



社会经济研究中心
**SOCIO-ECONOMIC
RESEARCH CENTRE**

Transport Minister Special Officer Office's Seminar on
“E-commerce – The Future Marketing Model”

**Tapping the Untapped:
Opportunities for E-commerce**

Lee Heng Guie, Executive Director

Lee Soon Thye, Researcher

22 May 2017

Agenda

- **The digitalization of everything**
- **E-commerce: Driver of catalytic change**
 - **Background**
 - **The good**
 - **The challenge and issue**
 - **What needs to happen**
- **Conclusion**

Digital technologies are changing the way we live, play, connect and doing business

In the past...

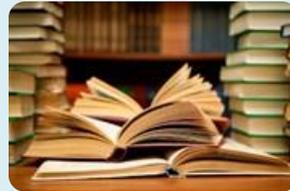
How we listen to music...



How we make a call...



How we search for info...



How we send mail...



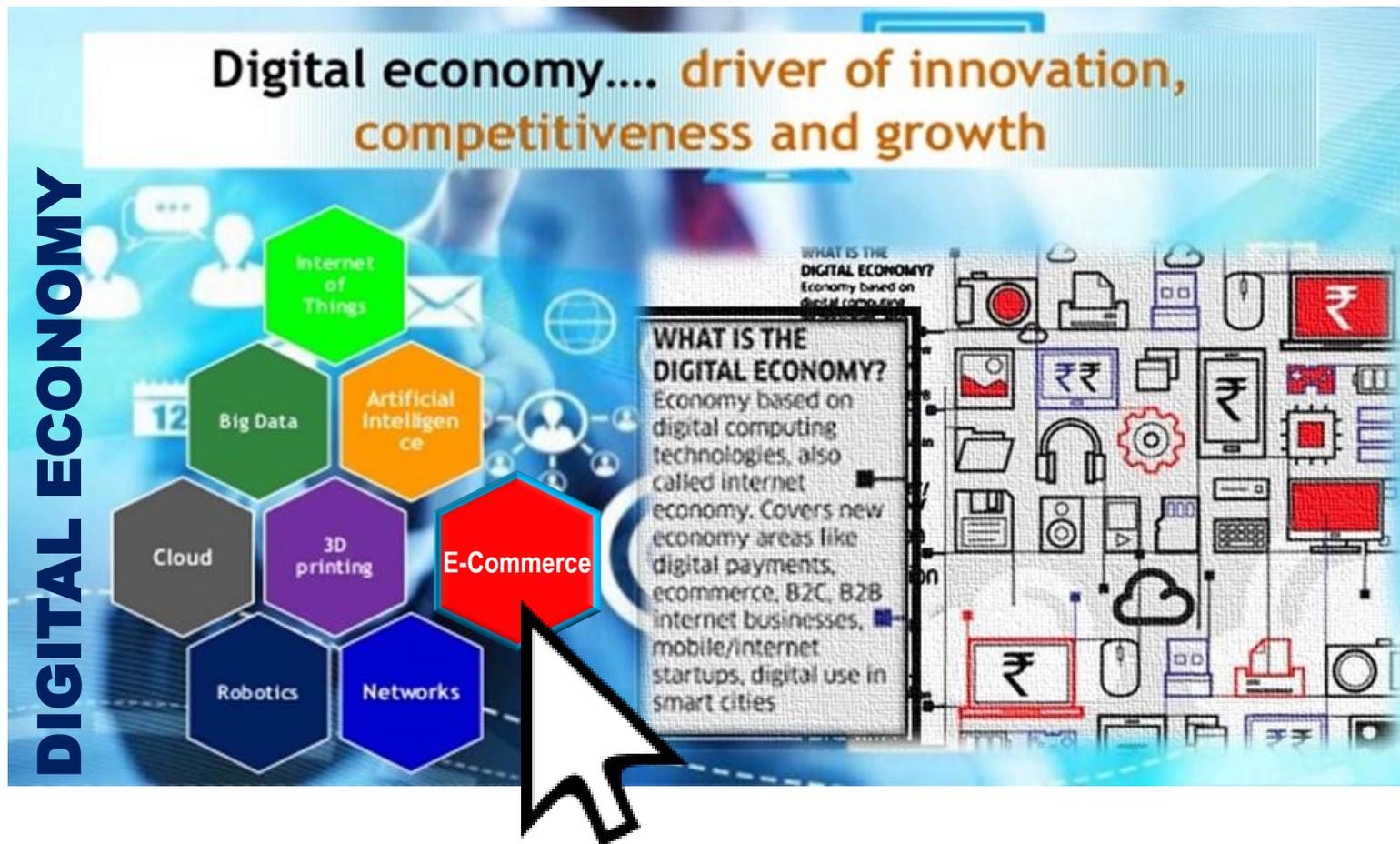
How we play games...



Now...



The digital economy can be a powerful enabler



Digital technologies help businesses grow bigger, better and happen sooner



Alibaba's 11.11: E-commerce on a huge scale!

One-day transaction value (RMB)

2013: 36.2bn; 2014: 57.1bn;

2015: 91.2bn; 2016: 120.7bn

2016: 657mn orders in 235 countries/areas



Tesco widens sales channel through its e-shop portal (O2O)

and many more ...



Grab and Uber have transformed the ride-hailing industry

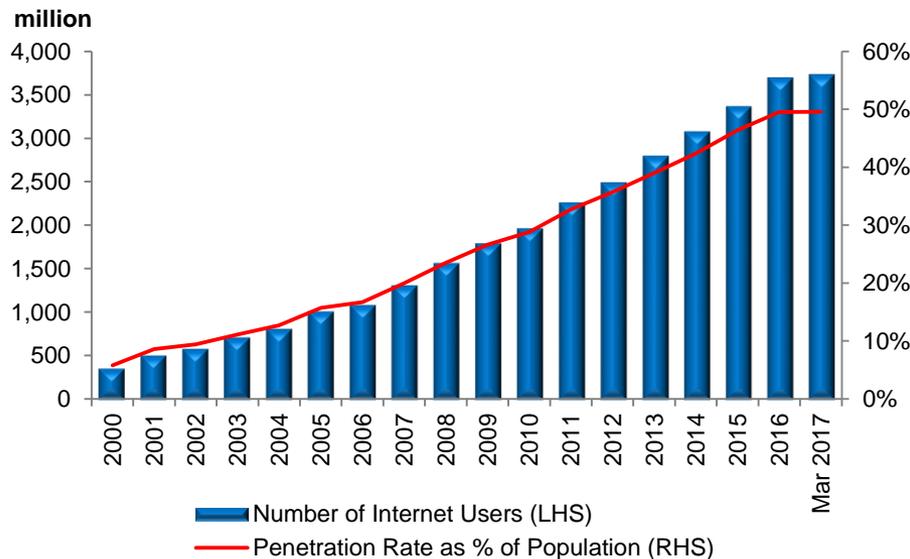


Sizing up the “Global Village”

- Digital technologies instantaneously connect people across the globe, tearing down the physical barriers of time and place.
- Technology adoption occurs exponentially. Internet users now standing at 3,732 million or 49.6% of world population in Mar 2017 (Dec 2000: 361 million or 5.8% of world population).
- Emerging economies recorded rapid growth in internet penetration rate, underscoring the immense potential of reaping digitalization dividend.

Nearly 50% of global population are internet users

Internet users growth in emerging economies rise exponentially



Source: Internet World Stats

Region	Internet Users (million)	Penetration Rate	Avr. Annual Growth (2000-2017)
Africa	345.68	27.7%	444.5%
Asia	1,873.86	45.2%	90.6%
- Malaysia	21.68	69.6%	28.6%
Europe	636.97	77.4%	29.8%
Latin America/Caribbean	385.92	59.6%	119.8%
Middle East	141.93	56.7%	248.3%
North America	320.07	88.1%	11.5%
Oceania/Australia	27.55	68.1%	15.4%
World	3,731.97	49.6%	54.9%

Internet diffusion level in ASEAN

Myanmar

Population: 54.6 million
Urbanization: 35%
IU: 14.0 million (26%)
MS: 50.6 million

Thailand

Population: 68.2 million
Urbanization: 52%
IU: 46.0 million (67%)
MS: 90.9 million

Laos

Population: 7.0 million
Urbanization: 34%
IU: 1.8 million (26%)
MS: 6.0 million

Philippines

Population: 103.0 million
Urbanization: 44%
IU: 60.0 million (58%)
MS: 129.4 million

