

Malaysia's National eCommerce Strategic Roadmap

Businesses, large and small, now have a powerful opportunity to be part of a global growth story. Backed by the right initiatives, Malaysia could double the growth of its eCommerce market.





Foreword

Considering today's economic and social challenges, now is the time to fully exploit opportunities presented by the combination of pervasive technology and commerce. Malaysia is on the brink of doubling its eCommerce growth in the coming years with acceleration intervention measures laid out in this document. With this we are set to ride the Digital Economy wave.

Increasing Internet penetration, the availability of affordable smartphones, heightened technological awareness of industries and well developed regulations have already enabled us to be one of the leading countries in terms of eCommerce contribution to the GDP in ASEAN. It is imperative for us to move further along this trajectory by supporting our businesses, big or small, in harnessing these digital disruptions.

However, as only a small percentage of our businesses are yet fully utilizing eCommerce, the Roadmap includes programs to effectively promote and encourage businesses, especially MSMEs to go online. An end-to-end capability development program will assist in supporting businesses along their eCommerce journey with the goal of giving them access to a wider market and thus growing their businesses even further. Complementing or even possibly replacing traditional brick-and-mortar stores, eCommerce platforms have the potential to extend to Malaysian businesses a global reach, with the world truly being their oyster.

Digital leap-frogging will be made possible with improvements in eCommerce platforms, empowering e-Fulfillment, e-Payment and cross-border eCommerce. These positive benefits will then surely trickle to the `rakyat' . Various initiatives will be implemented by leveraging the strengths of Ministries and Agencies as well as private sector players, coming together in charting Malaysia's path in eCommerce. Taking this opportunity, I urge key stakeholders to help make this dream a reality, adopt and play a more proactive developmental role.

Moving forward, the Roadmap will help to pinpoint real challenges and deliver tangible solutions to achieve the aspiration of doubling the eCommerce growth rate for Malaysia. I hope that stakeholders involved will strive to work closely to bring this to fruition and ultimately support our businesses to become global eCommerce champions. The Government has also established the National eCommerce Council (NeCC) chaired by YB MITI Minister, comprising various Ministries and Agencies, to drive the implementation of the Roadmap.

On behalf of the Government of Malaysia, it is my pleasure to share our National eCommerce Strategic Roadmap. Malaysia Digital Economy Corporation (MDEC) was given the mandate of developing the Roadmap that is intended to chart the pathway forward and unlock the transformative potential of online business and transactions.

Malaysia is in for an exciting journey ahead and this journey cannot be made without the support from all of you. Let us work together to reap the benefits of eCommerce and create a better future.



Dato' Sri Mohd Najib Bin Tun Haji Abdul Razak

Prime Minister

Malaysia

13 October 2016

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Executive Summary: Double the eCommerce Growth

By the end of 2014, Global eCommerce (B2C) sales exceeded \$1 trillion with every continent seeing double-digit growth (doubling in four to five years). For Malaysia, eCommerce is the future—a way to protect its existing businesses and a means to pursue new opportunities. If successful, Malaysia will be able to compete on an equal footing in the ASEAN region and ultimately in the world.

Malaysia's eCommerce imperative is two-fold:

- **To future-proof existing businesses.** Bring the roughly 80 percent of small- and medium size enterprises (SMEs) into the world of eCommerce and make sure they have the capabilities to keep pace with an online market poised to **grow much faster than** offline sales.
- **To expand market access.** Expand beyond its own 16 million digital customers to compete for the more than 87 million digital customers in the ASEAN region and ultimately the 1 billion digital customers worldwide.

Following 5 miniLabs, focused interviews and inputs from over 100 stakeholders across 54 public and private organizations, Malaysia's National eCommerce Strategic Roadmap has been developed. The roadmap outlines focused Government intervention in six thrust areas, built on good and affordable infrastructure and supportive governance framework:

- Accelerate seller adoption of eCommerce
- Increase adoption of eProcurement by businesses
- Lift non-tariff barriers (e-Fulfillment, cross-border, e-Payment, consumer protection)
- Realign existing economic incentives
- Make strategic investments in select eCommerce player(s)
- Promote national brand to boost cross-border eCommerce

Across these six thrust areas, 11 programs have been prioritized for the near term, to deliver significant impact. These programs and their associated initiatives will be led by public sector Program Leads:

- 1. Promote and market eCommerce to SMEs** to ensure that businesses are aware of the benefits of eCommerce. (Program Lead: SME Corporation Malaysia)
- 2. Improve SME eCommerce training and talent development** by establishing multi-platform, multi-tool training opportunities to cover the life cycles of SMEs, from entry to maturity (Program Lead: SME Corporation Malaysia)
- 3. Create a one-stop eBusiness portal for SMEs** to obtain information about eCommerce, such as eCommerce readiness surveys, e-business apps, training opportunities, community FAQs, and financial incentives, among others. (Program Lead: SME Corporation Malaysia)

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- 4. Require government agencies to use eProcurement to buy goods and services** as a way to clarify applicability of eCommerce to statutory bodies, Ministry of Finance companies and JKR. (Program Lead: Ministry of Finance)
 - 5. Encourage government-linked companies' use of eProcurement** by, for example, defining threshold spending through e-procurement and using self-assessments to accelerate adoption. (Program Lead: Ministry of Finance)
 - 6. Transform Malaysia's last-mile delivery network with best-in-class capabilities**, including information transparency, updated standards that include eCommerce, realigned courier policies, and relevant service-level agreements. (Program Lead: Malaysian Communications and Multimedia Commission)
 - 7. Protect consumers' rights with advocacy programs**, making sure that all consumers are aware of their rights and redress channels. (Program Lead: Ministry of Domestic Trade, Co-operatives and Consumerism)
 - 8. Turn Malaysia into a regional e-Fulfillment hub** by providing resources such as special Commerce zones, bonded warehouses, and special provisions on trans-shipment tax policies to name a few. (Program Lead: Malaysian Investment Development Authority)
 - 9. Reduce border clearance lead time for inbound and outbound parcels**, beginning with the timely rollout of uCustoms, our Malaysia's National Single Window. (Program Lead: Ministry of International Trade and Industry)
 - 10. Increase awareness of e-Payment innovations, benefits, and security** to include nationwide consistent messaging to raise awareness of the benefits and security of e-Payments. (Program Lead: Bank Negara Malaysia)
 - 11. Promote Malaysian brands in international marketplaces** by developing go-to-market strategies for various countries, platforms, and products to boost exports. (Program Lead: Malaysia External Trade Development Corporation)

The National eCommerce Council will drive implementation of the 11 programs. Together, these programs have the potential to double Malaysia's eCommerce growth rate and reach a GDP contribution of more than RM 170 billion by 2020.

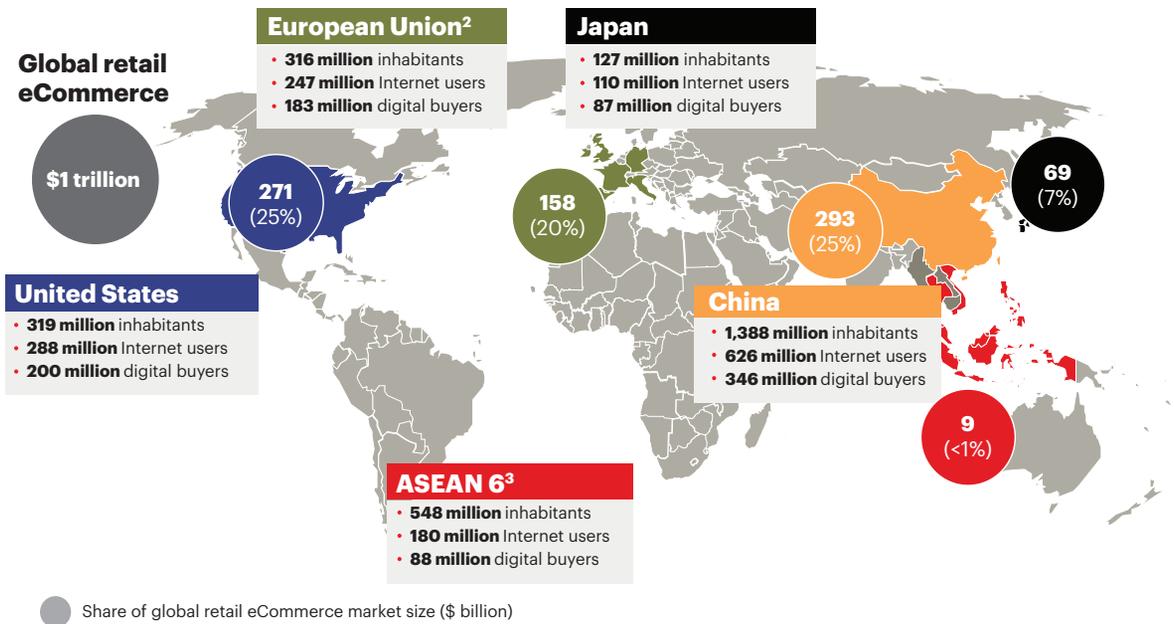
Introduction: Malaysia's eCommerce Imperative

eCommerce is a new way of doing business. The number of Internet users has grown rapidly over the past decade, and consumers are increasingly dependent on the Internet to shop and conduct other activities in their lives. Businesses selling to consumers have responded by adopting the electronic channels to market, and sell, their products. Even business owners in sectors that are associated with the need for physical presence, for example transportation and food & beverages, have innovated and conducted their buy-sell transactions electronically, to meet the need of their increasingly digital customers.

In 2015, global B2C eCommerce sales exceeded \$1 trillion with every continent seeing double-digit growth. The United States, European Union, and China combined account for close to two thirds of the global eCommerce market size.

Figure 1:
eCommerce has seen impressive worldwide growth

Global retail eCommerce market¹ (2015, \$ billion)



In spite of the healthy growth, ASEAN is punching below its weight. Although the size of ASEAN's Internet users and digital buyers are comparable with Japan, it still remains <1% of global eCommerce volume. This presents a huge opportunity for ASEAN markets to demonstrate accelerated growth, with the right enablers.

