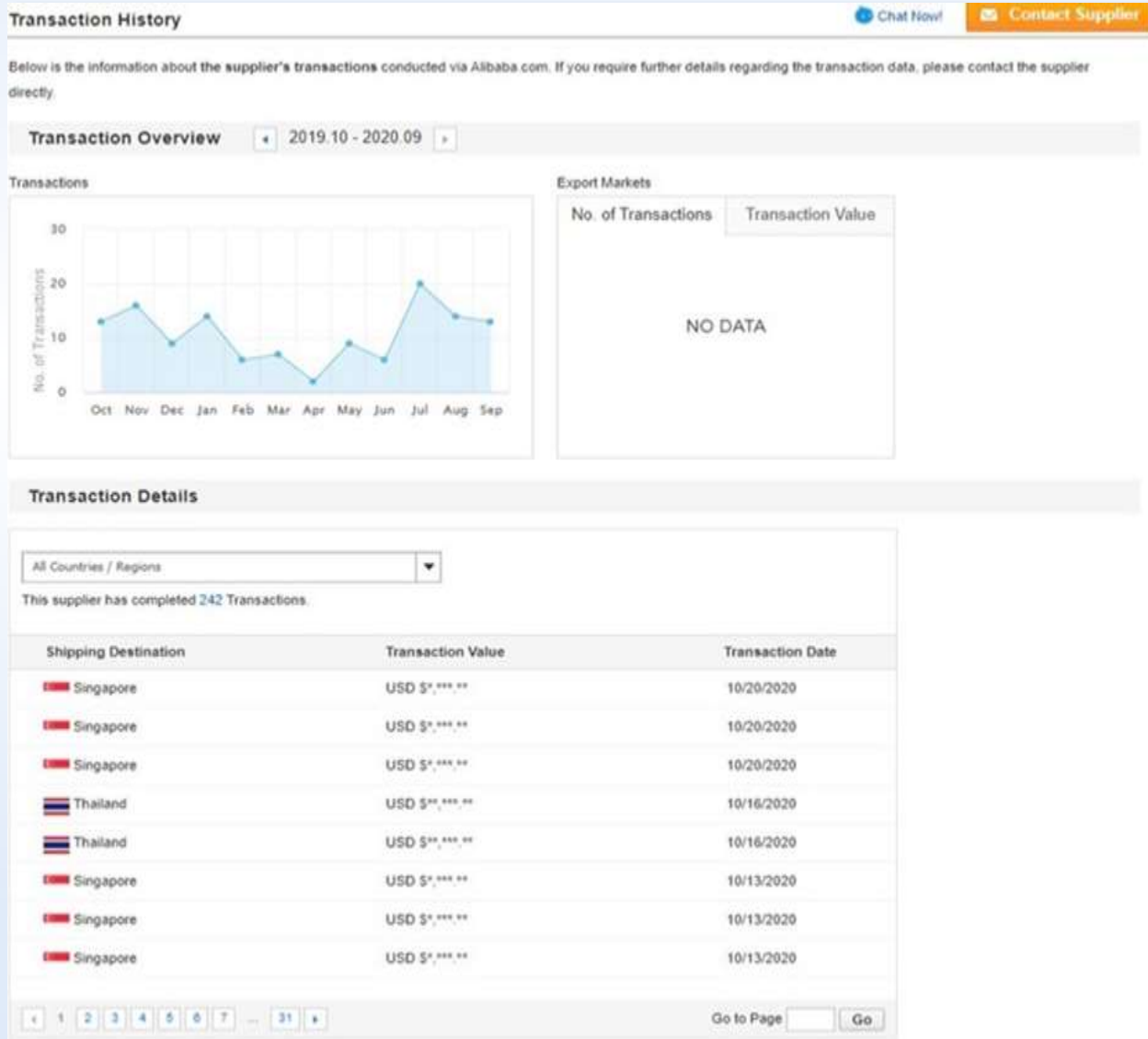
Taichen is a forest products company that operates in three major business segments that make products fundamental to human needs in a socially and environmentally responsible manner. Our wood products businesses manufacture and distribute the building materials-dimension lumber, appearance wood, mouldings-for homes and other structures. Our timberlands businesses sustain it all

Supplier Index	👍👍👍
99 Transactions	1,500,000+
Response Time	<12h
Response Rate	68.75%

