In this context, Malaysian eCommerce is projected to grow at 11% CAGR. However, there is potential to double this growth.

**eCommerce GDP contribution (RM billion)**

<table>
<thead>
<tr>
<th>Year</th>
<th>B2B</th>
<th>B2C</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>49</td>
<td>5.0%</td>
</tr>
<tr>
<td>2013</td>
<td>53</td>
<td>5.9%</td>
</tr>
<tr>
<td>2014</td>
<td>68</td>
<td>6.4%</td>
</tr>
<tr>
<td>2015F</td>
<td>79</td>
<td>+11%</td>
</tr>
<tr>
<td>2016F</td>
<td>85</td>
<td>+11%</td>
</tr>
<tr>
<td>2017F</td>
<td>94</td>
<td>+11%</td>
</tr>
<tr>
<td>2018F</td>
<td>108</td>
<td>+11%</td>
</tr>
<tr>
<td>2019F</td>
<td>114</td>
<td>+11%</td>
</tr>
<tr>
<td>2020F</td>
<td>130</td>
<td></td>
</tr>
</tbody>
</table>

Additional government interventions will drive higher GDP contribution.

**Critical Success Factors**

- Favorable demographic & economic trends
- Ready infrastructure and ecosystem
- Specific government interventions

Malaysian eCommerce is now at an inflection point; growth can be accelerated with focused interventions

Evolution curve of eCommerce

- **Nascent**: 10-15% growth
- **Growth**: 20-25% growth
- **Mature**: 4-6% growth

Typical growth rate in respective phases

Imperative for Malaysia to **accelerate** into the next stage

Share of eCommerce

1. Estimated transactions in B2C and B2B
Source: A.T. Kearney
To accelerate eCommerce growth, 6 thrust areas have been identified under the National eCommerce Strategic Roadmap.

Malaysia’s National eCommerce Strategic Roadmap

**Doubling eCommerce growth**

**Supportive Governance Framework**

1. Accelerate seller adoption of eCommerce
2. Increase adoption of eProcurement by businesses
3. Lift non-tariff barriers
   - Domestic eFulfillment
   - Cross-border eCommerce
   - ePayment
   - Consumer protection
4. Realign existing economic incentives
5. Make strategic investments in select eCommerce player(s)
6. Promote national brand to boost cross-border eCommerce

**Good and Affordable Infrastructure**

Source: A.T. Kearney
These interventions can double eCommerce growth and drive eCommerce GDP contribution to cross RM 170 Bn by 2020

The trajectory path of eCommerce (MYR Bn.)

eCommerce is a new way of doing business – to conduct transactions electronically

**eCommerce ecosystem**

- **Flow of goods**
- **Flow of money**

**End-customers / Businesses**

**Payment providers**

**Make purchase**

**Provide payment services**

**Provide goods or services**

**Logistics/Fulfillment providers**

**Retail / wholesale**

**Provide fulfillment and deliver services**
eCommerce brings tremendous benefits for SME

- **Build capabilities**
  - eCommerce outgrow offline business by...
  - 13X (2013-14)

- **Boost productivity**
  - eCommerce productivity vs. traditional
  - +15% B2B
  - +80% B2C

- **Expand market access**
  - # of digital buyer
  - Global: 1,016M
  - ASEAN 6: 87M
  - MY: 16M

---

1. Total sales revenue divided by employment

Sources: Euromonitor, The Star, HBR, CEER, Company websites and annual reports, A.T. Kearney analysis
What should you as an SME do?

1. Study the opportunities!
   - Learn more about various eCommerce channels and decide which is most suitable

2. Take action!
   - Try selling your best product and build capability from there

3. Reach out for support!
   - Connect with partners and agencies to support your eCommerce ambition
B2C eCommerce experience high growth in the past 5 years, Malaysia market is expected to grow to US$ 3.4 billion by 2020

B2C eCommerce Sales Growth
(2015, USD, % sales growth compared to 2010)