Malaysia

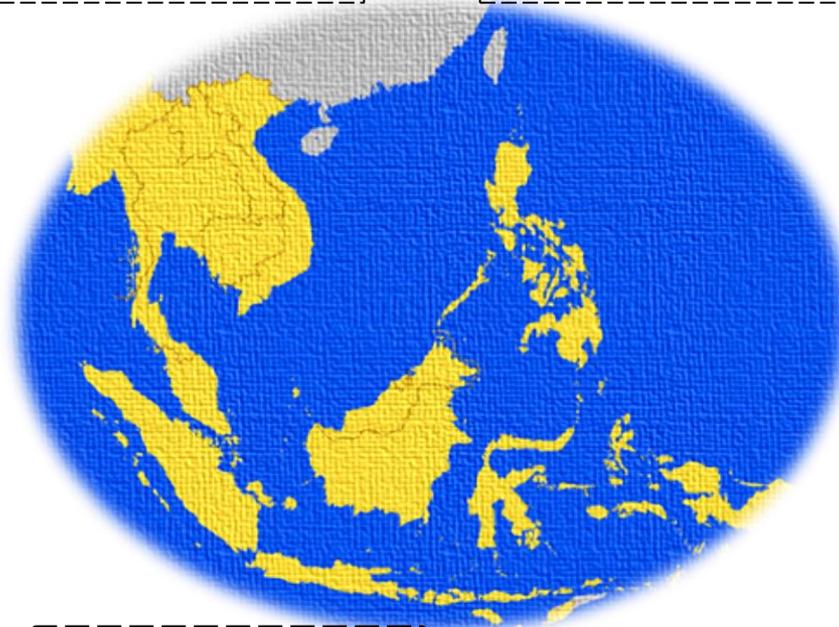
Population: 31.0 million
Urbanization: 76%
IU: 22.0 million (71%)
MS: 42.9 million

Singapore

Population: 5.7 million
Urbanization: 100%
IU: 4.7 million (82%)
MS: 8.4 million

Indonesia

Population: 262.0 million
Urbanization: 55%
IU: 132.7 million (51%)
MS: 371.4 million



Vietnam

Population: 94.9 million
Urbanization: 31%
IU: 50.1 million (53%)
MS: 124.7 million

Cambodia

Population: 16.0 million
Urbanization: 21%
IU: 7.2 million (45%)
MS: 27.6 million

Brunei

Population: 0.4 million
Urbanization: 76%
IU: 0.4 million (86%)
MS: 0.5 million

ASEAN

Population: 642.8 million
Urbanization: 48%
IU: 338.9 million (53%)
MS: 852.4 million

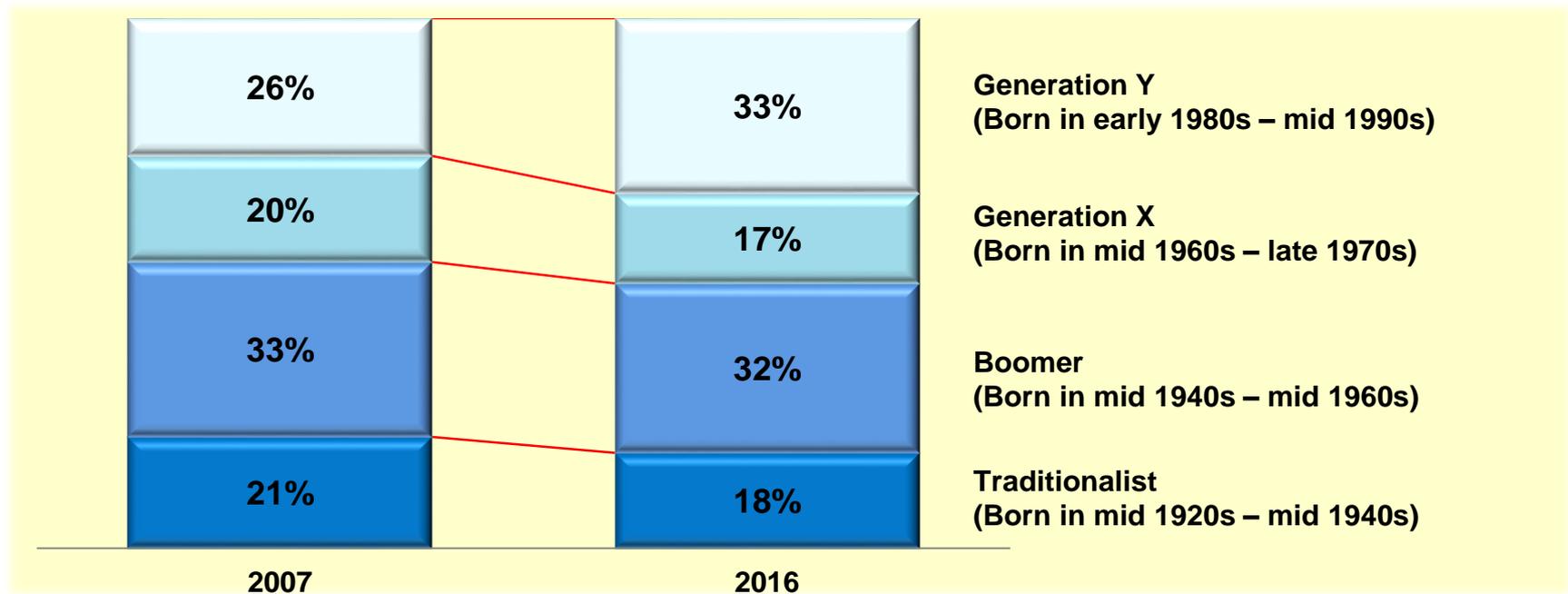
Note: IU=Number of Internet Users; MS=Number of Mobile Subscriptions; parenthesis indicates penetration rate

Source: Hootsuite & We Are Social; SERC computation

Changing demographics define the digital business model

- Generation Y or Millennium constitutes a new category of consumers, citizens and employees who are digitally, globally and constantly connected.
- They determine the way digital communication technologies are being used and are initiating social and spending behavior that are transmitted to other generations.

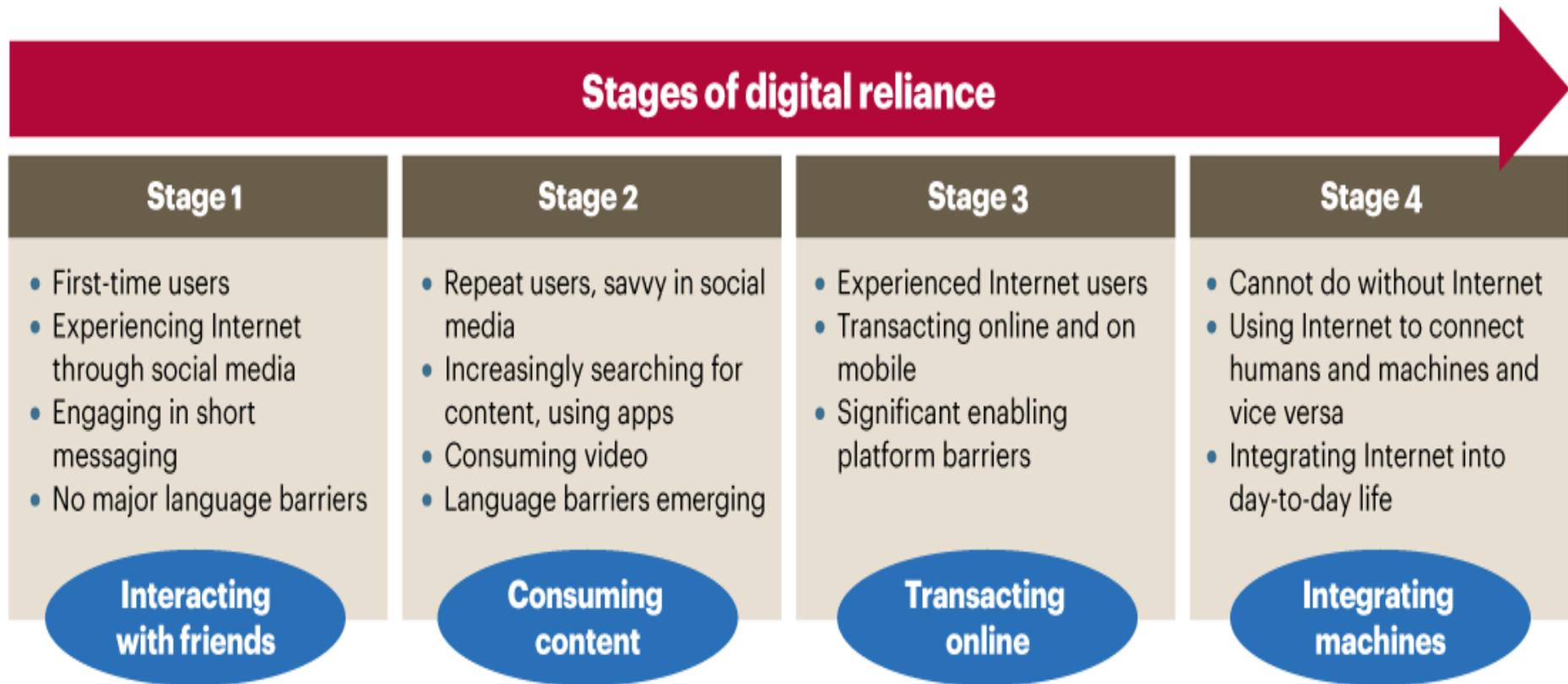
Changing demographics and expectations



Source: Ernst & Young Research

Digital revolution enables smarter business environment

- Different stages of digital reliance offers varied forms of technology diffusion in our daily life.
- The speed and seamless connectivity, communication and sharing of information drives integration of business transactions and customer service.