Business Type	Trading Company, Distributor/Wholesaler	Country / Region	WILAYAH PERSEKUTUAN, Malaysia
Main Products	Sawn Timber, Door, Jamb, Wall Materials, Moulding, Flooring	Total Employees	5 - 10 People
Total Annual Revenue	US\$1 Million - US\$2.5 Million	Year Established	1984

Case Study – Industries’ Experiences and Stories (B2B)

The transaction history give confidence to potential buyers



A sample of 8 products (out of 20) listed on Alibaba.com

Kasai Sawn Timber \$600.00 - \$900.00 / Cubic Meter 20 Cubic Meters (Min. Order)	Kempas Sawn Timber \$600.00 - \$800.00 / Cubic Meter 20 Cubic Meters (Min. Order)	Sepetir Sawn Timber \$500.00 - \$800.00 / Cubic Meter 20 Cubic Meters (Min. Order)	Kembang Semangkok S4S Boards / Dressed Timber \$500.00 - \$800.00 / Cubic Meter 20 Cubic Meters (Min. Order)
Keruing dressed timber / moulding \$1,000.00 - \$1,200.00... 1 Cubic Meter (Min. Order)	Nyatoh S4S Boards / Dressed Timber \$500.00 - \$800.00 / Cubic Meter 20 Cubic Meters (Min. Order)	Merbau / Kwila Sawn Timber \$1,800.00 - \$2,000.00... 20 Cubic Meters (Min. Order)	Red Meranti Sawn Timber \$600.00 - \$900.00 / Cubic Meter 20 Cubic Meters (Min. Order)

Case Study – Industries' Experiences and Stories (B2C +B2C)



DEEP Furniture

~Furniture exporter

❖ Local online store

Key takeaways:









- **Experiential marketing strategy:** Started art gallery and in collaboration with boutique hotel to showcase products as an offline experiential base for some customers
- Only can list **small-sized products on e-marketplaces** as **logistic service providers not accepting overweight and oversized items**
- Use more packaging materials to withstand wear and tear during delivery process



MUO Boutique Hotels furnished rooms and common area with DEEP furniture.



Only small-sized products are listed on LAZADA

 <p>Natural Signature 0121 / Round clock/Rubber Wood/挂钟/橡胶木...</p> <p>RM45.00 RM65.00 -31%</p> <p>★★★★★ (7)</p>	 <p>Natural Signature 5523AC /2 Seater Sofa with fabric cushion...</p> <p>RM950.00 RM1,499.00 -37%</p>	 <p>Natural Signature 4725/Rubber Wood/Sweet Memory Board/...</p> <p>RM95.00 RM159.00 -40%</p>	 <p>Natural Signature 4692T/ Mixbox 2 in 1 Extendable TV...</p> <p>RM479.00</p> <p>★★★★★ (3)</p>
 <p>Natural Signature 4643 Foldable Laptop Desk/Foldable...</p> <p>RM149.00 RM189.00 -21%</p>	 <p>Natural Signature 4776 Double universal chest 双门万能斗柜</p> <p>RM370.00 RM469.00 -21%</p>	 <p>Natural Signature 4719 /Tic-tac-toe multipurpose...</p> <p>RM105.00 RM175.00 -40%</p>	 <p>Natural Signature 4737 Woodwall console with door ...</p> <p>RM459.00 RM599.00 -23%</p>

Barriers to the Adoption of E-commerce

- Not suitable for products and services, e.g. products' variation has too many different options available / too many customisations; bulky and heavy
- Not suitable to the way of doing business
- Not suitable to the ways customers and / or suppliers doing business
- Does not offer any advantages to business operations or organisation
- Not necessary for business