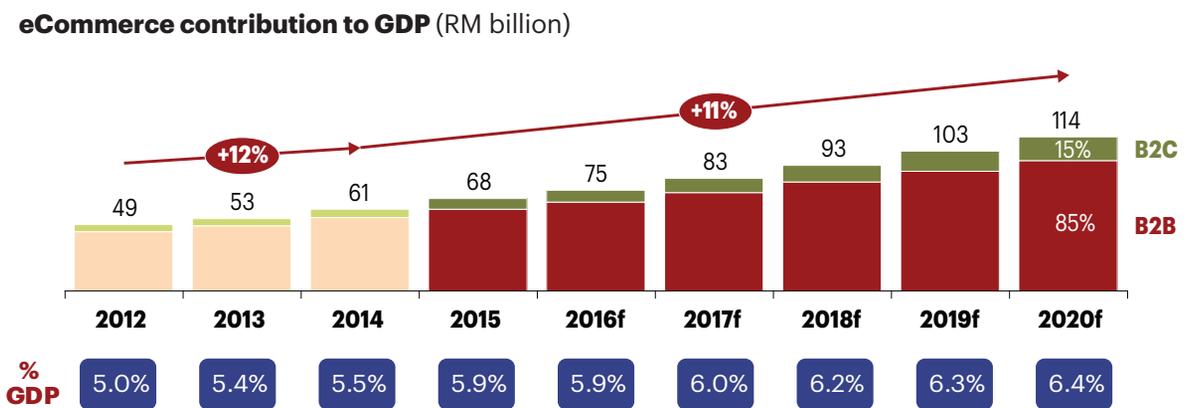
Businesses are also harnessing the power of eCommerce extensively by conducting their procurement and sourcing processes online. A complex and dynamic value chain, comprising both buyers and sellers, has developed over the years to explore, request for proposals, submit tender documents, and analyze suppliers' responses electronically. Nearly 70 percent of B2B buyers now purchase goods online, 18 percent spend more than 90 percent of their budgets online, and 30 percent go online to research at least 90 percent of products before buying.

Governments around the world are similarly using online options to more efficiently deliver government services and reduce costs. For example, the Singapore government uses GeBIZ, an online portal to manage all its suppliers, and the Korea ON-line E-Procurement System is an information hub for all public organizations, providing one-click online service for government procurement.

Malaysia is seeing similar high growth in online sales, with eCommerce contribution to GDP estimated to be RM 68 billion in 2015.

Figure 2.

Malaysian eCommerce is on a growth trajectory (Business As-Usual)



Three factors are driving this growth:

Favorable demographics. Malaysia has a large segment of the population that is well-versed in technology, and most Malaysians who use the Internet spend more than 16 hours online each week. Consistent, healthy, GDP growth has accorded increasing disposable income to consumers, in tandem with a growing base of multinational corporations in Malaysia.

Ready infrastructure and ecosystem. Malaysia's emphasis in building good infrastructure to support the nation's growth is bearing fruit. More than 67 percent of the population currently uses the Internet, and 80 percent of these citizens are estimated to have made online purchases before, a rate that is comparable to other countries such as Singapore, Thailand, India, and China.

About 12 percent of people have a credit card—the second highest in ASEAN—behind Singapore’s 37 percent but well ahead of Thailand’s 5 percent and Indonesia’s 1 percent. Malaysia also has solid eCommerce platforms, including online marketplaces Lelong and Mudah, and big international companies such as Zalora and Lazada have entered the market.

Government interventions. The eCommerce infrastructure is also supported by well-developed regulations, including the Electronic Commerce Act and the Personal Data Protection Act. There has been much marketing and promotion initiatives by the various agencies to encourage eCommerce, and e-Perolehan offers an electronic government procurement system for goods and services.

B2C and B2B Challenges

Several B2C barriers are blocking eCommerce growth:

Lack of offerings. Malaysian sites offer a smaller range of options and product availability compared with other countries that have a higher rate of B2C eCommerce. This is largely driven by the lack of eCommerce adoption and maturity in know-how among Malaysia’s SMEs. It is estimated that only 20- 25 percent of Malaysia’s SMEs are present online, with even a few of the large popular retailers lacking eCommerce capabilities. All of these result in lower availability and fewer products available for consumers to purchase online.

Unclear value proposition. The online value proposition is not sufficiently communicated, most likely because of a lack of spending on digital marketing by local business owners. Marketing in the online world is still largely reliant and driven by the larger eCommerce platform providers and large companies, with little participation from the SMEs. This resulted in instances where large digital marketing spend is concentrated in a narrower range of product, insufficient to cover the broader spectrum of Malaysia’s digital consumers

Poor fulfillment experience. The delivery process is still largely inconvenient for working households, with deliveries typically made only during office hours when many Internet users may not be at home. Customers must often go pick up the packages themselves or risk items being returned to the seller because they could not be delivered. In addition, there is very little information—and even some misinformation—about delivery times.

Several B2B barriers are blocking eCommerce growth:

An array of factors explains why both B2B buyers and sellers are hesitating to enter the online arena:

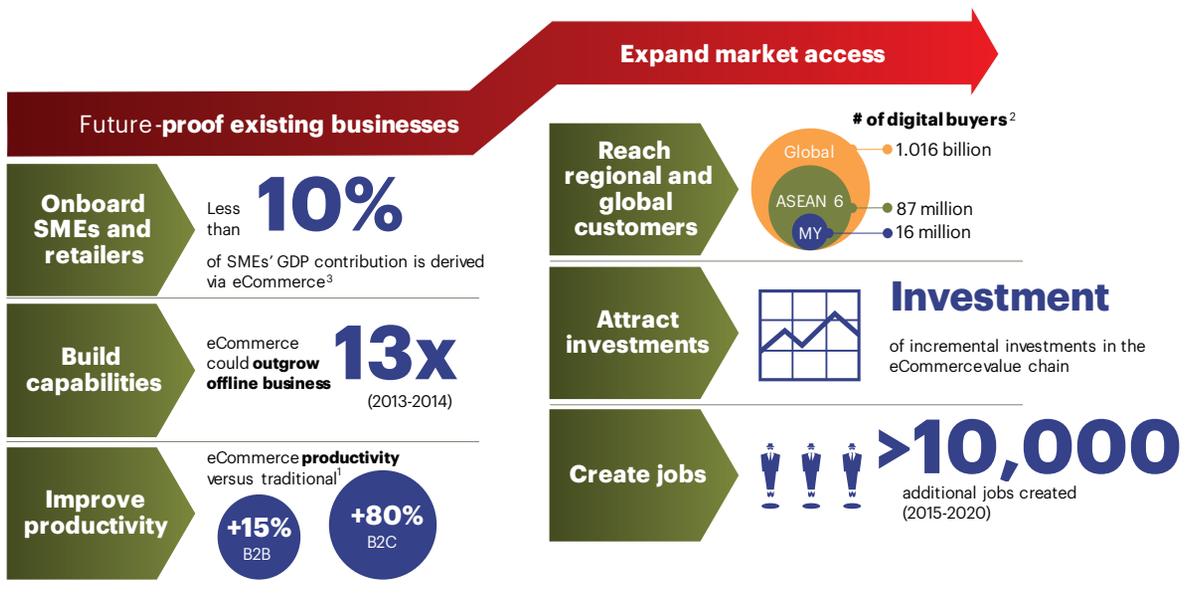
Low buyer adoption. Many businesses expect a high upfront investment in order to adopt eProcurement beyond the price of the platform, such as costs to integrate, get existing suppliers onboard, and change procurement processes. Many business owners also perceive that it is difficult to complete complex transactions online and expect it to require a high amount of customization. In addition, Malaysia still lacks popular B2B-focused eCommerce platforms like Alibaba in China and Indiamart in India, which accords a cheaper alternative for businesses to solicit proposals and purchase electronically from their respective suppliers.

Low seller participation. There is a lack of maturity in information infrastructure standardization to facilitate cross-platform transactions, often resulting in a need for customization by the businesses. This results in sellers needing to learn and participate in multiple eProcurement platforms, in order to supply their buyers.

Capturing eCommerce Growth

Two reasons why adoption of eCommerce among Malaysian businesses is critical for our country:

Figure 3.
Malaysia faces an eCommerce imperative



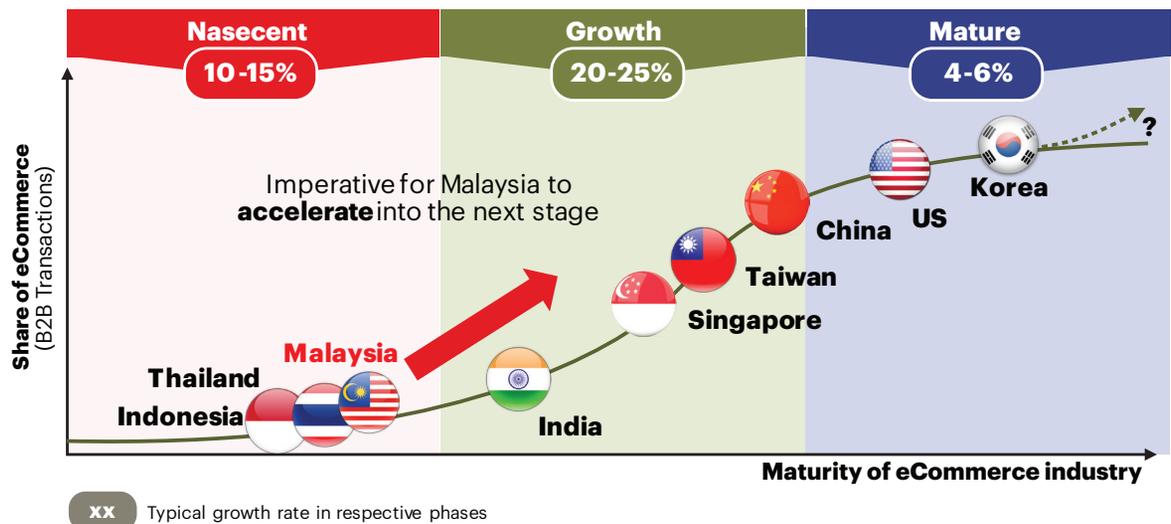
Future-proof existing businesses. Today, less than 10 percent of Malaysian small- and medium size enterprises (SMEs) GDP contribution is derived via eCommerce. The companies that do not adopt eCommerce may face challenges to remain competitive. Indeed, eCommerce has the potential to improve productivity over traditional companies that focus only on bricks-and-mortar businesses. Malaysian SMEs that do not have the right capabilities to compete in the digital world stand to lose out in the future.

Expand market access. Substantial growth can be achieved by using eCommerce to reach out beyond Malaysia. Malaysia has 16 million digital customers, but the ASEAN region has about 87 million. Firms that can reach out even farther than the ASEAN region will gain access to more than a billion digital customers around the world. This offers tremendous opportunity to Malaysian firms that are able to capture the full potential of eCommerce. In addition to gaining new sales, eCommerce has the power to attract incremental growth in the eCommerce value chain and draw new jobs into the economy.

Malaysia now stands at an inflection point. When we trace how other countries—including Korea and the United States—have matured over the years and having reached a high level of eCommerce adoption currently, we can see that they underwent an extended period of accelerated growth. We see similar growth trajectories currently in some countries such as China, Taiwan, and Singapore, which are witnessing a rapid increase in eCommerce adoption in their respective countries.