Source: AT Kearney

E-Commerce – Driver of catalytic change



Jack Ma's Quote

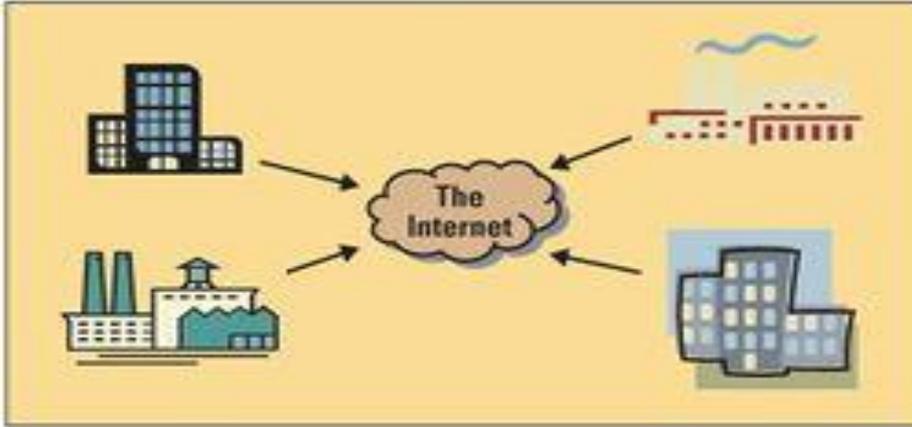
“For e-commerce firms, the three most important infrastructure items are information flow, cash flow and delivery.”

Jack Ma, founder Alibaba – 2013

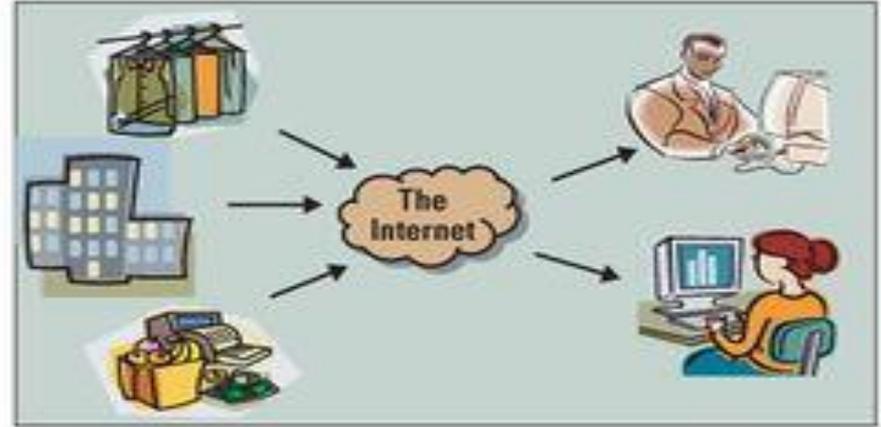


E-Commerce is the process by which businesses and consumers buy and sell goods and services through an electronic medium

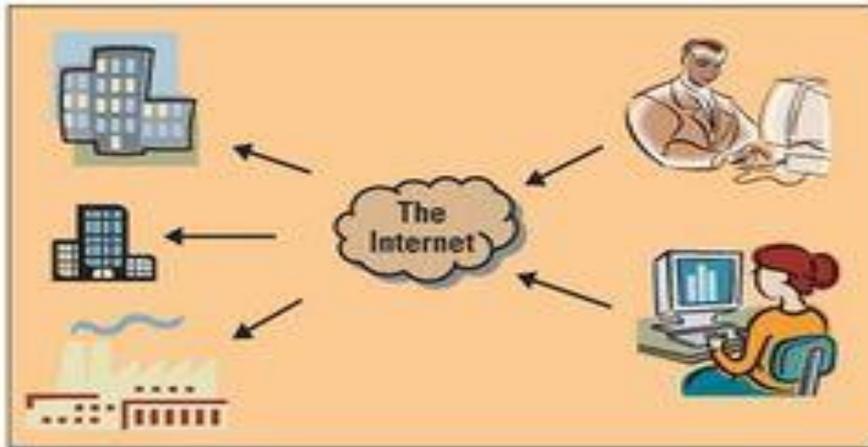
Business-to-Business (B2B)



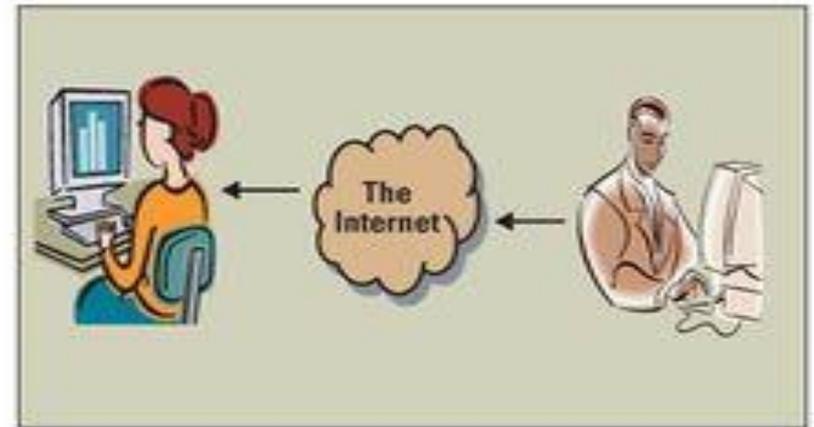
Business-to-Consumer (B2C)



Consumer-to-Business (C2B)



Consumer-to-Consumer (C2C)



E-Commerce – A new game changer

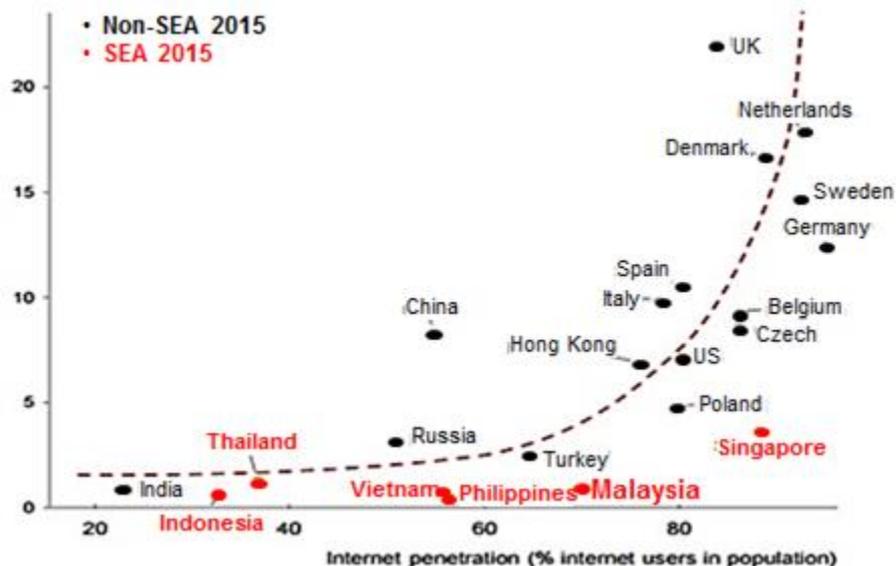
- E-commerce has changed the global market place with online market businesses growing rapidly.
- Global E-commerce sales estimated US\$1.9 trillion in 2016. By 2020, the projected sales will double to US\$4.1 trillion.
- In developed countries, online purchases constitute a fairly large proportion of total retail spending.
- Most of ASEAN countries are still lagging behind, implying huge opportunities ahead.

Global retail e-commerce sales (US\$ billion)



Source: Statista

Online spend as % of total retail spend in selected nations

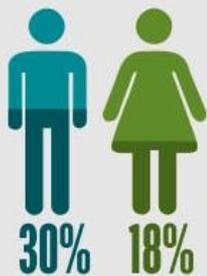


Source: GEMFIVE

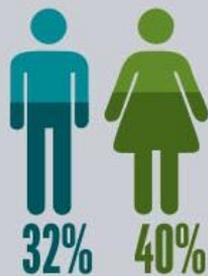
Some global facts...

Nearly One in Four online shopper shop online at least once a week.

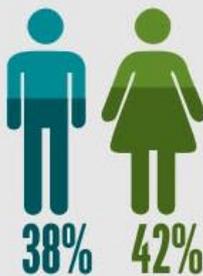
Frequent (Shop at least once per week)



Occasional (Shop at least once per month)



Infrequent (Shop at least once per year)



Top countries by average e-commerce revenue by online shopper

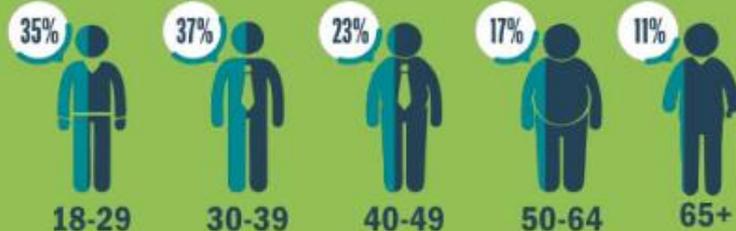


Source: Invesp

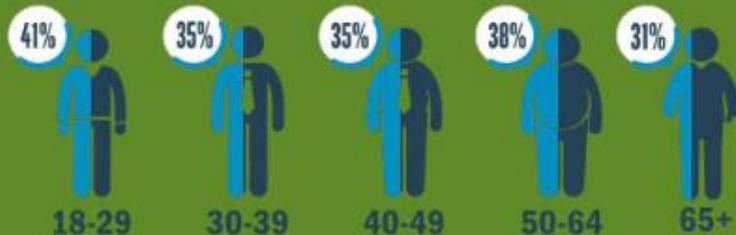
Online Shopping Frequency (By age)