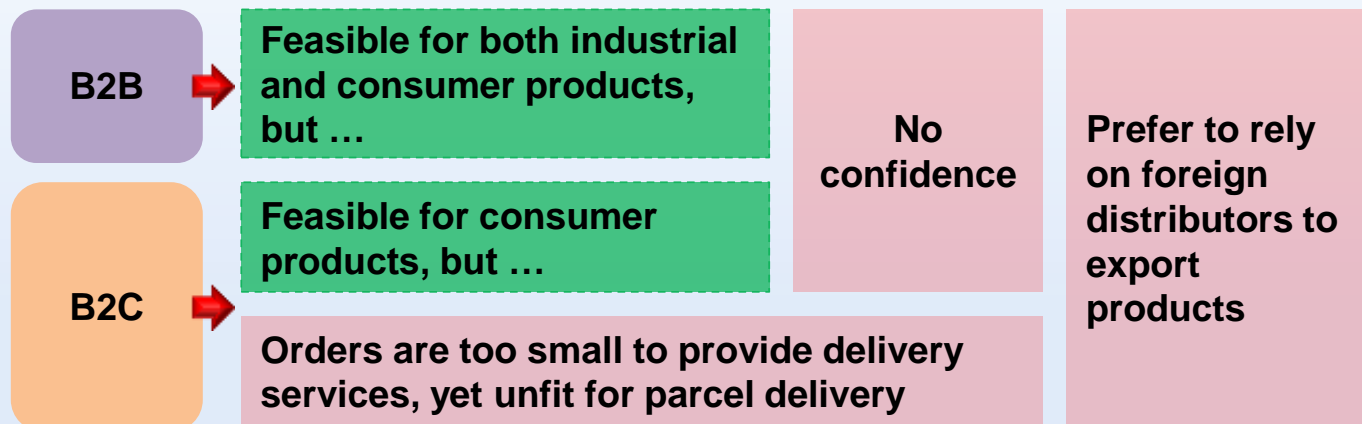
Management approach

Not really interested in the adoption of e-commerce and web-based technology



Have little or do not have e-commerce capabilities

- Do not have the technical knowledge, manpower and IT support service in the organisation
- Lack of understanding on how e-business operation works
- Do not know how to start with the work flows
- Too complicated to implement
- Need to constantly update ICT digital technologies to ensure a smooth operation
- Trust and security issues in e-commerce applications
- Cost and amount of resources required to implement e-commerce are too high
- No time and resources
- Difficulty in choosing the most suitable e-commerce platform



The concerns from industry players

Myths vs. Realities of E-commerce



Myths gathered from interviewees	Realities explained from literature
✧ E-commerce is “NOT” a business	✓ E-commerce coverage is bigger than a business
✧ No experience needed to start-up e-commerce	✓ Fundamental industry knowledge and expertise, basic practical skills will help to launch online business start-up
✧ E-commerce is about “What You Sell” than “How You Sell”	✓ E-commerce is more about “How You Sell” than “What You Sell”
✧ E-Commerce is easy and is free	✓ New online webstores rely heavily on marketplace or e-platforms guideline and operational materials
✧ Only price matters in e-commerce	✓ Flavoured and foster positive customer experience allows one to command a higher price
✧ E-commerce is about listing products today and sales will generate the next day	✓ E-commerce is about optimizing webstores or websites to bring traffic, enhance product appearance and drive sales
✧ Already successful and do not need e-commerce	✓ The company should view e-commerce as a “future market expansion” rather than a “business replacement”
✧ E-commerce is not right/suitable for the business, especially B2B	✓ A comprehensive B2B platform is like an integrated back-end office systems, allows the company to configure pricing on a per-customer basis, offering individualised promotions, request for quotation, etc.
✧ It is too much work to start an e-commerce	✓ “ERP Integrated E-Commerce Solution” will eliminate literally all of the manual data entry problems

Case Studies: Evolution of Digital Transformation in New Norm

COVID-19 → Ability to adapt quickly to changes is vital

Examples of new business norm:



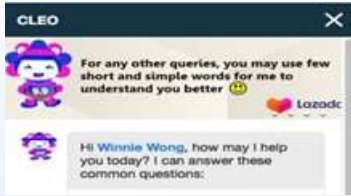
Tourism Industry: Virtual Reality (VR) and Augmented Reality (AR)



Online meetings, online learning and teaching, webinars, online events and adoption of integrated systems



Payment Method



Chatbot - Manage customer service



Fresh vegetables daily online

Does the timber and timber products industry have an option for business innovation and digital transformation?

- The company can choose to step back and remain status quo, hoping that the pandemic outbreak will soon be over?
- The business who embraces the changes can either **be the disrupter**, or to **be the one riding on the waves** to adopt technologies in business operations so that the company can stay competitive in the industry.