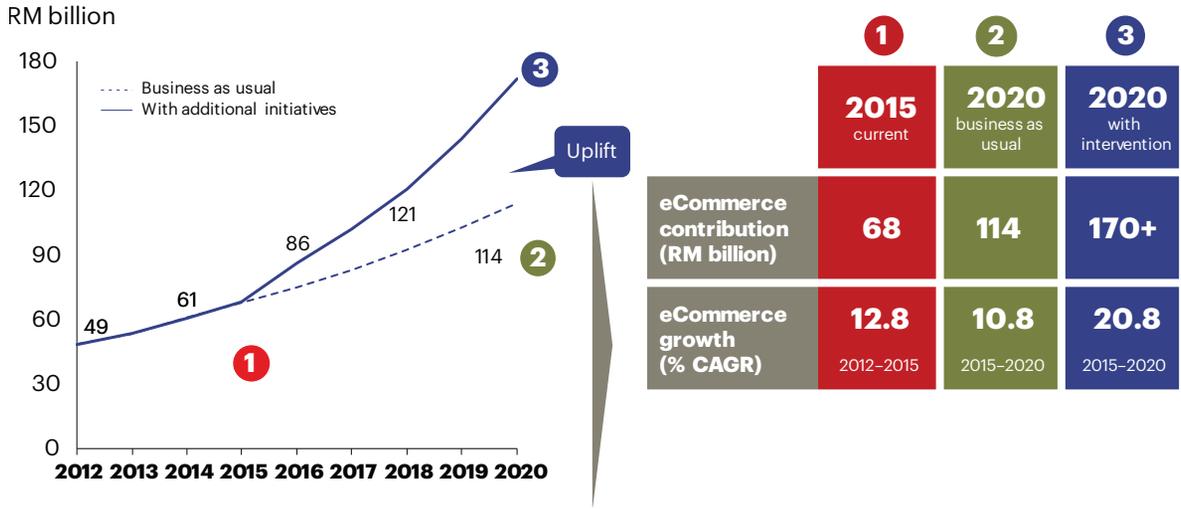
We believe that Malaysia is in a prime position to accelerate from its current nascent growth stage to an accelerated growth path and capture significant growth in eCommerce adoption in the near future.

Figure 4.
Malaysia at an inflection point



If Malaysia stays on its current course, it is estimated that eCommerce contribution to GDP would grow by about 11 percent over the next few years. This business-as-usual scenario translates into a GDP contribution of RM 114 billion by 2020. Based on our assessment, we believe a focused government intervention can more than double that growth rate: Malaysia could achieve more than 20 percent growth and a GDP contribution of more than RM 170 billion by 2020.

Figure 5.
Growth of Malaysia's eCommerce market could double by 2020

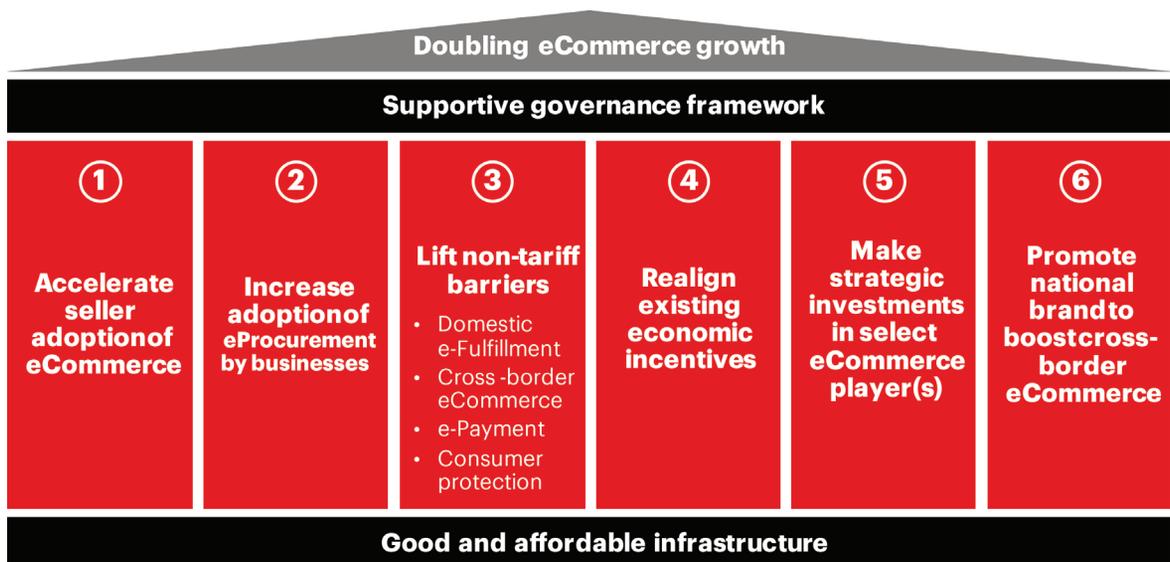


Malaysia's National eCommerce Strategic Roadmap

Six Thrust Areas

Input from both the public and private sectors helped form the basis for the National eCommerce Strategic Roadmap, including the implementation plan and public sector champions for each initiative. The roadmap defines six thrust areas of intervention that can help double eCommerce growth in Malaysia.

Figure 6.
Six thrust areas of the National eCommerce Strategic Roadmap



The comprehensive Malaysia's National eCommerce Strategic Roadmap highlights the need to, first, continue providing good and affordable infrastructure to the various stakeholders in Malaysia. This includes our broadband and mobile phone penetration for connectivity, physical infrastructure such as roads, sea ports, and airports for efficient movement of goods, and widespread use of payment cards, eWallets, mobile-wallets, etc for convenient electronic payments.

The six thrust areas to drive higher eCommerce growth in Malaysia cover the end-to-end spectrum of the eCommerce value chain:

1. Accelerate seller adoption of eCommerce in order to increase product availability and range via online channels, and to equip Malaysia SMEs to participate in the world of digital commerce.
2. Increase adoption of eProcurement by businesses, as B2B eCommerce accounts for the majority of transaction value in Malaysia.
3. Lift non-tariff barriers in key parts of the eCommerce value-chain, including:
 - a. Increase the level of maturity in our domestic e-Fulfillment sector
 - b. Facilitate cross-border eCommerce movement of goods
 - c. Increase adoption of e-Payments in Malaysia
 - d. Augment and increase mass awareness of consumer protections
4. Realign existing economic incentives available to the various stakeholders in the ecosystem, to ensure effective delivery to areas with higher potential multiplier benefits.
5. Make strategic investments in select eCommerce player(s), especially those operating in key parts of the value chain, to increase national eCommerce adoption and increase the multiplier benefits to the country.
6. Promote national brands to boost cross-border eCommerce, by assisting our domestic companies operating in strategic sectors to fully capture the vast opportunities available in the global arena via eCommerce.

These six thrust areas, and the respective initiatives within them, will need to be collectively supported by a strong governance framework. In addition to the regulatory framework in place, the National eCommerce Council (NeCC) has proposed to oversee implementation of the roadmap, conducting periodic reviews and receiving status updates about progress being made.

Malaysia's National eCommerce Strategic Roadmap enables all stakeholders in the eCommerce ecosystem to contribute to the national ambition of doubling the nation's eCommerce growth.

Figure 7.

All stakeholders can contribute to eCommerce growth

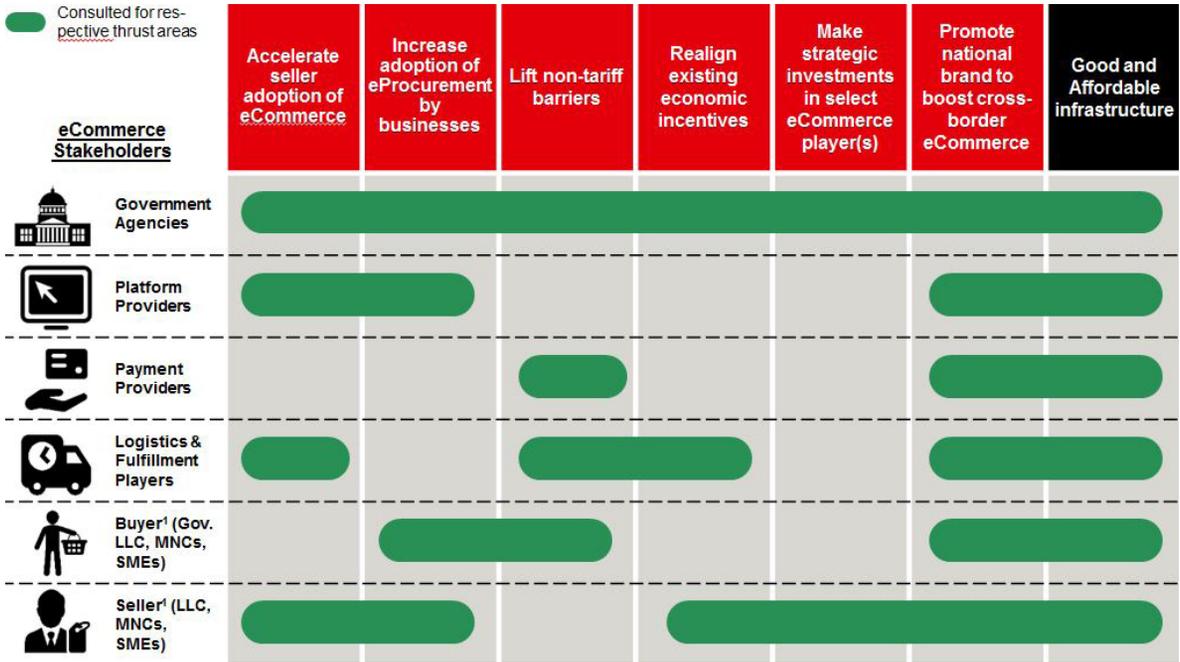
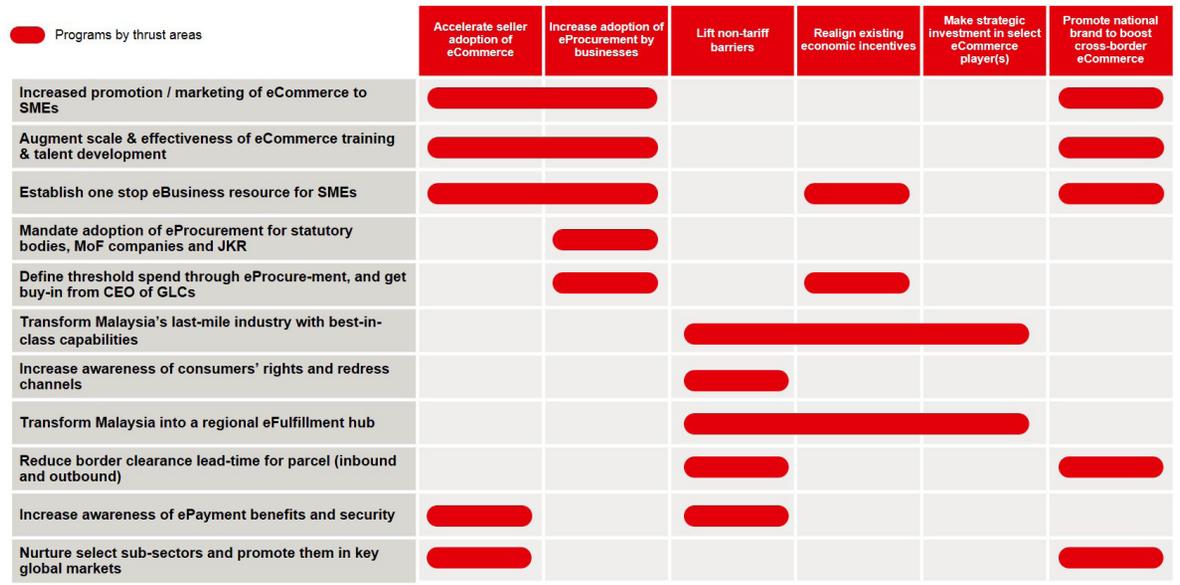


Figure 8.