<table>
<thead>
<tr>
<th>Region</th>
<th>Retail eCommerce market size (USD B)</th>
<th>2014</th>
<th>2020</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>$ 271 Bn.</td>
<td>15%</td>
<td>79%</td>
<td></td>
</tr>
<tr>
<td>EU 5</td>
<td>$ 158 Bn.</td>
<td>15%</td>
<td>75%</td>
<td></td>
</tr>
<tr>
<td>World</td>
<td>$ 1 Tn.</td>
<td>24%</td>
<td>45%</td>
<td></td>
</tr>
<tr>
<td>China</td>
<td>$ 293 Bn.</td>
<td>86%</td>
<td>52%</td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td>$ 69 Bn.</td>
<td>14%</td>
<td>81%</td>
<td></td>
</tr>
<tr>
<td>ASEAN 6</td>
<td>$ 9 Bn.</td>
<td>29%</td>
<td>60%</td>
<td></td>
</tr>
<tr>
<td>India</td>
<td>$ 21 Bn.</td>
<td>30%</td>
<td>2%</td>
<td></td>
</tr>
</tbody>
</table>

1. Retail value RSP excluding sales tax
2. Includes Germany, France, U.K., Italy and Spain
3. Includes Indonesia, Malaysia, Philippines, Singapore, Thailand, Vietnam

Source: Euromonitor, Statistica, A.T. Kearney estimates
**eCommerce for Consumer**

Southeast Asia’s strong online culture is driving consumer behavior towards eCommerce

### Internet culture in Southeast Asia

#### Young

- **70% of ASEAN 6 population is aged 35 or below**
  - Singapore: 70%
  - Malaysia: 63%
  - Philippines: 71%
  - Indonesia: 51%
  - Thailand: 74%
  - Vietnam: 74%

#### Connected

- **ASEAN online users spend at least 14 hrs online / week**
  - Singapore: 14
  - Malaysia: 16
  - Philippines: 16
  - Indonesia: 17
  - Thailand: 27
  - Vietnam: 26

#### Social Media addict

- **They spend ~ 1/3rd of their online time on social media**
  - Singapore: 25%
  - Malaysia: 32%
  - Philippines: 42%
  - Indonesia: 16%
  - Thailand: 31%
  - Vietnam: 22%

#### Smartphone savvy

- **ASEAN mobile users are more prone to buy online**
  - Singapore: 61%
  - Malaysia: 47%
  - Philippines: 62%
  - Indonesia: 48%
  - Thailand: 58%
  - Vietnam: 58%

While eCommerce offers lower cost and higher convenience, consumers should be careful to transact online

**Best practices in transacting online**

**Compare prices**
Know the market rate and be-careful with low pricing

**Check the business’s background**
Verify business activities through address/ license number with CCM\(^1\)

**Check testimonials**
Get feedback from other customers to ensure reliability of the seller

**Choose reliable websites**
Make purchase only through a secure and trustworthy website

**Consider the hidden costs**
Consider the total cost and value of goods in local currency

**Obtain seller’s personal details**
Contact the seller to confirm purchases

---

1. CCM = Companies Commission of Malaysia
Source: kpdrrk.gov, A.T. Kearney
Conducting eSourcing is critical to increase B2B eCommerce

Typical capabilities in eProcurement Solutions

**Procure-to-Pay**
- Requisition
- Authorization
- Purchase Order
- Receipt
- eInvoicing
- 2 / 3 way matching

*Other value-added services*
- Procurement network (catalog hosting, supplier information)
- Procurement Card
- Direct Debit

**eSourcing**
- eRFI / eRFP / eTender / eBidding
- Solicit & Analyze responses

*Other value-added services*
- Category Management
- Supplier marketplace
- Spend analyses
- Savings Tracking

Electronic Process / Contributes to eCommerce

Opportunity for higher adoption with contribution to eCommerce
Case study: Tenaga Nasional Berhad has on-boarded >9,000 of its suppliers since 2014
Scaling eProcurement adoption successfully

Mandating eTender spend...

100%
Of addressable domestic spend – on eTender system

- Key success factor for high adoption rate is simple - making this process mandatory, without a parallel manual submission option
- eTender is mandatory for procurement with value of RM20k and above
- 35% - 40% of overall procurement spend through eTender

...while on-boarding large supplier base...

>9,000
Active suppliers on-boarded to eProcurement system

- Key challenges to overcome:
  - SMEs’ mindset & level of ICT adoption
  - Internal & external process change management, and
  - Ensuring system interoperability
- On-boarded via general info sessions, with follow-up hands-on training (nominal fee of RM 700).