Related and relevant digital transformation events

A. Malaysia SME e-Fair 2020



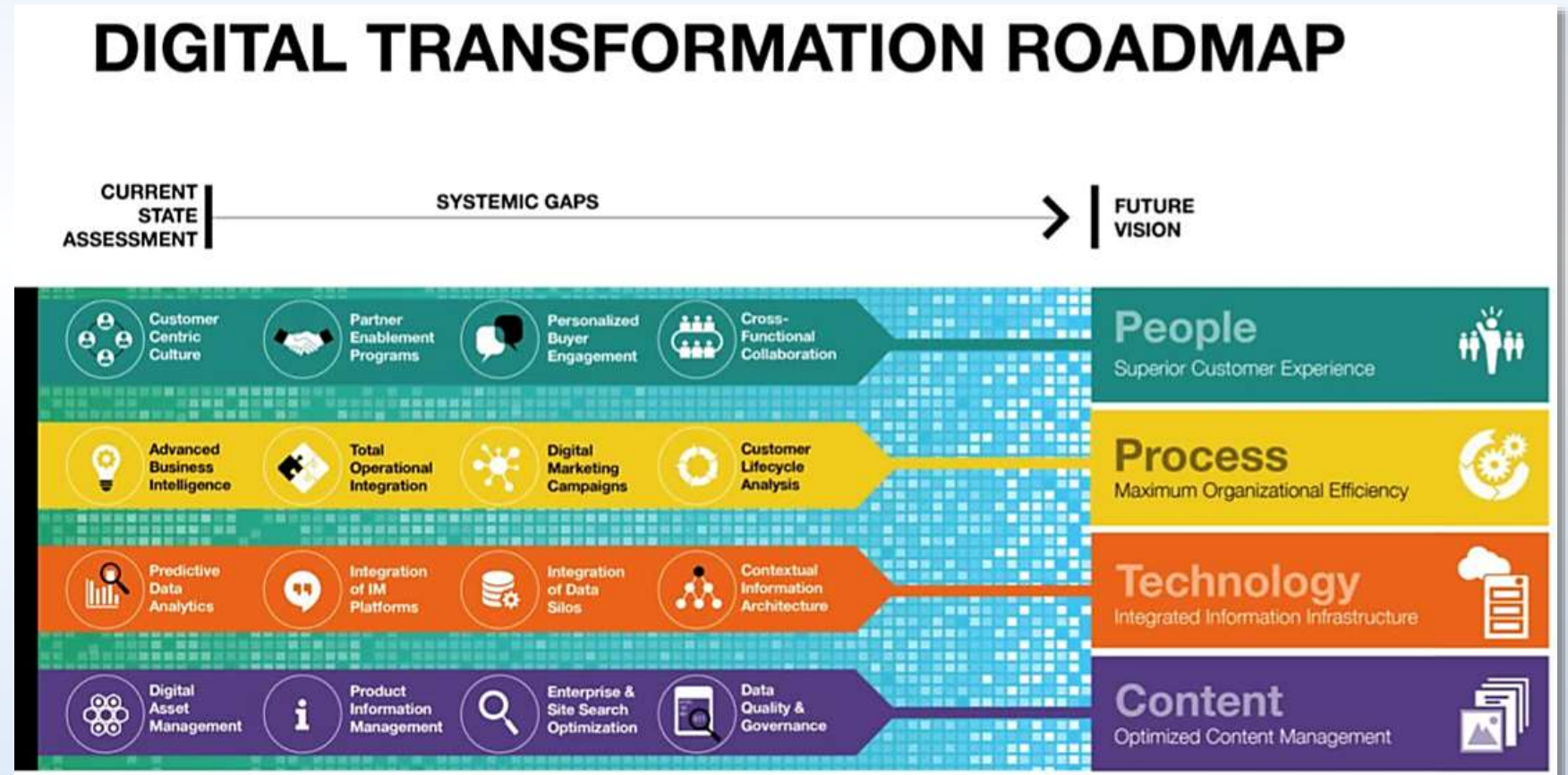
SME E-FAIR LATEST STATISTICS		
2,544,338	8,437	492,928
Impression	Sign Up Visitors	Reach
20,515	11,644	66
Facebook Views	Page Views	Exhibitors
9,225		
Unique Page Views		

B. Digital Online Trade Show



Building a Successful Digital Transformation Roadmap

- It is crucial to **understand and assess the needs and gaps** as well as **implement appropriate business strategies and solutions**. One must know how to create differentiating ways of doing business to drive growth in new and existing markets.
- The outcomes of collective interviews with the respondents revealed an **obvious existence of “GAPS” of “current state assessment”** in preparing the timber and timber products industry to become a fully digitized enterprise.
- The gaps can be identified from the broad perspective of **people, process, technology** and **content**.