Eleven programs will help grow the eCommerce market



Eleven programs

The MiniLabs (see Appendix) illustrated the power of collaboration, as more than 100 participants from 54 organizations came together to devise an all-encompassing set of programs to advance Malaysia's eCommerce ambition. There was an overwhelming sense of optimism and energy among the participants, and many great ideas were proposed and considered in the sessions.

The ideas have been grouped along eleven key programs, with each program addressing at least one of the six thrust areas discussed earlier. Many of the programs have overlaps with the thrust areas, pointing to the need for cross-agency collaboration and coordination.

1. Increased promotion and marketing of eCommerce to SMEs

Thrust areas

Accelerate seller adoption of eCommerce.

Increase adoption of eProcurement by businesses.

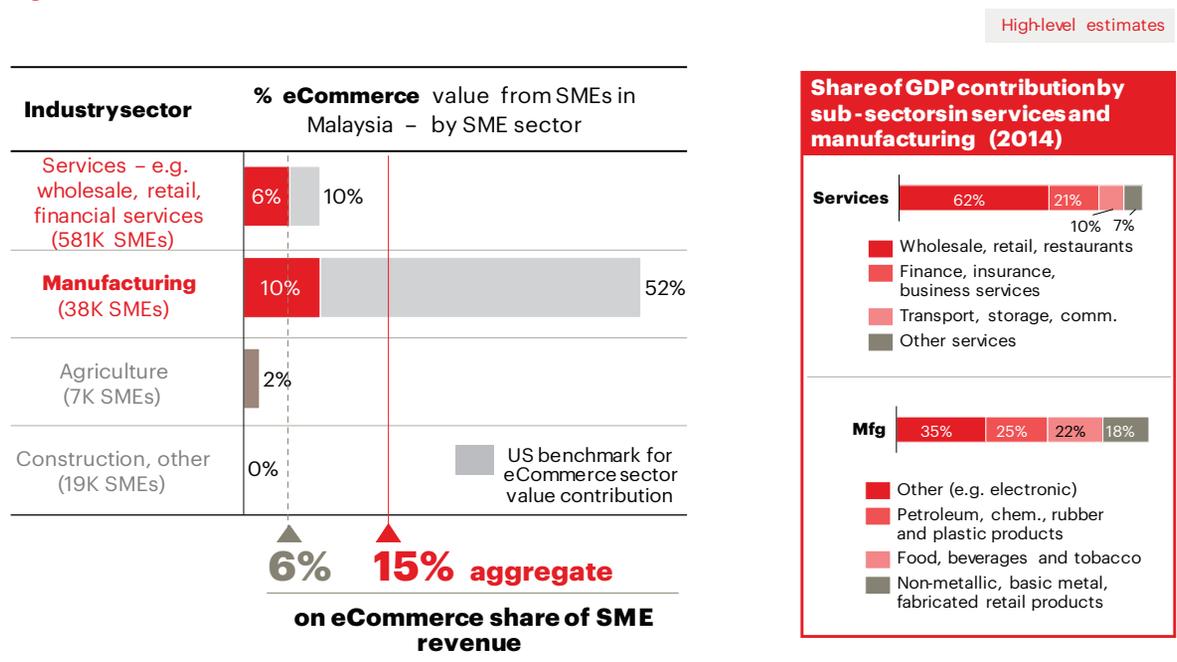
Promote national brand to boost cross-border eCommerce.

Program Lead

SME Corporation Malaysia

SMEs are very important to drive a significant share of Malaysia's economic growth. SMEs contributed 36 percent to the national GDP in 2014, and this is expected to grow at around 9 percent annually to reach 41 percent by 2020. However, their level of eCommerce adoption is still low. The eCommerce share of SME revenues is currently estimated to be 6 percent, compared to approximately 15 percent based on levels of adoption in other developed countries.

Figure 9



The reason for this is that SMEs are yet to be fully on board with eCommerce. These businesses cite five primary reasons for holding back on this new way of doing business: lack of awareness about the benefits, unfamiliarity with new ways of working, a perceived high cost of adoption, lack of mature e-Fulfillment companies and services to support delivery, and concerns about security.

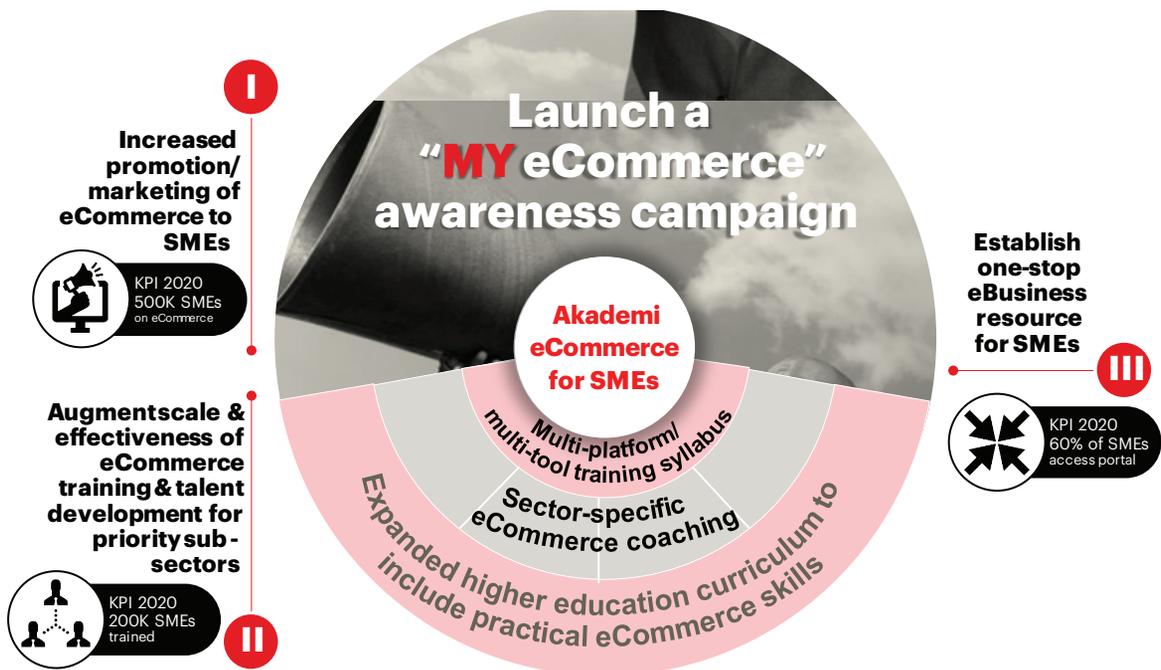
While existing initiatives are already in place to encourage this growth (see sidebar: Encouraging Malaysia’s Digital Entrepreneurs), we believe that more can be done. Capturing this growth will hinge on raising SMEs awareness of the potential benefits from eCommerce, equipping and bringing them on board with the necessary skillset and know-how, and supporting them as they adopt new platforms.

Encouraging Malaysia’s Digital Entrepreneurs

Malaysia Digital Economy Corporation (MDEC) is using two programs to empower Malaysia’s digital entrepreneurs. Launched in June 2015, eRezeki targets people with a household income below RM 4,000 a month—the Bottom 40 (B40)—with a job-on-demand platform, matching workers to digital tasks and providing a network of digital training centers. There are already 22 training centers nationwide, backed by public–private partnerships. Launched in July 2015, eUsahawan provides digital marketing instruction to technical vocational education and training students and micro-entrepreneurs. In the first seven months, more than 3,200 participants generated more than RM 4 million in additional income.

In the short term, the programs aim to capture RM 40 million in sales this year. Down the road, the goal is to more than double the average earnings of B40 workers and engage 200,000 students by 2020.

Figure 10



The objective of the first program in the National eCommerce Strategic Roadmap is to ensure that businesses are aware of the benefits of eCommerce. We envision a national-level promotion effort to market the importance of eCommerce to SMEs in Malaysia. A few ideas on how this could be done: Share success stories from eCommerce adopters and outline global opportunities for key sub-sectors, such as halal, Islamic fashion, and food manufacturers. Work collaboratively to develop a marketing message and schedule and identify media partners (for example, a marquee success story synced with sales, recruitment, and conferences).

In addition, a mass-media campaign and online promotions will help spread the message. Other ideas include trade associations and SME Corporation Malaysia roadshows, a newsletter to publicize the benefits of eCommerce, and offering information to businesses when they register. Also important are local marketing campaigns similar to #YouCanDuit, the Malaysia Digital Economy Corporation's national campaign to encourage Malaysian companies to conduct business via digital platforms.

Key performance indicators

1. SMEs marketed on eCommerce: number of SMEs reached via mass media campaigns
2. eCommerce interest barometer: percent of SMEs in priority sectors expressing interest in eCommerce

Baseline 2015:

1. 100,000 traditional SMEs
2. Retailer sector: 30 percent; Manufacturing sector: 10 percent

Target 2020:

1. 500,000 SMEs total
2. Retailer sector: 75 percent; Manufacturing sector: 80 percent

2. Augment scale and effectiveness of eCommerce training and talent development

Thrust areas

Accelerate seller adoption of eCommerce.

Increase adoption of eProcurement by businesses.

Promote national brand to boost cross-border eCommerce.

Program Lead

SME Corporation Malaysia

Once convinced of the potential opportunities from eCommerce, SMEs will need to be equipped to take advantage and capitalize on the opportunities. Improving SMEs' skillsets and know-how will be crucial and training will be essential.