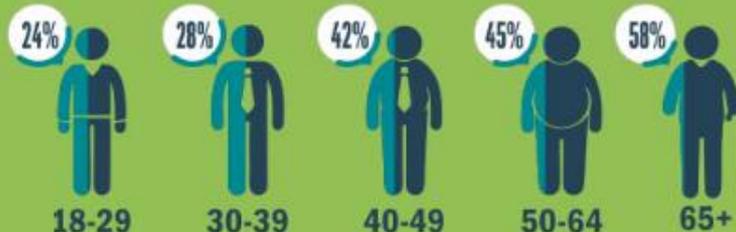
Frequent (Shop at least once per week)



Occasional (Shop at least once per month)



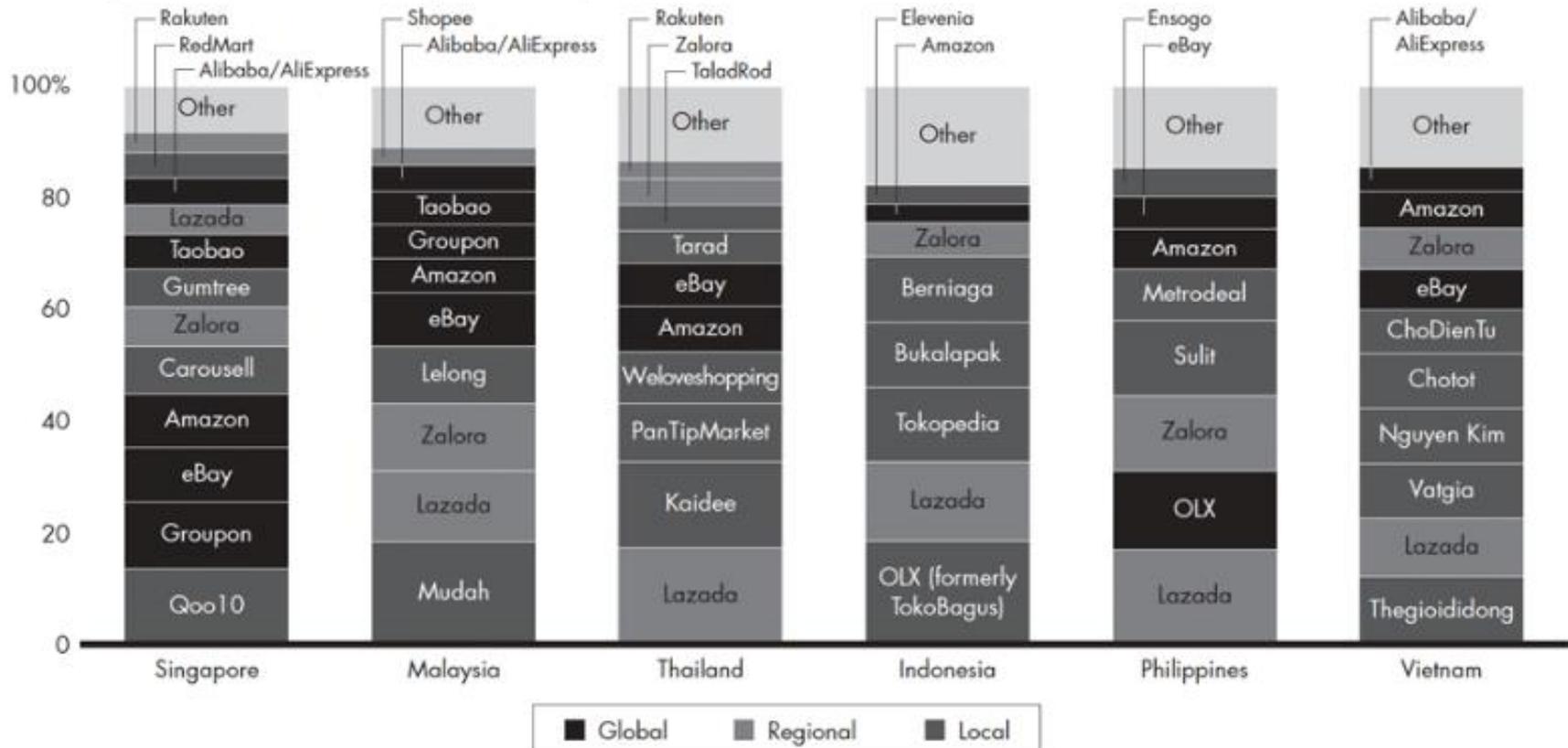
Infrequent (Shop at least once per year)



The leading E-commerce platforms in ASEAN

- In 2015, regional and local platforms took up more than half of the market share, except Singapore.
- Interestingly, the local platform in 4 out of 6 countries beat foreign and regional peers in leading the market share.

Preferred platforms for online transactions (% consumers)



Sources: Bain Southeast Asia Digital Consumer Survey, November 2015 (n=6,278); Bain analysis

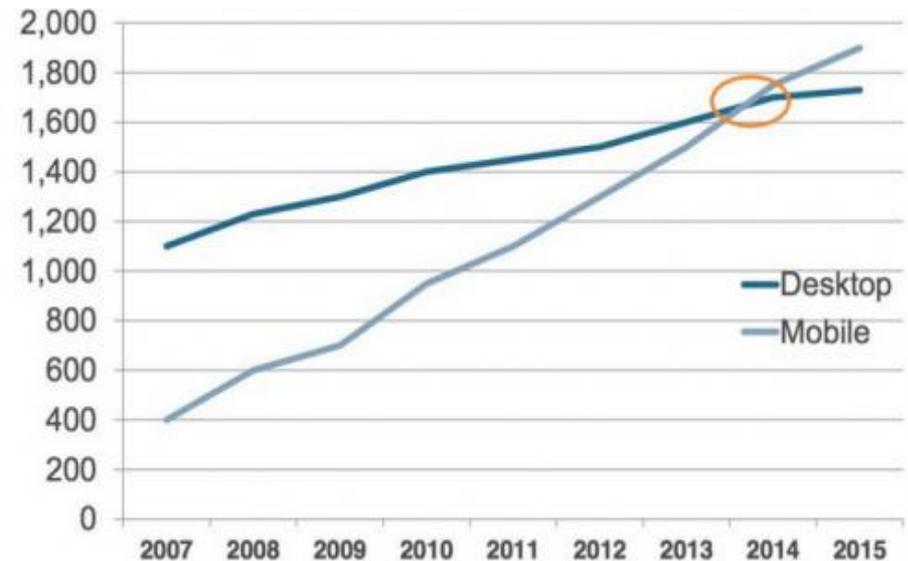
With mobile overtaking fixed internet access...

- M-commerce is gaining traction.
- Mobile broadband network covers 84% of global population. Long-term Evolution (LTE) network expanded rapidly over past 3 years, reaching out nearly 4 billion peoples in 2016 – *ITU*
- In Malaysia, 72.2% of the internet users use mobile internet in 2015 (34.1% in 2013). 93.4% uses mobile phone; 16.6% uses tablets and 44.9% uses portable computer.

% mobile share of total digital minutes



Number of global users (millions)



Source: comScore

Benefits of E-commerce

Business

- ✓ Go global, no distance barrier
- ✓ Increased ability to compete
- ✓ Lowering of transaction costs; reduced inventory levels
- ✓ Marketing – timely and complete information
- ✓ Understanding of customer needs; better customer services

Consumer

- ✓ Anywhere shopping
- ✓ No time barrier to shopping (24/7/365)
- ✓ Wider variety of goods and services offered at competitive prices
- ✓ Search facilities

Society

- ✓ Ability to easily and conveniently deliver information, services and products to people anytime and anywhere

E-commerce challenges for businesses



Traditional business mindset. Walk out from the comfort zone



Lack of awareness of the potential benefits



Cost is a crucial issue. Initial investment for the adoption of a new technology is proportionately higher for SMEs than for large companies