Building a Successful Digital Transformation Roadmap (cont.)



People Gap (Superior Customer Experience)

- **People-centric culture – loyal customers foster higher customer value**
- **Improve customer experience** in navigating the journey through **brand engagement** before and after purchasing
- Tailor the **pricing strategies to maximise profit per customer**, each request-for-quotation is using persona for pricing for superior customer experience



Process Gap (Maximum Organizational Efficiency)

- Understanding and focussing on **customer experience** as well as **e-commerce workflows** lead to better **operational integration**
- Improve the **business decision making process** and **maximise organizational efficiency** for new digital business model



Technology Gap (Integrated Information Infrastructure)

- **Contextualized information architecture** through technology
- Added-value if the B2B manufacturers (i.e. sawn timber) place efforts on **website search engine optimization (SEO)**, **master the knowledge and skill set** as well as **optimizing websites traffic to increase visibility**.



Content Gap (Optimized Content Management)

- **Pictures and product videos** mean a thousand words
- Managing both **internal enterprise information** and **customer content** are **part of the content marketing strategy**
- Product information is a must to organize contextually to reflect buyer preference and also to **make most relevant content accurate, personalised and findable**

Building a Successful Digital Transformation Roadmap (cont.)

The timber and wood-based industry is at the fundamental and awareness phase of digital transformation.

There are times businesses decided ...

“Change is not needed”



But at times they complain ...

“Why is everything changing?”



Later on, they may start to think ...

“What’s the minimum we have to change?”

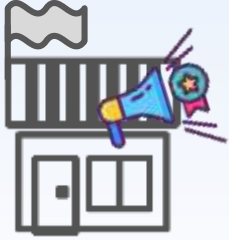
DIGITAL TRANSFORMATION ROADMAP					
STAGES OF DIGITAL TRANSFORMATION					
Stage 1 Business As Usual	Stage 2 Present and Active	Stage 3 Formalized	Stage 4 Strategic	Stage 5 Converged	Stage 6 Innovative and Adaptive
Organizations operate with a familiar legacy perspective of customers, processes, metrics, business models, and technology, believing that it remains the solution to digital relevance.	Pockets of experimentation are driving digital literacy and creativity, albeit disparately, throughout the organization while aiming to improve and amplify specific touch-points and processes.	Experimentation becomes intentional while executing at more promising and capable levels. Initiatives become bolder and, as a result, change agents seek executive support for new resources and technology.	Individual groups recognize the strength in collaboration as their research, work, and shared insights contribute to new strategic roadmaps that plan for digital transformation ownership, efforts and investments.	A dedicated digital transformation team forms to guide strategy and operations based on business and customer-centric goals. The new infrastructure of the organizations takes shapes as roles, expertise, processes, and systems to support transformation are solidified.	Digital transformation becomes a way of business as executives and strategists recognize that change is constant. A new ecosystem is established to identify and act upon technology and market trends in pilot and, eventually, at scale.
Timber Industry – East Malaysia					
Timber Industry – West Malaysia					
Wood-based Industry – East Malaysia					
Wood-based Industry – West Malaysia					
The organization realizes there is an existential need for digital transformation based on customer needs, competitors, and industry, but yet has not taken any action to begin the process digitalization	Deliberate planning is underway, and some boundary-pushing digital experiments begin throughout the organization. They are conducted in disparate silos with disconnected goals, resources and vision	A formalized digital transformation charter takes shapes. It guides customer experience, data strategy, organization structure, culture, all towards a shared vision. Integration and investments remain limited	Leadership supports transformation with both a digital mandate and reactive resources allocation. The organization expends great efforts to stay aligned across departments, pushing hard to stay current	Company culture proactively evolves and disrupts itself, both internally and externally. Internal data collaboration fosters new ideas. Externally, it enables continued growth for partners the extended ecosystem	
Phase 1 Stunted Awareness	Phase 2 Distributed Experimentation	Phase 3 Strategic Alignment	Phase 4 Responsive Investment		Phase 5 Sustained Vitality
PHASES OF DIGITAL TRANSFORMATION MATURITY LEVEL (READINESS)					

Building a Successful Digital Transformation Roadmap (cont.)