The first level of training is to offer multi-platform, multi-tool training opportunities to cover the life cycles of SMEs from entry to maturity. The eUsahawan program, which supports Malaysia's digital entrepreneurs, is a good model—but with an expanded scope to also cover more mature SMEs.

The second level of training in the form of sector-specific coaching is also needed. This could take shape in deployment of training syllabus in partnership with trade associations, eCommerce certification programs, scaling up train-the-trainer programs, and onboarding vendor incubator programs through trade associations. Training can also be disseminated via the existing infrastructure, including Internet community centers and post offices.

The next and broader level of training entails expanding the higher-education curriculum to include practical eCommerce skills beyond technical and vocational education and training. Other ideas include internship programs that can be used to connect students with SMEs that are ready to tackle online commerce.

Key performance indicators

1. Number of SMEs reached and number of students trained: unique SMEs attending training courses and vocational and higher education students trained and certified in eCommerce skills
2. Three-month follow-up adoption: number of training program participants and percent retention

Baseline 2015:

1. Aggregate: 50,000
2. Aggregate: 15,000; more than 30 percent

Target 2020:

1. Aggregate of 400,000 (targets to be determined based on take-up rate)
2. Aggregate: 200,000; more than 50 percent

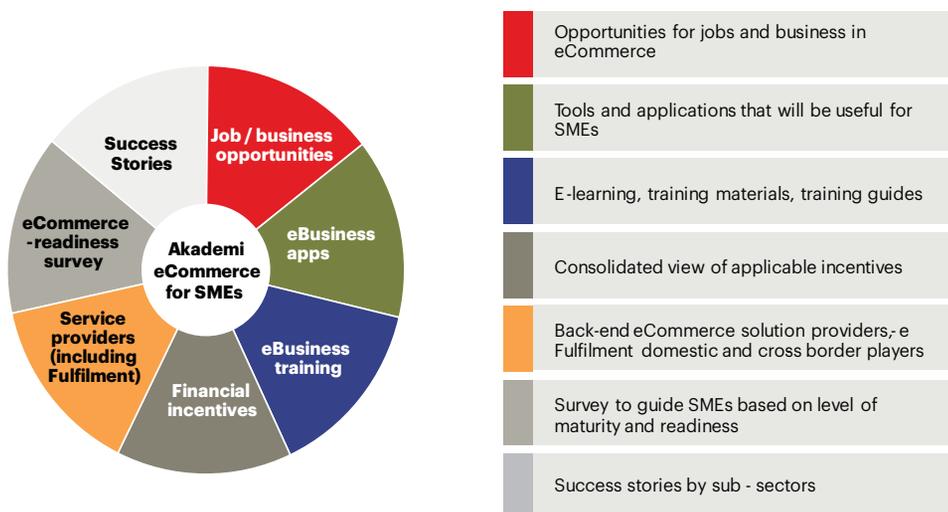
3. Establish one stop eBusiness resource for SMEs

Thrust areas

- Accelerate seller adoption of eCommerce.
- Increase adoption of eProcurement by businesses.
- Realign existing economic incentives.
- Promote national brand to boost cross-border eCommerce.

Program Lead
SME Corporation Malaysia

Figure 11
Key content in 'Akademi eCommerce'



It is important for SMEs to have an independent central hub from which to obtain information that is necessary for their eCommerce journey. Key information, such as eCommerce readiness surveys, e-business apps, training opportunities, community FAQs, and financial incentives should be made available in the portal.

Various content and service providers, such as trade associations, can be leveraged to help “feed in” SMEs and provide training content, success stories, and sector-specific solutions. SME Corporation Malaysia can also partner with government-linked companies (GLCs) to offer tender opportunities on a single portal, provide tangible value propositions, and link with the ePerolehan government database.

Key performance indicator

SMEs registered on eBusiness: Percentage of SMEs (based on the SSM database) that have accessed the eBusiness portal

Baseline 2015

15 percent

Target 2020

60 percent

4. Mandate adoption of eProcurement for statutory bodies, MoF companies and JKR

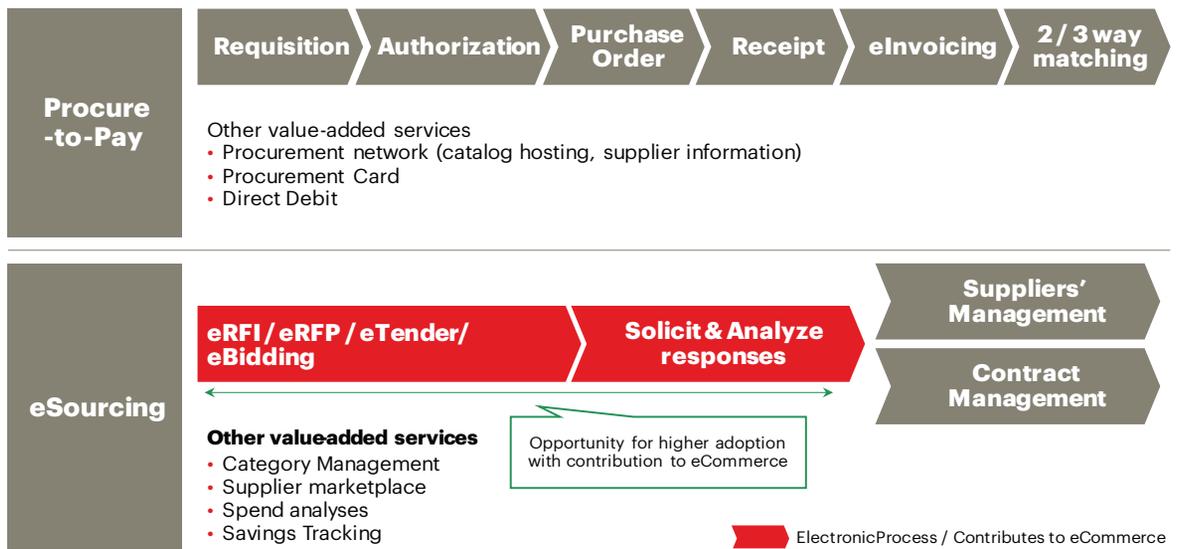
Thrust areas

Increase adoption of eProcurement by businesses.

Program Lead Ministry of Finance

More than 80 percent of online transactions occur between businesses, most through closed-loop eProcurement marketplaces. Significant growth in this B2B eCommerce will require businesses to request and obtain bids from suppliers electronically.

Figure 12
Typical capabilities in eProcurement Solutions



While many private companies are already conducting business with this type of online sourcing, most government agencies and GLCs are still slow to get on board. This is primarily because it is challenging to change traditional purchasing practices and shift company priorities to invest in online procurement systems, including software, supplier training, and user support.

However, this leaves significant value on the table. Online procurement is well recognized for delivering powerful benefits, including 20 percent lower costs for support as a result of automation, incorporating best practices, and eliminating unnecessary activities; 30 percent lower costs in categories with high maverick spending; and 10 percent more effective strategic sourcing thanks to high-quality detailed management information, which helps identify ways to reduce costs by consolidating suppliers.

Figure 13



In the National eCommerce Strategic Roadmap, the fourth program aims to extend the reach of eCommerce into JKR, Statutory Bodies, and Ministry of Finance companies (Menteri Kewangan Diperbadankan). This can be accomplished in several ways, including requiring that more than 75 percent of third party spending be conducted electronically (allowing the respective entities the flexibility to choose their solution providers).

Creating guidelines for potential buyers regarding eProcurement solution providers will also be helpful and should include a solution providers' landscape, best practices, and case references. This will serve as a guideline for the respective entities as they begin to adopt. The respective firms would then conduct an annual self-assessment about eProcurement adoption, both to monitor progress and encourage higher adoption.

Key performance indicators

1. Issuance of treasury circular to clarify mandatory adoption for statutory bodies, MKDs, and JKR
2. Percent of adoption: percent of spend via eProcurement solution

Baseline 2015:

1. Less than 5 percent

Target 2020:

1. More than 75 percent

5. Define threshold spend through eProcurement, and get buy-in from CEO of GLCs

Thrust areas

Increase adoption of eProcurement by businesses.
Realign existing economic incentives.

Program Lead

Ministry of Finance

Stakeholders have also identified several ways to encourage GLCs to use eProcurement. For example, define threshold spending through eProcurement and use self-assessments to accelerate adoption. It will be important to get buy-in from CEOs on the benefits of eProcurement, share best practices, and clarify the status of accelerated capital allowance for ICT adoption. Other recommendations include publishing success stories from companies who have successfully adopted eProcurement (see sidebar: Energy Provider Converts to Online Procurement System), and disseminating an annual report about the status of eProcurement adoption. The annual report should include assessments by industry verticals, such as oil and gas, construction, banks, etc.

Key performance indicators

1. Number of GLCs onboarded: CEOs and CPOs of GLCs convinced of the potential benefits of eProcurement
2. Percent of adoption: percent of 3rd party spend via eProcurement solution

Baseline 2015:

1. 10 to 20 percent

Target 2020:

1. More than 50 percent

Energy Provider Converts to Online Procurement System

Over the past two years, Tenaga Nasional Berhad has converted 9,000 suppliers to an online procurement system, including 100 percent of its domestic spending. Part of the effort included making the online process mandatory for higher value orders.

Bringing this large supplier base on board with the new system required overcoming several obstacles, including SMEs' mindset and level of technology adoption, internal and external process change management, and ensuring system interoperability. To facilitate the transition, the utility held general information sessions with follow-up hands-on training.

Switching to electronic purchase orders had a significant impact on the bottom line: The company improved productivity and saved significant amounts per purchase order, thanks to using less paper, shortening the handling time, and reducing the number of delays.

6. Transform Malaysia's last-mile delivery network with best-in-class capabilities

Thrust areas

Lift non-tariff barriers.

Realign existing economic incentives.