E-readiness



Lack of IT resources and technical support staff familiar with IT environment



Touch and feel factor



The fear of too low use of e-commerce by customers and suppliers



Customer delivery services. Speed, reliability and product guarantee



Payment security and privacy of personal data

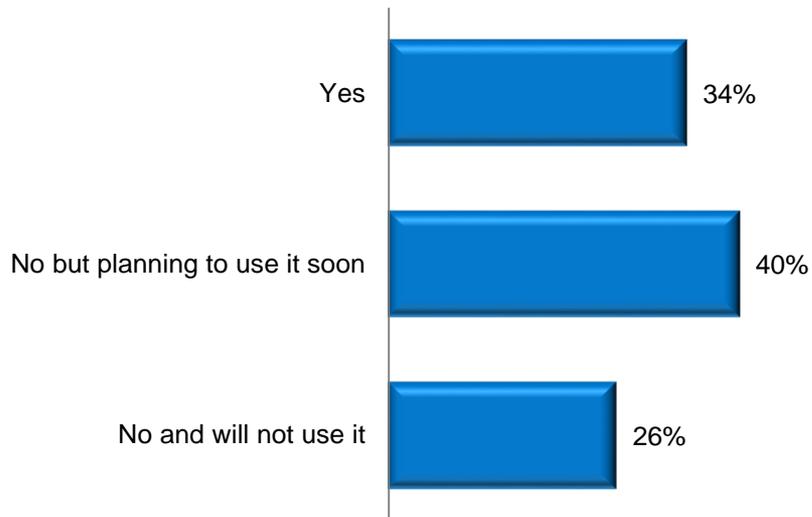


Cybercrime

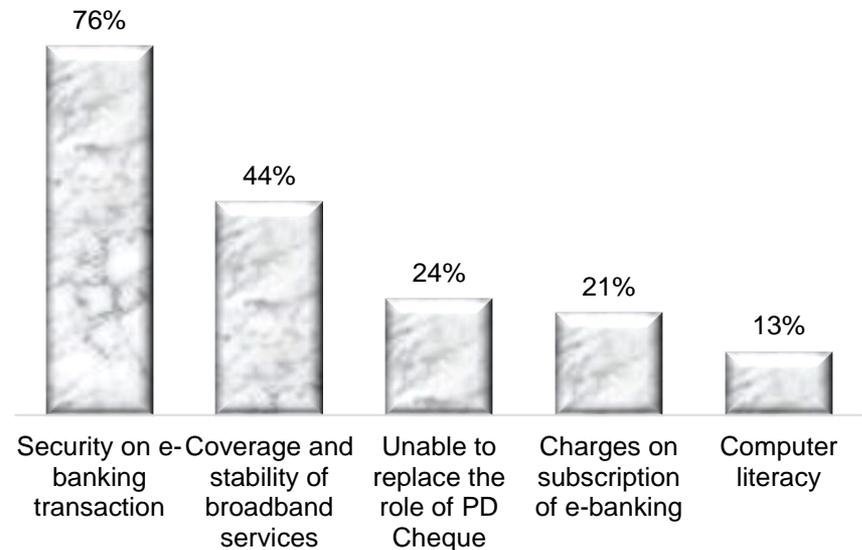
Are Malaysian SMEs ready for E-commerce?

ICT Adoption	First Quarter of 2014	First Quarter of 2016
Usage of connecting devices	92.6%	98.3%
Usage of internet	33.3%	90.1%
Usage of social media for marketing	12.1%	78.2%
Conducting e-commerce & e-payment	7.1%	32.3%
Having website	11.4%	30.9%

Company usage of e-Banking services in 2014



Major concern on using e-banking (2014)

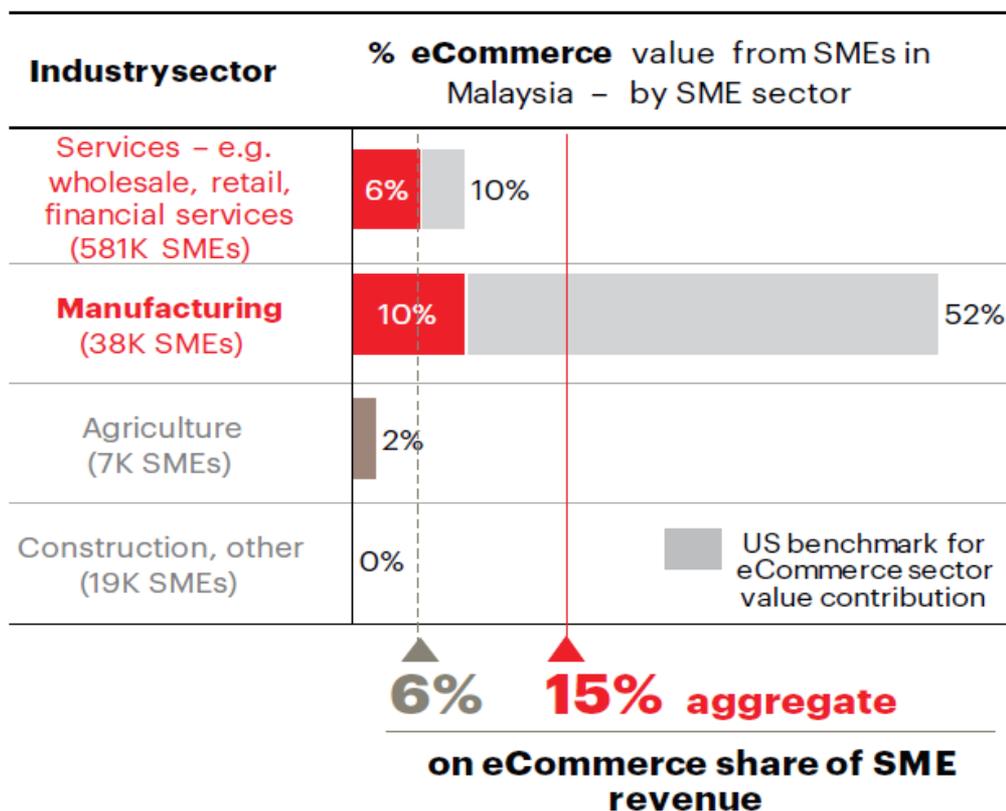


Source: SME Corp Annual Report 2015/16; ACCCIM SME Survey 2014

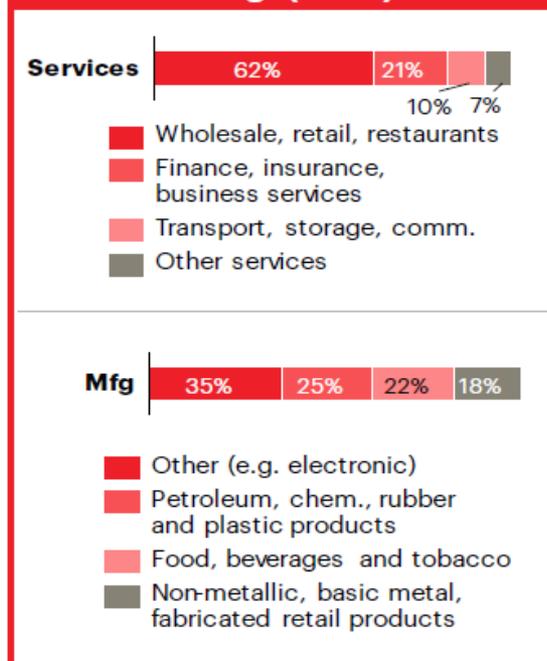
The E-commerce share of SME revenue is estimated at 6%

- Malaysia needs to work harder to be on par with the 15% levels of adoption in other developed countries
- Malaysian Government has been paying attention on SME development on e-commerce under its SME Masterplan, National E-Commerce Strategic Roadmap and Malaysia Productivity Blueprint

High-level estimates



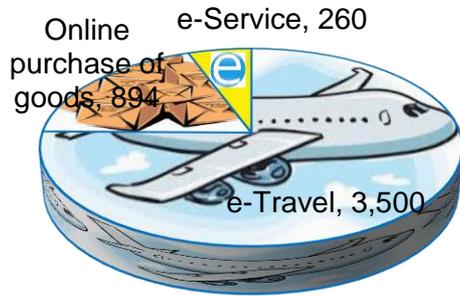
Share of GDP contribution by sub-sectors in services and manufacturing (2014)



Source: Malaysia's National e-Commerce Strategic Roadmap

Malaysia's E-commerce: Hard facts at a glance

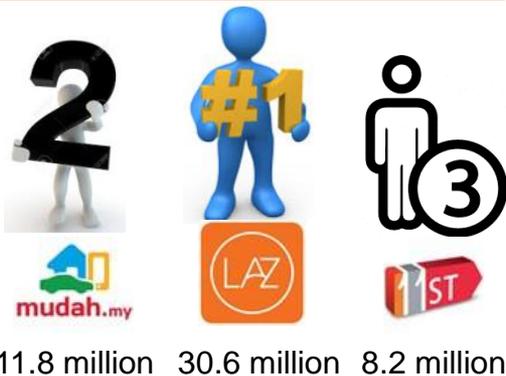
Online business revenue (RM million)



Source: Statista

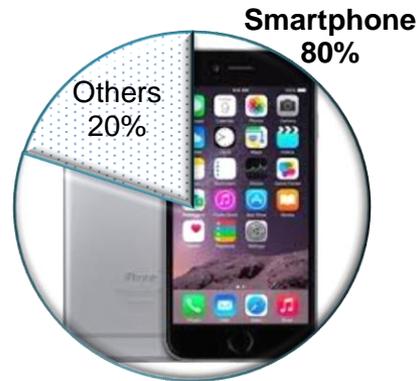
- e-Travel including ride-hailing apps
- Online purchase of goods: electronics and media ranked top
- e-Service including food delivery service