DIGITAL TRANSFORMATION ROADMAP					
STAGES OF DIGITAL TRANSFORMATION					
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Phase 1 Stunted Awareness	Phase 2 Distributed Experimentation	Phase 3 Strategic Alignment	Phase 4 Responsive Investment	Phase 5 Sustained Vitality	
PHASE OF DIGITAL TRANSFORMATION MATURITY LEVEL (READINESS)					


E-commerce Business Models for the Timber and Timber Products Industry

A. Flagship store



- There is limited or little customer engagement between consumers and manufacturers, driving customer away to its business partners/intermediaries in the long run
- Flagship store plays a key role in a company's **brand strategy**, draw brand awareness over and above making sales, despite most stores may not achieve financial returns
- **Broaden product reach, cultivate positive customer experience and foster customer loyalty and consumer trust**
- **Development of relationship** with customers, distributors, suppliers, partners, dealers, investors, etc.

B. Online merchant @ B2C e-Platform/marketplace

B2C marketplace study:  **Lazada**

- No fixed fee and no setup fee, sellers are charged with a commission for every successful sale made
- One-stop-solution platform offering free and proper training to help and ease merchants' journey to sell online, including enriching branding and marketing skills
- Lazada University, an **online learning portal**, designed to cater all kind of learning approaches through livestream, bite-sized content, offline learnings, etc.

"Hints & Tips to Build a Successful Lazada Selling Business" (Dragon, 2020)

One should invest (i.e. money and time) in platforms (i.e. paid services such as SEO) that help the company marketing their products and services.

Actively and constantly manage customer feedback around the clock. Turn-on platform notification and check for feedbacks, comments, suggestions and complaints to ensure that the product's rating in good standing.

Utilize discounts, vouchers and promotions for product launches to gain trust and confidence from people; especially when the product is first listing in Lazada.

Always have the inventory up-to-date and in-stock to avoid over-selling.

Pricing is the basic factor for product conversion online. It is crucial to actively manage your prices to ensure that the pricing is keeping pace with other sellers.

Selling at multiple platforms at the time of product launches. Though it is prohibited to draw traffic away from Lazada, it does not mean that one cannot market at another webstore.

Create great product image, content and video for product listing.

Constantly and continuously monitoring, tracking and improving on a weekly basis.

Follow and adhere to Lazada's terms and conditions to avoid unnecessary blacklisting in the platforms.

Know your numbers well; one should know roughly what are the fees charged by Lazada and how much is the profit margin.

Tracking respective product search rank is a daily to-do-list.

Positive and superior customer satisfaction and customer experience foster customer loyalty.

E-commerce Business Models for Timber and Timber Products Industry (cont.)

C. Online merchant @ B2B e-Platform/marketplace

B2B marketplace study:



- **Global trade station**, a single solution platform offers a **comprehensive foreign trade service**
- Transforming the business from brick-to-mortar to **click-to-mortar**
- The epidemic drives consumers to pay more attention to the practicality of furniture products
- Alibaba.com Global Gold Supplier (GGS) account may design and customize storefront without requiring coding or designing skills, offers data-driven marketing schemes where data are being analysed to define the best-selling products
- Few **implementation pitfalls** commonly faced by most Malaysian GCS:
 - a) **Average respond rate to Request for Quotations (RFQ)**
 - RFQs (buying request submitted by a buyer and open to suppliers for bidding) expose the GGS companies to millions of buyers remotely over the web and build long-term business relationships
 - Malaysia has the lowest RFQs respond rate (i.e. >72 hours) among the Asian countries
 - b) **Content management**
 - Managing content in B2B is just as important for B2C e-commerce business
 - Over 80% of B2B searches for technology products or services starting with an online search
 - Technology advancement of AI or keyword Chatbot allows the automation of customer service to serve 24/7

Alibaba.com shared two successful stories



E-commerce Business Models for the Timber and Timber Products Industry (cont.)