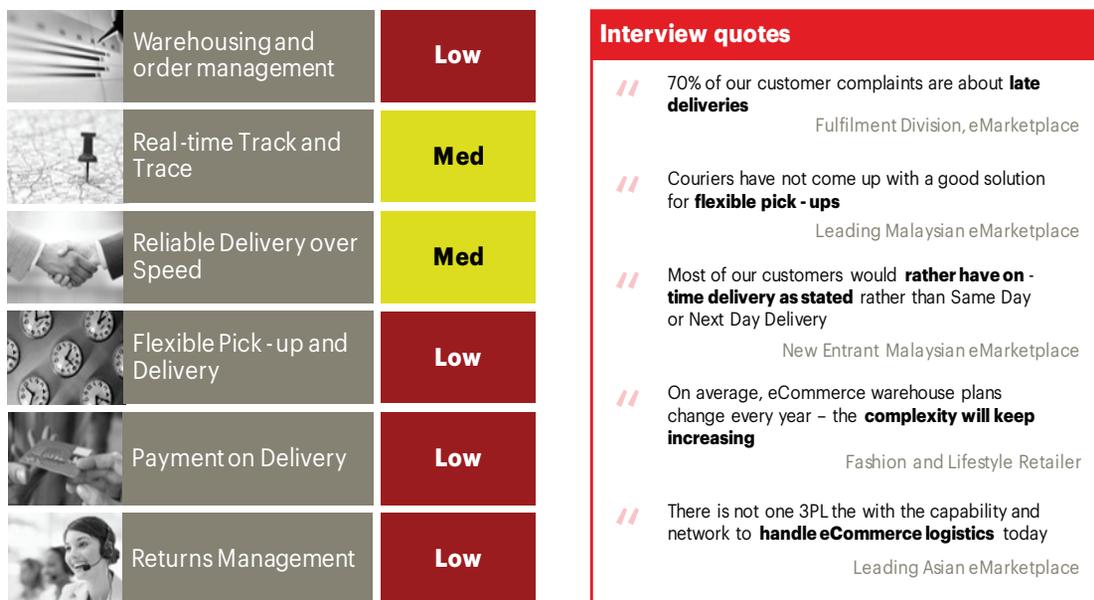
Make strategic investments in select eCommerce players.

Program Lead

Malaysian Communications and Multimedia Commission (MCMC)

One of the main reason for Malaysia's low conversion in B2C eCommerce is the poor fulfillment experience; the delivery process is inconvenient as people who work have short time window for accepting the parcels at home. There is also a lack of transparency about delivery times, and parcels are often returned to the sender or require customers to pick them up after unsuccessful attempts to deliver. Additional gaps exist in warehousing and order management, the returns process, and options for payment on delivery.

Figure 14



A more mature end-to-end fulfillment industry can help fill the gaps in three ways:

Provide end-to-end fulfillment capabilities. This includes flexible pick-up times, packing solutions, inventory management and fulfillment solutions, transportation and warehousing, flexible last-mile delivery options, payments on delivery, and returns management.

Enable cross-border eCommerce. Online markets allow SMEs to extend their reach into new markets. End-to-end fulfillment solution players ease the burden of cross-border eCommerce with a network of partnerships with foreign fulfillment providers and customs.

Offer value-added services to help merchants sell online. This includes web-hosting services, training and consulting services for getting products online, customer care, and digital marketing.

Because information transparency is vital to infusing the last-mile industry with best-in-class capabilities, the sixth program of the National eCommerce Strategic Roadmap begins with a comprehensive performance benchmarking, a state-of-the-industry report, and developing content to track and measure key industry performance standards that are comparable with international metrics. Current standards need to be refreshed to include the eCommerce market and existing courier policies realigned to include last-mile standards. Ensure that service-level agreements are relevant to eCommerce. Transparency requires communication, specifically communicating new requirements and an implementation timeline to licensed last-mile distributors while continually monitoring the implementation and enforcing the new standards.

Quarterly meetings will help facilitate industry-wide collaboration, and turning Association of Malaysian Express Carriers (AMEC) into an active platform for collaboration will provide a basis for sharing best practices. Finally, holding joint quarterly meetings with MCMC and AMEC is a good way to address larger, industrywide issues and discover opportunities for joint innovation and co-investments.

Key performance indicators

1. Fulfillment service reliability: percent of express parcels fulfilled within committed time period
2. Cash on delivery, real-time track and trace, service quality provided to end customers

Baseline 2015

1. Less than 75 percent
2. Nascent

Target 2020

1. More than 90 percent
2. Mature (offered by all Class A companies)

7. Increase awareness of consumers' rights and redress channels

Thrust areas

Lift non-tariff barriers.

Program Lead

Kementerian Perdagangan Dalam Negeri, Koperasi Dan Kepenggunaan (KPDNKK)

As part of the seventh program of the KPDNKK, business and consumer organizations must cooperate to develop consumer protection strategies for eCommerce. This will be a vital step to not only improve the online market but also boost consumer confidence.

The first step is to roll out advocacy programs to protect consumers' welfare on eCommerce platforms and to increase awareness of consumers' rights and redress channels. While Malaysia's regulatory framework in relation to eCommerce is recognized to be one of the most comprehensive in this region, developing easier reference guides about consumer protection will be beneficial for all types of eCommerce platforms. The scope of advocacy efforts will need to be extended to cover nuances in customer-to-customer (C2C) transactions.

In addition, ensure that all marketplaces provide links to the KPDNKK to obtain information about consumer protection, inform consumers that the Consumer Protection Act covers C2C transactions, and create a self-policing vehicle to reduce fraudulent transactions. Publish rates of successful redress via the KPDNKK and use national media platforms to publicize examples of guilty businesses and the punishments meted out. Finally, monitor developments in eCommerce, and update policies to maintain relevance.

Key performance indicators

1. Awareness of consumer protection acts: percent of platforms publishing links to KPDNKK / consumer protection guides
2. Effectiveness of self-regulation vehicle: percent decrease in reported online fraud

Baseline 2015

1. 0 percent
2. Five-year CAGR -12%

Target 2020

1. 100 percent
2. Five-year CAGR -15%

8. Transform Malaysia into a regional e-Fulfillment hub

Thrust areas

Lift non-tariff barriers.

Realign existing economic incentives.

Make strategic investments in select eCommerce players.

Program Lead

Malaysian Investment Development Authority (MIDA)

If Malaysia is to become a regional hub for eCommerce, more investments will be needed to improve the region's fulfillment capabilities. Economic incentives and preferential schemes will also need to be realigned for the online environment. It will help to offer companies incentives to convert warehouses into fulfillment centers and to increase ICT spending, for example, with accelerated capital allowances.

The qualifying criteria of MSC Malaysia will need to be realigned to include e-Fulfillment technology-intensive companies. Several additional resources will be important, including special eCommerce zones, bonded warehouses, and reviewing transshipment tax policies. Attracting foreign and domestic investments in e-Fulfillment will also be beneficial. In addition, create an investment pitch with a strong "Why Malaysia" value proposition, provide information across MSC Malaysia and MIDA channels, and form a MIDA–MDEC team to target and attract investors to Malaysia.

Backed by venture capital, invest in high-potential Malaysian e-Fulfillment companies. Prepare select Malaysian companies to be investor-ready and gain access to funds via networking platforms (for example, with an annual business and technology innovation conference).

Key performance indicator

Foreign and domestic investments in the development of regional hubs

Target 2020

MYR >100 million

9. Reduce border clearance lead-time for parcel (inbound and outbound)

Thrust areas

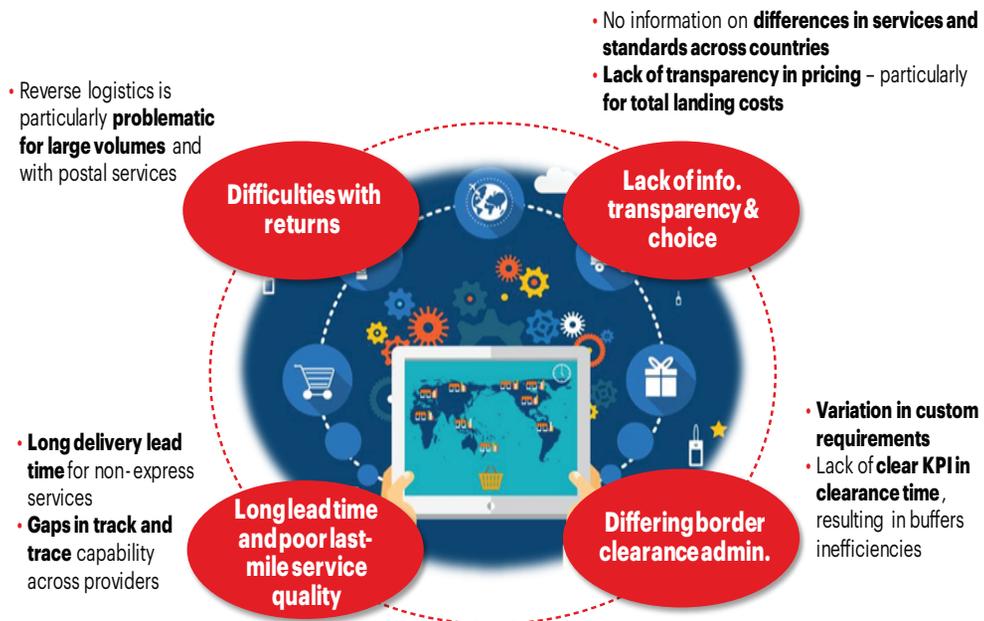
Lift non-tariff barriers.

Program Lead

Ministry of International Trade and Industry (MITI)

An array of obstacles can cause lengthy delays in the time it takes online orders to reach customers. Buyers and sellers experience four primary challenges when engaging in cross-border eCommerce:

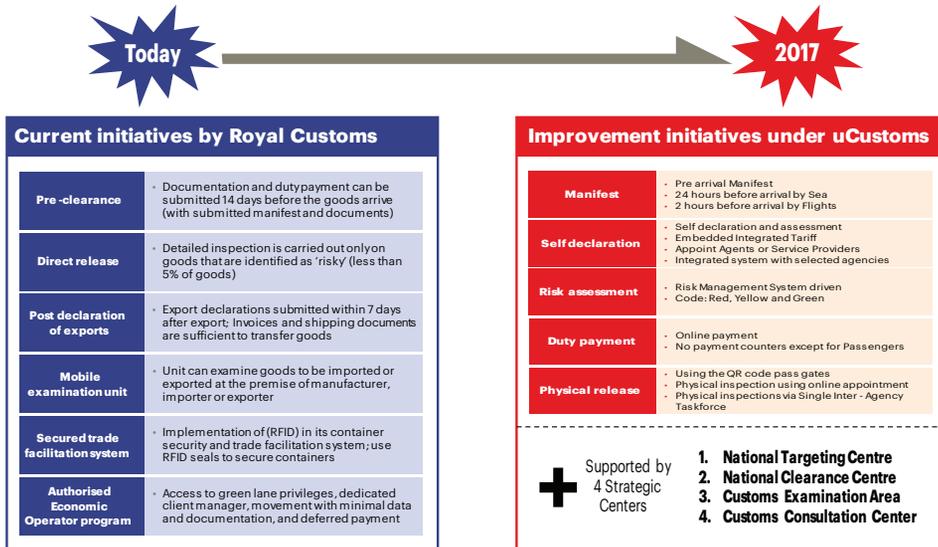
Figure 15



All stakeholders will need to collaborate to address these issues.