Top number of local shopping site visits in March 2017



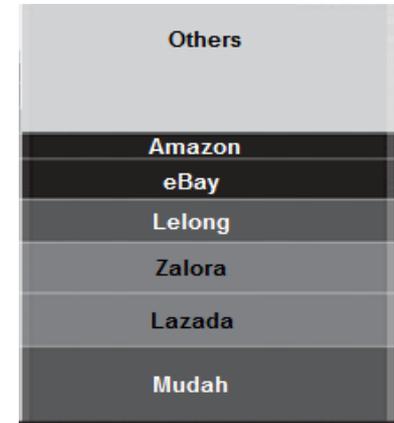
Source: SimilarWeb

Device of choice in online shopping



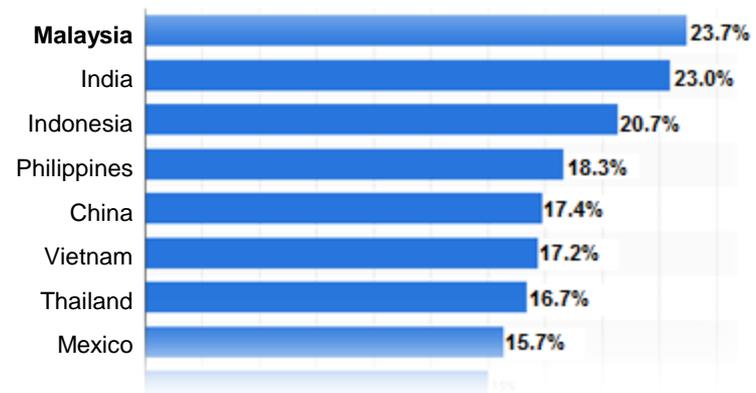
Source: 11street

e-Marketplace market share in Malaysia in 2015



Source: Bain

Retail e-commerce sales (CAGR) from 2016-2021



Source: Statista

Malaysia's E-commerce: Fun facts

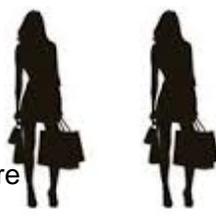
Who will likely shopping online in the next 12 months



Males are 2 times of females

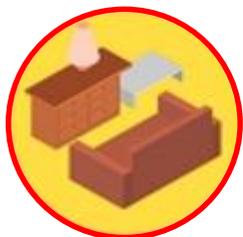


East Malaysians are 2.6 times of West Malaysians



Married consumers are two times of singles

Top 3 categories that people likely to explore in 2017



Home décor & furniture

Source: 11street

Household & groceries



Health & supplements

Top 5 categories that shoppers do not buy online

1. Pets



2. Car & Bike



3. Sport & Outdoor



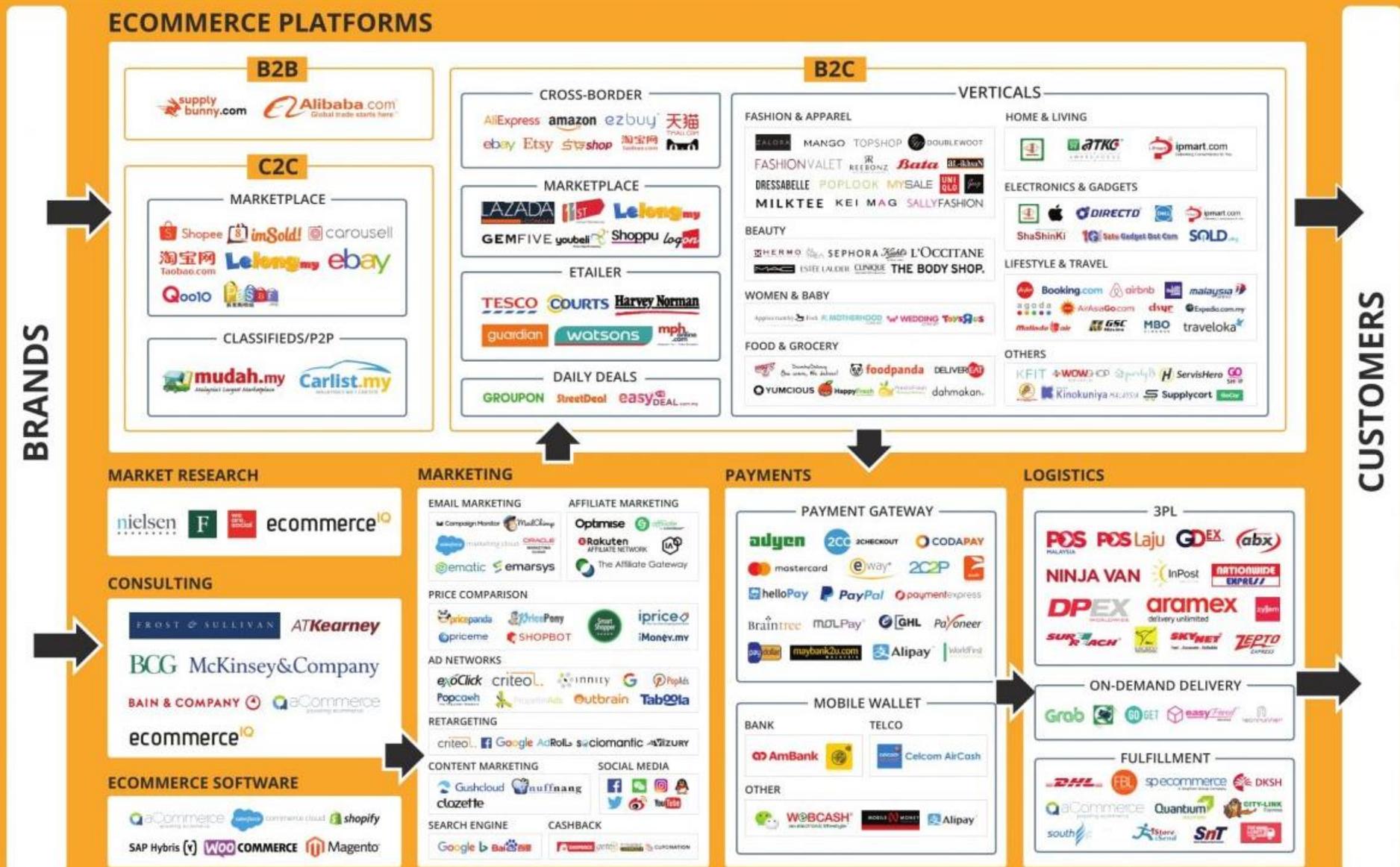
4. Kid & Maternity



5. Movies & Music

Source: eCommerceMILO

Malaysia's E-commerce chains at a glance

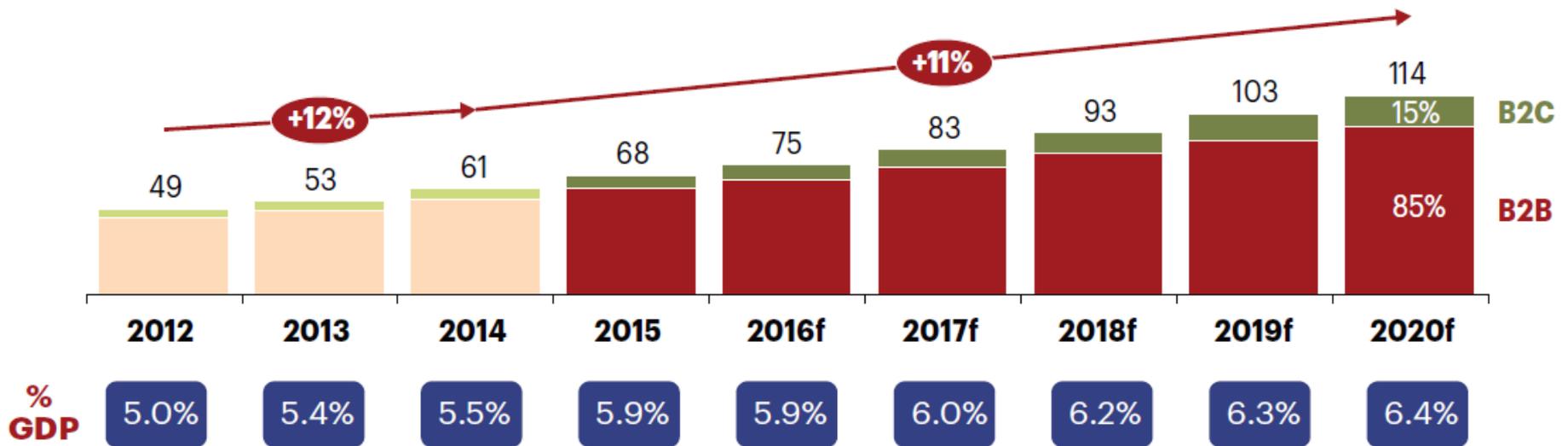


Source: ecommerceIQ (Nov 2016)

Malaysia's E-commerce on future growth trajectory

- E-commerce contributed RM68 billion in 2015 or 5.9% of the Malaysian GDP.
- It is expected to increase by 11% pa to RM114 billion in 2020, mainly driven by B2B which accounts for 85% of the share.
- MDEC initiated Malaysia's largest online sale event, **MYCYBERSALE** since 2014. It usually held at year-end and aims to: (i) create online demand; (ii) encourage SMEs' participation in e-commerce; and (iii) generate domestic revenue. In 2016, it generated RM211 million sales for five days, 79% increase from 2015

eCommerce contribution to GDP (RM billion)