...to achieve greater savings and productivity

RM 7.2 Mn
Annual savings from ePO switch alone

- Overall, increased productivity, reduced paper workload
- On switching to ePO system alone, estimated savings of RM 7.2 Mn:
  - RM 60 per PO saved (factoring in paper, handling and time delay costs) for ~120K POs annually

Source: Stakeholder interview
Benefits from eProcurement adoption from both global and local adopters are well documented

**Benefits from eProcurement solutions – global benchmark**

- **~20%**
  - Total procurement support cost\(^1\)

- **>30%**
  - Cost of categories with high maverick spend\(^2\)

- **>10%**
  - Enable effective strategic sourcing\(^3\)

---

**Benefits from eProcurement solutions – local adopters**

"We have **already launched our eProcurement initiative** back in 2014 – and took specific measures to ensure our active supplier base (8,000 – majority of which are SMEs) are **onboarded to the mandatory program**. … Our savings just from switching to ePO itself is >RM 5 Mn per year”

*Chief Procurement Officer, GLC*

---

"We embarked on eProcurement Transformation journey to drive:

- **Single policy, process, system and tool** for our entire group
- **Integrated platform** for subsidiaries in multiple countries
- Ability to conduct **integrated spend analysis**, and drive strategic sourcing

*Chief Procurement Officer, GLC*

---

1. Global, automated, processes incorporating best practices and eliminating unnecessary activities
2. Better management information and adherence to pre-negotiated supplier agreements
3. High quality detailed management information enables identification of cost saving opportunities through supplier spend consolidation

Source: Gartner, PWC, A.T. Kearney
What should you as an B2B ‘buyer’ do?

1. Study the opportunities!
   - Learn more about various eProcurement solution provider and decide which is most suitable for your business

2. Reach out for support!
   - Contact the solution providers to walk you through their systems
eFulfillment plays a critical role in shaping the customer and end-consumer experience

eCommerce value chain

To improve domestic eFulfillment service levels that are aligned with customer expectations

To improve service levels to ensure swift and efficient flow of cross-border goods

Source: Stakeholders Interviews, Expert Interviews, Market-Back Insights, A.T. Kearney
To facilitate eCommerce growth, eFulfillment players need to invest across warehousing to last-mile

eFulfillment Value Chain

**Warehousing**
- Inventory management
- Quality control
- Track and trace

**Order Fulfilment**
- Pick and pack
- Quality control
- Shipping label
- Track and trace

**Shipping Logistics**
- Sorting
- Customs
- Transportation
- Track and trace

**Last-mile Delivery**
- Delivery
- Returns management
- Track and trace
- Delivery and payment flexibility

Source: Stakeholders Interviews, Expert Interviews, Market-Back Insights, A.T. Kearney
End-to-end fulfillment players can potentially provide three key benefits for Malaysia eCommerce

Provide end-to-end eFulfillment capabilities
- Flexible Pick-Up Timings
- Packing Solutions
- Inventory Management and Fulfillment Solutions
- Transportation and Warehousing
- Flexible Last-Mile Delivery Options
- Payments on Delivery
- Returns Management

Enable cross-border eCommerce
- SMEs to extend their reach towards new markets
- Network of partnership to ease the burden of cross-border fulfillment

Value-added services to help merchants sell online
- Web-Hosting Services
- Training / Consulting Services for getting products online (e.g. Product Cataloguing)
- Customer Care
- Digital Marketing

Source: Stakeholders Interviews, Market-Back Insights, A.T. Kearney
What should you as a Logistics & Fulfillment Player do?

Study the opportunities!

1. Learn more about the best-in-class capabilities required to succeed in eCommerce

Take action!

2. Kick start strategic intent and pilot key initiatives in your respective organizations

Reach out for support!

3. Connect with partners and agencies to support your eFulfillment ambition
ePayment plays a critical role in shaping the customer and end-consumer experience

eCommerce value chain

To further encourage consumers to migrate from cash to secured ePayments

Source: Stakeholders Interviews, Expert Interviews, Market-Back Insights, A.T. Kearney
Malaysia has launched efforts to increase the use of IBG and debit cards to spur migration to ePayment

**ePayment National Agenda**

<table>
<thead>
<tr>
<th>Year</th>
<th>2011 to 2015</th>
<th>2016 to 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>• Strengthening regulatory frameworks</td>
<td>• Strengthening coordination and alignment on ePayment targets</td>
</tr>
<tr>
<td>2013</td>
<td>• Expanding and enhancing the market infrastructure</td>
<td>• Continuous infrastructure enhancement to keep pace with innovation and meet user needs</td>
</tr>
<tr>
<td>2014</td>
<td>• Promoting awareness and instilling confidence</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Key instruments to migrate to ePayment**