As part of the ninth program of the National eCommerce Strategic Roadmap, eliminating or reducing these barriers will go a long way to improve the eCommerce environment. Begin with initiatives that support the timely rollout of uCustoms, an integrated, end-to-end solution that offers one window for clearing goods.

Figure 16



Then review, and potentially revise, cross-border clearance policies and processes, and review current regulations, policies, and processes at cross-border points such as Kuala Lumpur International Airport free zones. Clarify the definition of “express” shipments and reassess allocated capacity for express couriers. Review and shorten end-to-end clearance times at cross-border points.

Consolidate and provide easy access to cross-border information, including information on Harmonized System Codes, export requirements, total landing cost information for buyers, and product certifications and labeling requirements for sellers. In addition, advance the ASEAN Single Window regional initiative to expedite cargo clearance, harmonize export processes, consumer protection, and business-related acts. Finally, encourage companies to adopt interoperable systems across the region to facilitate network-sharing, real-time track and trace, and returns management.

Key performance indicators

1. Prescribed timeline of the rollout and migration to uCustoms
2. Cycle time for cross-border clearance, average time taken for express parcels to clear cross-border processes

Baseline 2015

1. Pilot: August 2016; 20 percent rollout by mid-2017
2. Four hours

Target 2020

1. 100 percent rollout by the end of 2018
2. Two hours

10. Increase awareness of e-Payment benefits and security

Thrust areas

Accelerate seller adoption of eCommerce.
Lift non-tariff barriers.

Program Lead

Bank Negara Malaysia (BNM)

Malaysia already has a healthy e-Payment ecosystem with regulations and policies in place, and interventions are underway to create a more reliable and secure infrastructure and growing demand for B2C and B2B e-Payments. Between 2011 and 2015, Malaysia strengthened its regulatory framework by addressing distortions and establishing incentive structures. In addition, the market infrastructure has been expanded and enhanced, and initiatives are in-place to promote awareness and instill more confidence in online payments.

The next opportunity lies in offering more innovative payment products, improving service levels, and encouraging adoption and use. Several initiatives have been rolled out to encourage users to migrate to e-Payments, including: enhancing the infrastructure to keep pace with innovation and meet users' needs, putting caps on fees for using credit cards, improving security via credit cards with embedded microprocessor chips to protect cardholders' data, adding more payment terminals, creating incentives such as market development funds and e-Payments incentive funds, and using media campaigns to raise awareness about e-Payments.

As part of the tenth program of the National eCommerce Strategic Roadmap, it will be essential to further encourage buyers and sellers to adopt eCommerce. This can be accomplished by raising awareness of the benefits and security of e-Payments, developing coordinated and consistent nationwide messaging, and reviewing the messages that banks circulate to identify any inconsistencies. In addition, require e-Payment platforms to publish links to BNM / KPDNKK channels for consumer protection and ways to resolve issues.

Key performance indicators

Coordinated communication on redress channels: percent of e-Payment gateways and platforms publishing links to redress channels

Target 2020

100 percent

11. Nurture select sub-sectors and promote them in key global markets

Thrust areas

Promote national brand to boost cross-border eCommerce.

Program Lead

Malaysia External Trade Development Corporation (MATRADE)

Online markets offer vast opportunities for exports (see sidebar: Asian Countries Extend SMEs' Reach to Global Markets). In Malaysia, MATRADE has launched a nationwide advocacy program via eTRADE, a government initiative to accelerate exports by encouraging SMEs to participate in leading international online marketplaces. The objectives of the program are to widen market access, establish cooperative relationships with already-established online marketplaces, and reduce the cost of exporting products. A variety of products—from processed food and household goods to industrial products—are listed on e-marketplaces and are being exported to 22 markets around the world.

Ongoing eTRADE initiatives include assessing potential online marketplaces, establishing strategic collaborations, compiling a list of e-Fulfillment providers, promoting Malaysian products to potential online buyers, creating an international sourcing program for buyers, raising awareness about eCommerce among Malaysian exporters (SMEs and non-SMEs), matching Malaysian companies with e-marketplaces, and monitoring the impact of eCommerce adoption for stakeholders' reporting.

However, we see additional opportunities for MATRADE to coordinate a prioritized sector approach and scale up the benefits that can be derived via eCommerce. For this eleventh program of the National eCommerce Strategic Roadmap to succeed in boosting exports and capturing a place in the global marketplace, Malaysia will need to move in three areas:

Structured identification and targeting of exporters. Systematically identify and target companies to be supported in priority subsectors instead of the current broad-based awareness program. For priority subsectors, MATRADE should then provide support in developing successful go-to-market strategies for different countries, platforms, and products.

Asian Countries Extend SMEs' Reach to Global Markets

Two countries are providing sector-specific onboarding programs and platforms to help their SMEs sell globally.

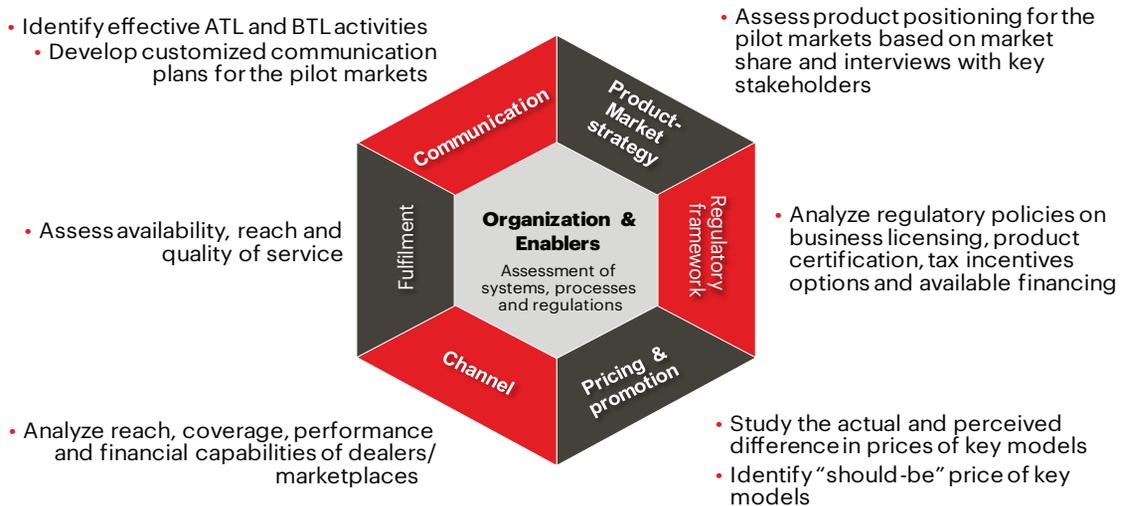
In Korea, the global marketplace Korea Post Shopping has supported cross-border sales of traditional products through curated shopping recommendations in key markets, including the United States, Japan, and China. Sector-specific Korean SMEs, with limited market and technology know-how, are guided to fulfill the curated shopping recommendations. In 2009, Korea Post offered 7,200 items and had \$135 million in sales.

In Singapore, the Singapore Food Manufacturers' Association has partnered with International Enterprise Singapore to help food manufacturers set up shop on Alibaba's Tmall website. Since July 2015, 45 companies have signed up in a combined marketing campaign with a Singapore-themed transaction page on Tmall called Tasty Singapore.

Figure 17

For the prioritized subsectors, MATRADE should then support in developing a successful GTM strategy

Developing Go-to-Market strategy – key activities



Expanded scope of public eCommerce-as-trade programs. Expand the eTRADE program to cover training for merchants about product-market fit, cross-border eCommerce policies (such as returns management), and pricing strategy. Provide an avenue for cross-border networking, such as offering an incoming buying mission for potential customers from eMarketplaces.

Enhanced maturity in the support ecosystem. Conduct a long-term cross-border eCommerce demand activation program, driven by sub-sector and target companies. Support target companies to connect with funding organizations (such as Exim Bank and SME Bank) to improve SMEs' export capabilities. Improve the landscape for e-Fulfillment service providers in Malaysia, and reduce barriers to eCommerce adoption both domestically and abroad.

Working with trade associations will go a long way toward developing go-to-market guidelines and identifying regional and global e-Fulfillment partners, and a Made in Malaysia marketing campaign could help showcase priority subsectors. Malaysia will also benefit by negotiating on behalf of companies with eCommerce platforms to promote Malaysian products and obtain prime shelf space. Finally, measure the returns on marketing investments in foreign campaigns and do a course correction as necessary.

Key performance indicators

1. Priority subsectors identified for go-to-market strategy
2. Cross-border eCommerce sales: RM value and incremental percent derived from eCommerce platforms

Target 2020

1. 10 sub-sectors

For top 30 companies by subsector, 2x trade sales on eCommerce; subsector cross-border sales increase by 30 percent

The Way Forward

The public agencies that oversee each initiative will report back to the National eCommerce Council to discuss their progress based on clearly defined key performance indicators.

Lead public-sector ministries and agencies

SME Corporation Malaysia

1. Increased promotion and marketing of eCommerce to SMEs.
2. Augment scale and effectiveness of eCommerce training and talent development.
3. Establish one stop eBusiness resource for SMEs.

Ministry of Finance

4. Mandate adoption of eProcurement for statutory bodies, MoF companies and JKR.
5. Define threshold spend through eProcurement, and get buy-in from CEO of GLCs.