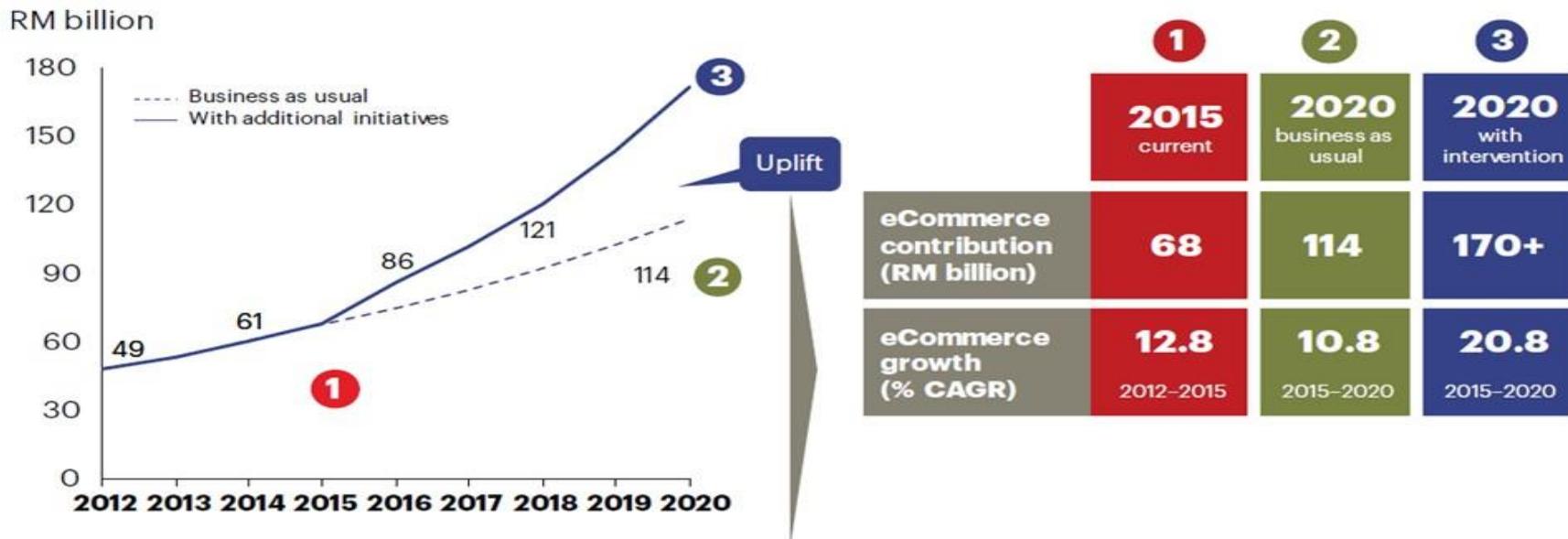
Source: Malaysia's National e-Commerce Strategic Roadmap

National E-Commerce Strategic Roadmap

- The **National E-Commerce Strategic Roadmap** was launched in October 2016. It sets a target to double the growth of e-commerce market from 10.8% to 20.8% and reach a GDP contribution of more than RM170 billion by 2020.
- The roadmap outlined six thrusts:
 - (i) Accelerate seller adoption of eCommerce
 - (ii) Increase adoption of eProcurement by businesses
 - (iii) Lift non-tariff barriers
 - (iv) Realign existing economic incentives
 - (v) Make strategic investments in select eCommerce player(s)
 - (vi) Promote national brand to boost cross-border eCommerce

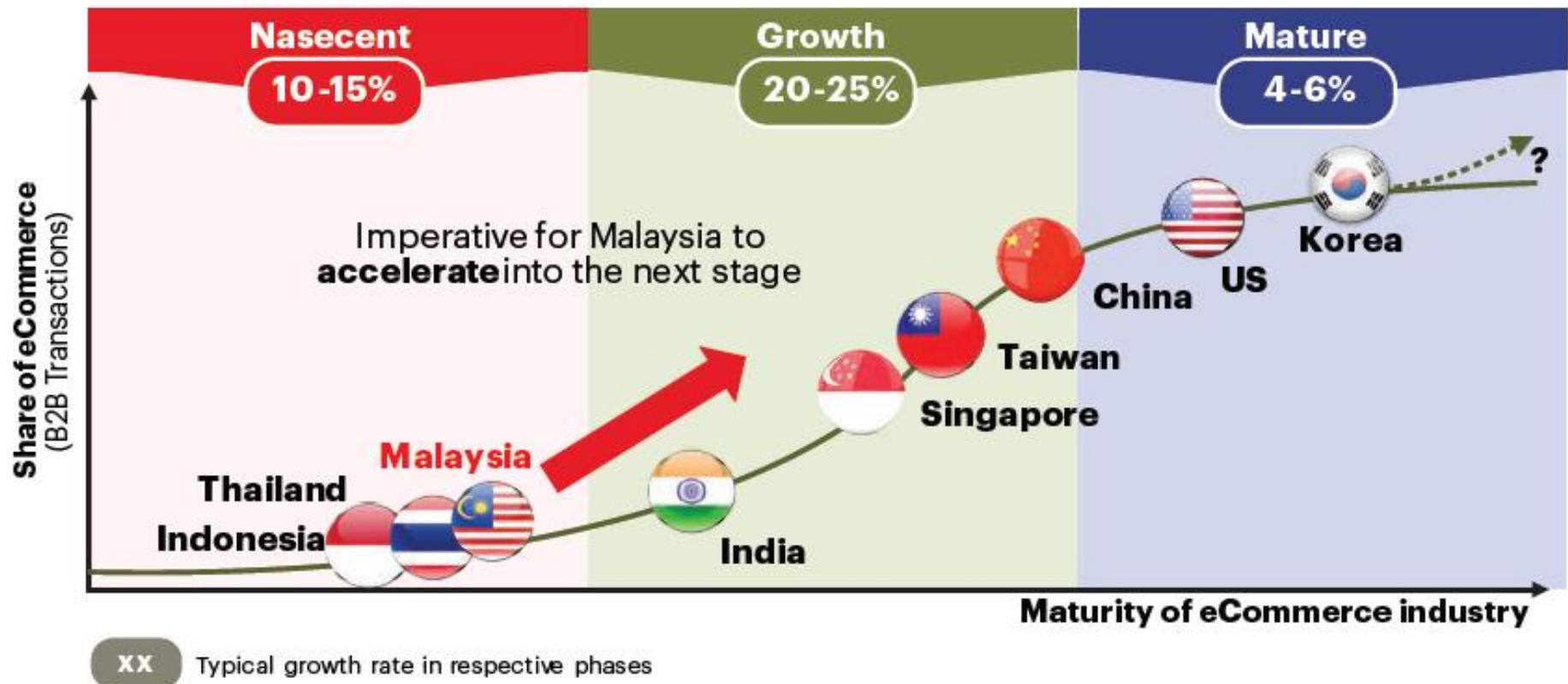
With the National e-Commerce Strategic Roadmap ...

Growth of Malaysia's eCommerce market could double by 2020



National E-Commerce Strategic Roadmap (cont.)

- The National e-Commerce Council (NECC) will oversee implementation of roadmap, conducting periodic reviews and receiving status updates about progress being made.
- There are a total of 11 programs led by various public-sector ministries and agencies, including SMECorp, MoF, MCMC, KPDNKK, MIDA, MITI, BNM and MATRADE.



All stakeholders can contribute to E-commerce growth

 Consulted for respective thrust areas

eCommerce Stakeholders

	Accelerate seller adoption of eCommerce	Increase adoption of eProcurement by businesses	Lift non-tariff barriers	Realign existing economic incentives	Make strategic investments in select eCommerce player(s)	Promote national brand to boost cross-border eCommerce	Good and Affordable infrastructure
 Government Agencies							
 Platform Providers							
 Payment Providers							
 Logistics & Fulfillment Players							
 Buyer ¹ (Gov. LLC, MNCs, SMEs)							
 Seller ¹ (LLC, MNCs, SMEs)							

Digital Free Trade Zone (DFTZ) – A game changer?

- The Government launched the world's first Digital Free Trade Zone (DFTZ) outside China, with Alibaba Group chairman, Jack Ma being appointed as Malaysia's digital economy adviser.
- DFTZ has three components:
 - **e-Fulfillment Hub**, which aims to help SMEs and businesses in exporting their goods easily.
 - **Satellite Services Hub**, which will be the region's digital hub for global and local internet-based companies facilitating end-to-end support.
 - **e-Services platform**, that will manage cargo clearance and other processes needed for cross-border trade.
- Alibaba's logistic platform Cainiao and its commerce website, Lazada will lead the effort to develop a regional e-commerce and logistics hub at KLIA Aeropolis, working with Post Malaysia. The first phase is expected to be rolled out before the end of 2017. The formal launch is planned for the end of 2019.
- The hub will provide SMEs a range of facilities and business services such as trading, customs clearance, warehousing, finance and logistics.



What needs to happen?