<table>
<thead>
<tr>
<th>Levers</th>
<th>Credit transfer to displace cheques</th>
<th>Debit card to displace cash</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Price signal</strong></td>
<td>• IBG (Max. of 10 sen)</td>
<td>• Ceilings for interchange fee</td>
</tr>
<tr>
<td></td>
<td>• IBFT (Max. of 50 sen)</td>
<td>• Unbundling of MDR</td>
</tr>
<tr>
<td><strong>Quality &amp; value proposition</strong></td>
<td>• Faster crediting time for IBG</td>
<td>• Contactless feature</td>
</tr>
<tr>
<td></td>
<td>• Payment details in bank statement</td>
<td>• Added security with the adoption of chip &amp; pin verification</td>
</tr>
<tr>
<td></td>
<td>• Future-dated IBG</td>
<td></td>
</tr>
<tr>
<td><strong>Access points</strong></td>
<td>• Credit transfer accessible via online banking and ATM</td>
<td>• 800,000 terminals by 2020</td>
</tr>
<tr>
<td><strong>Market incentive structure</strong></td>
<td>• ePayment Incentive Fund</td>
<td>• Market Development Fund</td>
</tr>
<tr>
<td><strong>Awareness &amp; confidence</strong></td>
<td>• ePayment roadshows</td>
<td>• ePayment roadshows</td>
</tr>
<tr>
<td></td>
<td>• Media engagements</td>
<td>• Media engagements</td>
</tr>
<tr>
<td></td>
<td>• Workshops</td>
<td>• Township campaigns</td>
</tr>
<tr>
<td></td>
<td>• Strengthening security requirements</td>
<td>• Strengthening security requirements</td>
</tr>
</tbody>
</table>

Note: IBG – Inter-Bank Giro; MDR – Merchant Discount Rate
Source: Bank Negara Malaysia, A.T. Kearney
Malaysia’s eCommerce transactions is largely around online banking and credit/debit card transaction.

**Payment methods for eCommerce transactions**

<table>
<thead>
<tr>
<th>Country</th>
<th>PayPal</th>
<th>Credit/Debit Card</th>
<th>Online Banking</th>
<th>Local Offerings (e.g. eWallets)</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>10</td>
<td>52</td>
<td>6</td>
<td>23</td>
<td>16</td>
</tr>
<tr>
<td>Malaysia</td>
<td>51</td>
<td>42</td>
<td>3</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>India</td>
<td>25</td>
<td>66</td>
<td>10</td>
<td>10</td>
<td>0</td>
</tr>
<tr>
<td>S. Korea</td>
<td>70</td>
<td>75</td>
<td>2</td>
<td>15</td>
<td>4</td>
</tr>
<tr>
<td>Brazil</td>
<td>4</td>
<td>68</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>China</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

What should you as a Payment Provider do?

1. **Study the opportunities!**
   - Learn more about the latest innovations in ePayment required to succeed in eCommerce

2. **Take action!**
   - Kick start strategic intent and pilot key initiatives in your respective organizations

3. **Reach out for support!**
   - Connect with partners and agencies to support your ePayment ambition
Platform Player plays a critical role in shaping the customer and end-consumer experience

eCommerce value chain

To provide reliable platform of services and help connect to large pool of service providers across the eCommerce value chain

Source: Stakeholders Interviews, Expert Interviews, Market-Back Insights, A.T. Kearney
Platform Players are especially important to support SMEs to embrace the ‘new way of business’

Value added services from Platform Players

1. **Connect buyers & sellers**
   - Connect customers with service providers globally

2. **Help ease regulation barriers**
   - Educate policy and regulatory and enable to export businesses beyond own territory

3. **Increase competitive transparency**
   - Allow sellers to have greater awareness over their competitors in the market

4. **Provide insights to consumers’ intelligence**
   - Drive market intelligence on customers behavior

5. **Encourage new business models**
   - Create opportunities and bring new innovative solutions to the market

6. **Increase flow of goods and money**
   - Provide sellers with faster and more reliable transaction of goods and money

---

1. **CCM** = Companies Commission of Malaysia

Source: kpdrkk.gov, A.T. Kearney
What should you as a Platform Player do?

**Reach our for support!**

1. Connect with partners and agencies to reach out to and equip SMEs

**Take action!**

2. Kick-start strategic intent and pilot key initiatives to improve customer experience in your respective organizations
Any ideas, feedback or potential collaboration write to myecommerce@mdec.com.my