D. Drop shipping



- One of the biggest and most attractive e-commerce business models in the past five years as it helps the seller to **minimise risk** and has little **start-up overhead cost**
- Offers a broad product offerings and products are available in the market more quickly; making it attractive to online merchants

• Types of drop shipping:

(a) Product reselling

- Most common type of drop shipping, where merchant will perform product sourcing from a variety of channels and suppliers; thereafter list the product collections on various platforms
- Suitable for the wood-based companies who know their customer segments and customer demographic well

(b) Business extensions

- Third-party company as online marketing arm, success rate relies greatly on the relationship with the retailer, and information sharing cannot be avoided
- Suitable for furnished furniture or household fixtures

(c) Product creation

- Creation of new products by combining existing products in a bundle
- Popular for online promotion with “theme” such as “I Love Wood”; “White Christmas” etc.

(d) Print on demand

- Allows customised message, text or image
- Suitable for wood-based products and souvenirs products



One of the suggestions is to **collaborate with local universities to encourage students to participate in drop shipping e-commerce business model** on a **course-based or project-based basis**.

E-commerce Business Models for the Timber and Timber Products Industry (cont.)

E. Social commerce

- Social commerce is about **selling** products or services **directly through social media networks**
- Offers customers the ability to **checkout directly within the social media networks**, aims for “**one-click-buy-now-button**” within the social media networks
- Allows brands to create social promotions, storefronts, and reward programs that leverage the social graph to activate customers across a wide variety of social commerce experience
- Wood-based industry may use social commerce platforms to fill the gap of personal touch on product installations’ videos, advices, hints and tips and products’ sharing on a timely basis
- At the moment, we have:



Facebook’s shoppable pages



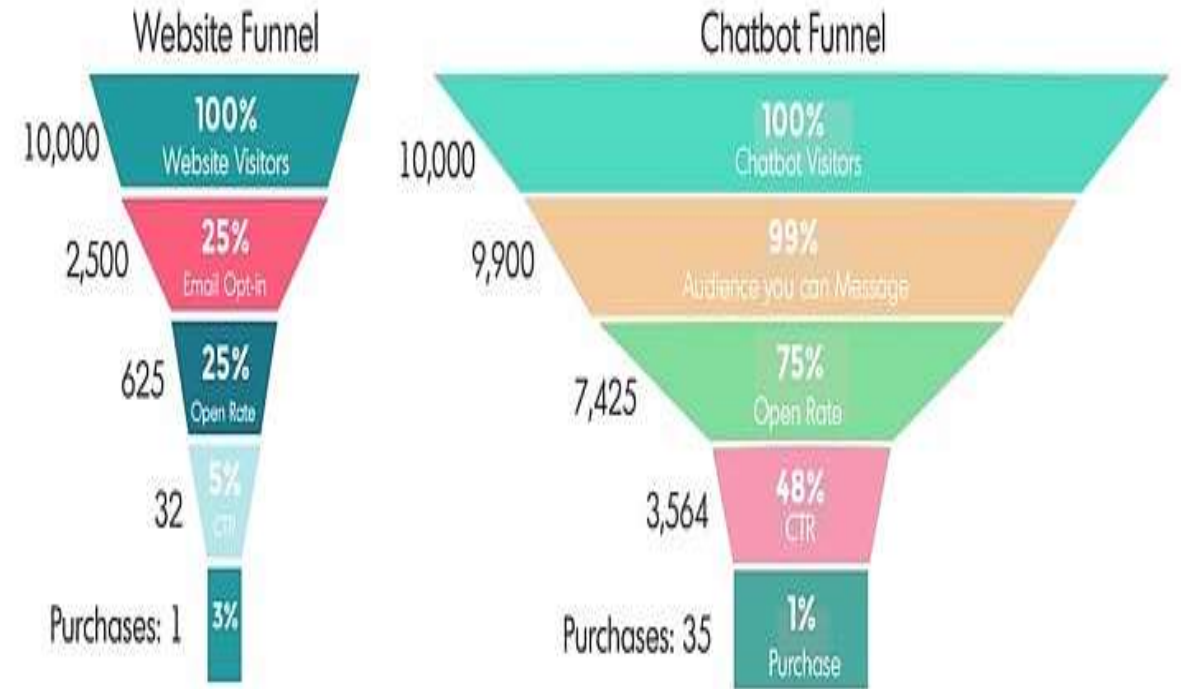
Instagram’s buy now button



Pinterest’s buyable pins

Use chatbot for messenger marketing:

Messenger Marketing vs Websites & Email





THANK YOU