#BeBoldForChange

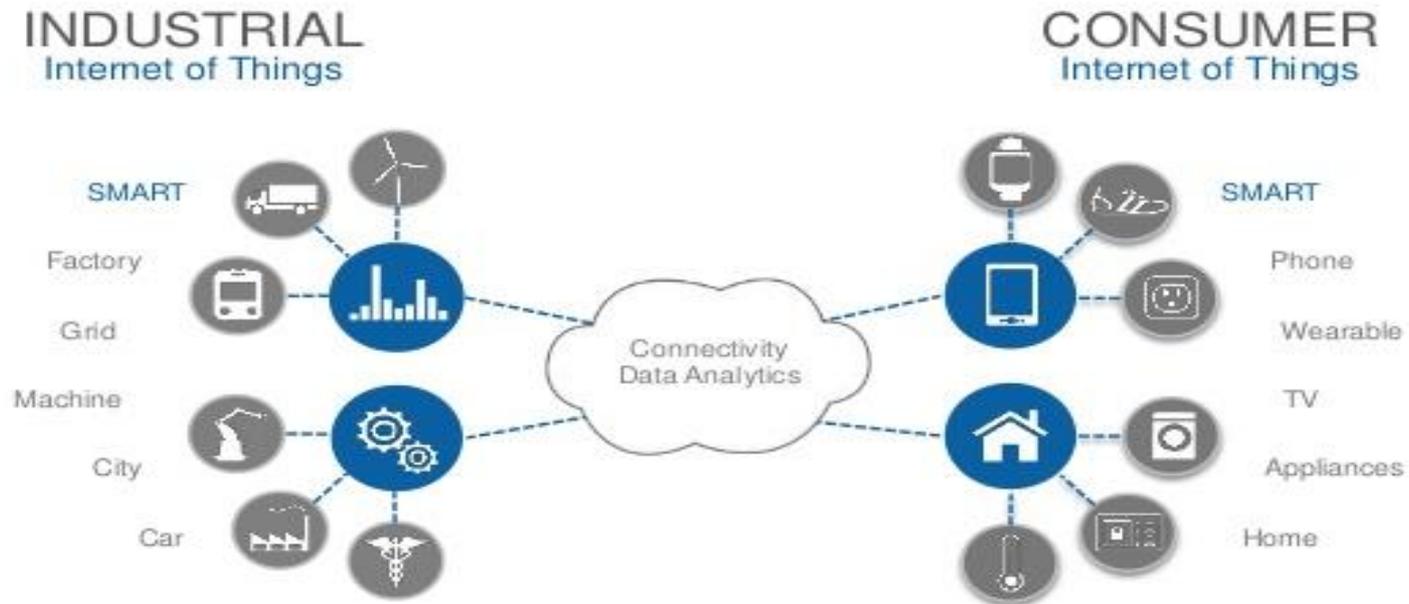
What should you do?

- **Build a “go-global” mindset.** Embrace the trend, change and innovation.
- **Leverage on digital technology,** especially the e-marketplace to deliver products and services.
- **Tap on the Government’s incentive** like MATRADE’s eTrade program (RM5,000 financial assistance) to showcase Malaysian companies’ products on e-market places.
- Have a full understanding of e-commerce mechanism before jumping on the bandwagon of e-commerce.
- **Online store requires web-access traffic.** Build a strong online presence to enhance customer’s appeal towards your online business. Tools like Search Engine Marketing (SEM) and content marketing will help to generate web-access traffic.
- **Make the competition irrelevant via Blue Ocean strategy.** Faced with similar competitors for the same market share, one must create new demand and capture new market by differentiating cost, product, uniqueness and quality.
- **Provide value-added services,** such as interactive communication, transactional support and product usage advisory to win customer’s attraction.



What more ...

- Both **offline and online channels have to be maintained well** as business transaction does not stop at buying and selling only. After sales service and customer support would require a reliable and proper offline channel
- By **tapping on the digital tools** like the Internet of Things (IoTs), big data analysis and cloud computing, businesses, even SMEs can stay closer to the “doing big” and “doing strong”
- **Invest in IT resources** to reap more digital dividend

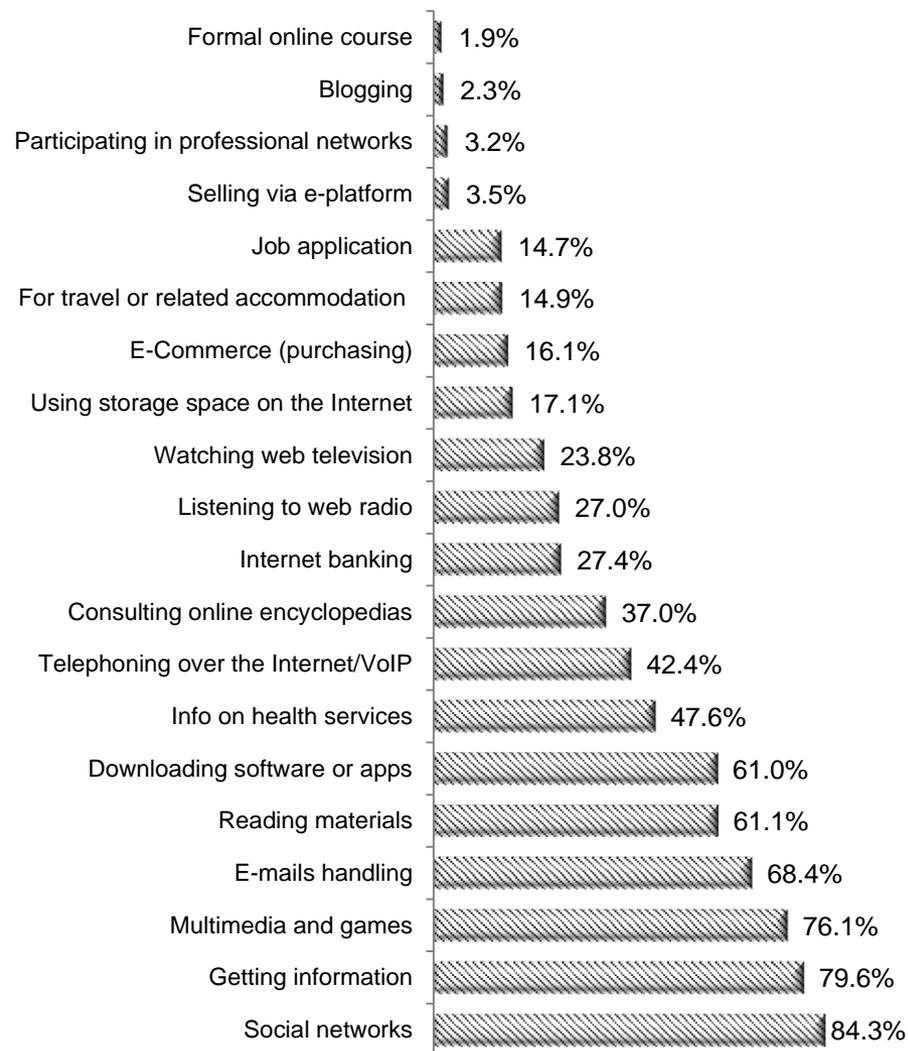


Based on Moor Insights & Strategy's report *Segmenting the Internet of Things (IoT)*

Understanding the behaviour of internet usage

- Identify and analyse the behaviour of the internet users before strategizing a suitable business model
- The most common internet activity is participating in social networks (84.3%), followed by getting information about goods and services (79.6%) and downloading images, movies, videos or music; playing or downloading games (76.1%)
- Purchasing of goods and services (e-commerce) increased slightly from 15.3% in 2013 to 16.1%
- By knowing the behavior of consumers, business can identify which is the best channel to market their products and services

Percentage of Individuals Using Internet by Selected Type of Activities in 2015



Source: Department of Statistics, Malaysia

Conclusion

- Global E-commerce sales estimated US\$1.9 trillion in 2016. By 2020, sales are projected to double to US\$4.1 trillion.
- In Malaysia, E-commerce contributed RM68 billion in 2015 or 5.9% of GDP. The National E-Commerce Strategic Roadmap sets a target to double the growth of E-commerce market from 10.8% to 20.8% and reach a GDP contribution of more than RM170 billion by 2020.
- Businesses, large and small must leverage on the powerful tools of technology to integrate into global E-commerce marketplace.
- E-commerce is the gateway to future for expanding sales and gaining wider market access.
- Create a conducive eco-system to accelerate the adoption of E-commerce amongst SME.
- Malaysia has the demographics dividend, ready infrastructure and supportive government interventions to drive the growth ecommerce.
- However, there remain challenges and barriers to hinder e-commerce growth. These are lack of offerings, unclear value proposition, concerns about security payments and privacy of personal data, low buyer adoption and low seller participation.
- In a nut shell, businesses must arm themselves by leveraging on the digital technology, improve themselves with digital tools and keep pace with the trends in order to capture the dividends via E-commerce.

Appendix: Malaysia's National E-Commerce Strategic Roadmap – Program lead

	Program	Lead public-sector ministries and agencies
1	Increased promotion and marketing of eCommerce to SMEs	SME Corporation Malaysia
2	Augment scale and effectiveness of eCommerce training and talent development	SME Corporation Malaysia
3	Establish one stop ebusiness resource for SMEs	SME Corporation Malaysia
4	Mandate adoption of eProcurement for statutory bodies, MoF companies and JKR	Ministry of Finance
5	Define threshold spend through eProcurement, and get buy-in from CEO of GLCs	Ministry of Finance
6	Transform Malaysia's last-mile delivery network with best-in-class capabilities	Malaysian Communications and Multimedia Commission
7	Increase awareness of consumers' rights and redress channels	Ministry of Domestic Trade, Co-operatives and Consumerism
8	Transform Malaysia into a regional e-Fulfilment hub	Malaysian Investment Development Authority
9	Reduce border clearance lead-time for parcel (inbound and outbound)	Ministry of International Trade and Industry
10	Increase awareness of e-Payment benefits and security	Bank Negara Malaysia
11	Nurture select sub-sectors and promote them in key global markets	Malaysia External Trade Development Corporation



社会经济研究中心
SOCIO-ECONOMIC
RESEARCH CENTRE

谢谢
THANK YOU

Address : 6th Floor, Wisma Chinese Chamber,
258, Jalan Ampang, 50450 Kuala Lumpur, Malaysia.
Tel : 603 - 4260 3116 / 3119
Fax : 603 - 4260 3118
Email : serc@accimserc.com
Website : <http://www.accimserc.com>