Malaysian Communications and Multimedia Commission

6. Transform Malaysia's last-mile industry with best-in-class capabilities.

Ministry of Domestic Trade, Co-operatives and Consumerism

7. Increase awareness of consumers' rights and redress channels.

Malaysian Investment Development Authority

8. Transform Malaysia into a regional e-Fulfillment hub.

Ministry of International Trade and Industry

9. Reduce border clearance lead-time for parcel (inbound and outbound).

Bank Negara Malaysia

10. Increase awareness of e-Payment benefits and security.

Malaysia External Trade Development Corporation

11. Nurture select sub-sectors and promote them in key global markets.

Figure 18

Clear goals will track the progress of the 11 programs

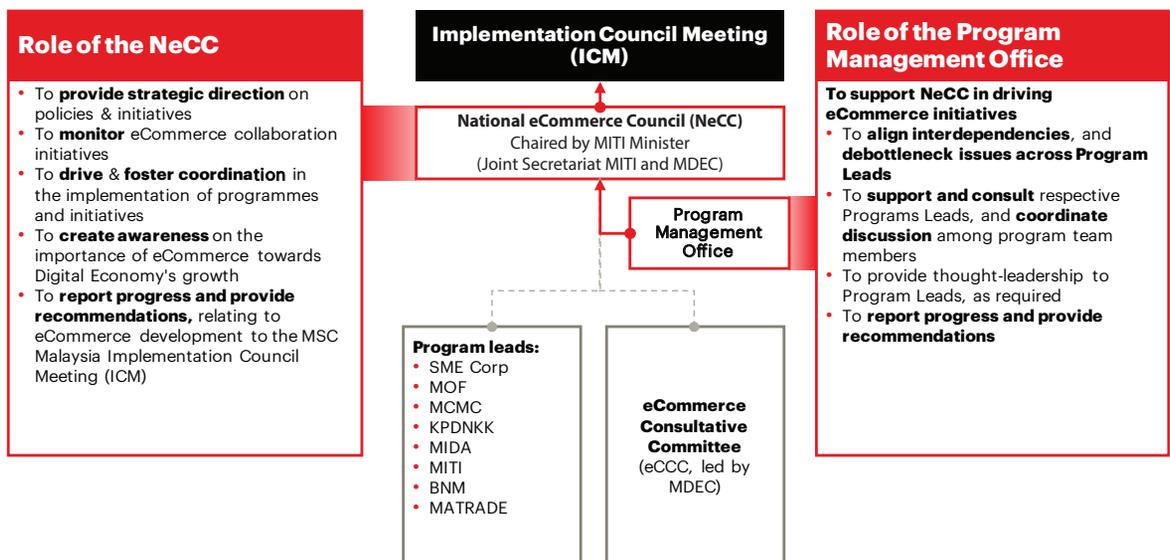
1 Increased promotion / marketing of eCommerce to SMEs	SMEs marketed on eCommerce eCommerce interest barometer ¹	5 Define threshold spend through eProcurement, and get buy-in from CEO of GLCs	Number of government linked corporations that are "convinced" % of adoption	10 Increase awareness of e-Payment benefits and security	SMEs marketed on eCommerce eCommerce interest barometer ¹
2 Augment scale & effectiveness of eCommerce training & talent development	Number of SMEs reached; number of students trained Three-month follow-up adoption	6,8 Transform Malaysia's last-mile industry with best-in-class capabilities Transform Malaysia into a regional e-Fulfillment hub	Fulfillment service reliability Cash on delivery, real-time track and trace Investments in regional eFulfillment hub	7 Increase awareness of consumers' rights and redress channels	Awareness of consumer protections acts Effectiveness of self-regulation vehicle
3 Establish one stop eBusiness resource for SMEs	SMEs registered on e business	9 Reduce border clearance lead-time for parcel (inbound and outbound)	Rollout of uCustoms Cycle time for cross border clearance	11 Nurture select sub-sectors and promote them in key global markets	Priority sub-sectors Cross-border eCommerce sales
4 Mandate adoption of eProcurement for statutory bodies, MoF companies and JKR	Issuance of treasury circular % of adoption				

Proposed governance

Because eCommerce affects an array of areas, collaboration will be essential to the success of the 11 eCommerce programs. Hence, we recommend that the National eCommerce Council establish a program management office to align interdependencies, offer support, and drive the execution of these programs.

Figure 19

Governance of National Strategic eCommerce Roadmap



The **National eCommerce Council** will provide strategic direction on policies and initiatives and monitor eCommerce collaboration initiatives. The Council will drive and foster coordination in the implementation of programs and initiatives, create awareness of the importance of eCommerce in growing the digital economy, report progress, and offer recommendations related to eCommerce developments to the MSC Malaysia Implementation Council Meeting.

The **Program Management Office** will support NeCC in driving eCommerce initiatives, aligning interdependencies, and “debottlenecking” issues as they arise. The office will assist program leads, coordinate discussions among team members, provide the latest thinking and research on key topics, report on progress, and offer recommendations.

Program Leads will coordinate and execute programs with public and private partners (including trade associations), drive specific action items under their respective programs, resource the core team to drive the execution, and monitor and track program key performance indicators.

Glossary

eCommerce is the sale or purchase of goods or services conducted over computer networks/Internet by methods specifically designed for the purpose of receiving or placing orders. eCommerce transactions can be between enterprises, households, individuals, governments, and other public/private organizations. Method of payment and the ultimate delivery of eCommerce goods or services might be done through computer networks/Internet or traditionally. eCommerce transactions include orders made on web pages, extranets, or Electronic Data Interchange (EDI). Orders made manually such as by telephone, facsimile, or typed e-mail are not considered eCommerce transactions.

B2C: Business to consumer; in this document, B2C also includes consumer to consumer (C2C)

B2B: Business to business

Approach and Five MiniLabs

There are many ongoing initiatives by various public and private stakeholders along the eCommerce value chain. To refine these existing eCommerce initiatives and identify new ones, the Ministry of International Trade and Industry (MITI) and Malaysia Digital Economy Corporation (MDEC), in collaboration with A.T. Kearney Limited, embarked on this journey to develop a roadmap for Malaysia's eCommerce. As part of the roadmap development, five discussion groups, or MiniLabs were co-hosted by Malaysia Digital Economy Corporation (MDEC), SME Corporation Malaysia, and Malaysian Communications and Multimedia Commission (MCMC). During the MiniLabs, eCommerce stakeholders from both the public and private sectors were in attendance. Additionally, the team also reached out and conducted numerous one-on-one discussions with key stakeholders.



MiniLab 1, co-hosted by SME Corporation Malaysia and Malaysia Digital Economy Corporation (MDEC), brought together more than 60 participants from 22 organizations. The focus was on the factors needed to convince SME sellers about the benefits of eCommerce, the type of training needed (for example, train B2B sellers on eProcurement and B2C sellers on marketing and order management, among other topics), and the ways in which companies in the eCommerce ecosystem can collaborate to support these efforts. Also on the agenda was determining how to take advantage of ongoing initiatives such as awareness training and advocacy to enhance their impact.

MiniLabs 2, 3, 4, and 5, co-hosted by Malaysian Communications and Multimedia Commission (MCMC) and Malaysia Digital Economy Corporation (MDEC), included more than 40 participants from 32 organizations. Participants brainstormed ideas to flesh out a vision for the Malaysia eCommerce ecosystem. The ideas revolved around how to increase maturity of the domestic e-Fulfillment industry, how to nurture end-to-end e-Fulfillment providers to serve SMEs and offline retailers both within Malaysia and abroad, how to make e-Payments more convenient and secure, and how to ensure consumer protection in eCommerce.

During both MiniLabs, live votes were taken to obtain a snapshot of participants' sentiment. For example, when asked what words come to mind when you think of Malaysia eCommerce, most participants responded with "growth" and "growing." When asked why few SMEs use eCommerce, the overwhelming answers were: that "SMEs are unfamiliar with this new way of doing business" and "SMEs lack the training to participate meaningfully." These responses, from both public- and private-sector stakeholders, indicate that many Malaysian businesses are struggling on their eCommerce journeys to truly capture the full potential that eCommerce has to offer for their businesses.

Organizations that attended the mini LABs

Mini LAB1

Organization	MDEC
11Street	MDEX
AliBaba	MDV
A.T. Kearney	MIDA
FMM	MITI
Google	PIKOM
Internet Alliance (IA)	POS Malaysia
KPDNKK	PUIM
Lazada	SiteGiant
Lelong	SME Corp
MATRADE	Webshaper
Mavcap	

Mini LABs 2,3,4,5

Organization	
ABX Express (M) Sdn Bhd	MCMC
Association of Malaysian Express Carriers (AMEC)	MDEC
A.T. Kearney	MEPS
Bank Negara Malaysia	MIDA
aCommerce	MITI
CIMB Bank Berhad	Molpay Sdn Bhd
CyberSecurity Malaysia	MOT
DHL eCommerce Malaysia	MyClear
Flairwork Technologies Sdn Bhd / Mat Despatch	Nationwide Express Courier Services Bhd
GD Express Sdn Bhd	Paypal
iPay88 Sdn Bhd	PIKOM
iStore iSend	Pos Malaysia Berhad
KASTAM	Skynet Express (M) Sdn Bhd
KPDNKK	SnT Global
Manageway Services Sdn Bhd	Suruhanjaya Syarikat Malaysia (SSM)
MATRADE	Touch 'n Go Sdn Bhd
MasterCard Asia / Pacific Pte Ltd	Visa International (Asia Pacific), LLC

About MITI

Background

The Ministry of Commerce and Industry was established in April 1956 and situated in Government Office, Jalan Raja. The Ministry was then renamed the Ministry of Trade and Industry in February 1972. On 27 October 1990, the Ministry was separated into two Ministries which are:

- i. Ministry of International Trade and Industry (MITI); and
- ii. Ministry of Domestic Trade and Consumer Affairs (KPDN).

Vision

To make Malaysia the preferred investment destination and among the most globally competitive trading nations by 2020.

Mission

To promote and strategise Malaysia's global competitiveness in international trade by producing high value added goods and services.

To spur the development of industrial activities towards enhancing Malaysia's economic growth for achieving a developed nation status by 2020.

Objective

To plan, legislate and implement international trade and industrial policies that will ensure Malaysia's rapid development towards achieving National Economic Policy and Vision 2020.

Functions

- To plan, formulate and implement policies on industrial development, international trade and investment.
- To encourage foreign and domestic investment.
- To promote Malaysia's exports of manufacturing products and services by strengthening bilateral, multilateral and regional trade relations and cooperation.
- To enhance national productivity and competitiveness in the manufacturing sector.

About MDEC

Malaysia Digital Economy Corporation Sdn. Bhd. (MDEC) is the holistic, government-owned agency launched in 1996 to pioneer the transformation of Malaysia's digital economy. Its roots stemmed from Vision 2020, the plan to develop Malaysia into a fully-developed nation by 2020.

MDEC pursues a digital future that unlocks significant economic, environmental, and social value within the nation. MDEC was entrusted to oversee the development of the MSC Malaysia initiative, the platform to nurture the growth of local tech companies whilst attracting foreign direct investments (FDIs) and domestic direct investments (DDIs) from global multinational companies. The impact of this includes increasing Malaysia's Gross National Index, bridging the income gap and improving standards of living.

To support a digital economy, MDEC rolls out initiatives that revolve around four key pillars:

- Attracting Investors, Globalising Local Tech Champions
- Catalysing Industry-Driven Digital Ecosystem
- Building Critical Enablers of the Digital Economy
- Driving Inclusive Adoption of Technology

To succeed on these fronts, the MDEC engine harnesses the collaborative energy, capabilities, and vision of the government, businesses, and citizens.

A strong and sustainable digital economy necessitates a population who not only possess the relevant digital competencies, but are genuinely inspired to participate. MDEC thus works towards a mandate of inclusive adoption that encourages Malaysians to embrace technology in their day-to-day lives to improve their socio-economic wellbeing.

At the heart of MDEC is MSC Malaysia, a national initiative that grows local digital businesses into global players whilst working to continuously future-proof the local digital ecosystem

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