

E-commerce in Malaysia: An Exploratory Analysis

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ABSTRACT

A web site is an additional communication channel between a company, its existing customers, and possibly new customers. It gives company greater market reach and is like having a 24-hour telephone line combined with a company sales brochure that can be updated quickly. E-commerce is definitely international in nature and provides customers with access to important global markets such as the US, Europe and Asian countries. However, how many Malaysian companies have embraced this channel as one of their marketing strategy? Based on a study conducted on 618 companies listed in the Malaysia Bourse Main Board only 252 companies have web site. This clearly indicates that E-commerce is still "alien" to Malaysian corporation. The paper articulates a number of issues and challenges, and advantages, to promote greater diffusion of e-commerce technologies among Malaysian companies. The need to prepare themselves is a "must" because the volume of Internet-based-e-commerce had reached \$150 billion in 2000 and more than \$1 trillion in 2010.

Keyword: E-commerce, Internet, Strategy, Marketing, Strategic Management

1.0 INTRODUCTION

Electronic commerce, better known as e-commerce is simply the selling of goods and services through the Internet. Basically, e-commerce exists in three different forms, business to consumer, business-to-business, and consumer-to-consumer. The present era of globalization has truly make e-commerce looks promising.

The rise of the Internet (electronic commerce), since the advent of the World Wide Web, has provided an easy to use communication channel for businesses to contact current and potential customers. The emergence of the Internet as a general communication channel worldwide has also given rise to the possibility of widespread electronic commerce. Even though there is still much debate relating to electronic payment for commercial activities, this is clearly an area of growth.

For example, retail e-commerce sales (B-to-C) in the United States increased from \$13,651 million in the third quarter of 2003 to \$16,548 million (\$17 billion) in the third quarter of 2004, an increase of 21.2 percent and total retail e-commerce sales between the year of 2003 and that of 2002 had increased to 26.4 percent as shown in Table 1 below.

Table 1: Retail E-commerce Sales

Period	Retail Sales		E-commerce as percent of total sales	Quarter-to-Quarter/Year-to-Year Percent Change in Sales	
	E-commerce	Total		E-commerce	Total
1999, 4Q	5,335	787,212	0.68	(NA)	(N/A)
2000, 1Q	5,663	714,561	0.79	6.1	-9.2
2000, 2Q	6,185	774,677	0.80	9.2	8.4
2000, 3Q	7,009	768,139	0.91	13.3	-0.8
2000, 4Q	9,143	812,809	1.12	30.5	5.8
Year 2000	28,000	3,070,186	0.91	(NA)	7.2
2001, 1Q	7,893	724,731	1.09	-13.7	-10.8
2001, 2Q	7,794	802,662	0.97	-1.3	10.8
2001, 3Q	7,821	779,096	1.00	0.4	-2.9
2001, 4Q	10,755	850,6265	1.26	37.5	9.1
Year 2001	34,263	3,156,754	1.09	22.4	2.8
2002, 1Q	9,549	738,185	1.289	-11.2	-13.2
2002, 2Q	10,005	814,626	1.23	4.8	10.4
2002, 3Q	10,734	818,061	1.31	7.3	0.4
2002, 4Q	13,999	859,250	1.63	30.4	5.0
Year 2002	44,287	3,230,122	1.37	29.3	2.3

2003, 1Q	12,115	767,433	1.58	-13.5	-10.7
2003, 2Q	12,718	852,760	1.49	5.0	11.1
2003, 3Q	13,651	867,242	1.57	7.3	1.7
2003, 4Q	17,512	912,109	1.92	28.3	5.2
Year 2003	55,996	3,399,544	1.65	26.4	5.3
2004, 1Q	15,515	834,716	1.86	-11.4	-8.5
2004, 2Q	15,707	918,989	1.71	1.2	10.1
2004, 3Q	16,548	923,408	1.79	5.4	0.5

Source: United States Department of Commerce, November 19, 2004. Excludes food services.

While in Canada, Canadian household spent just over \$2.4 billion shopping on the Internet, increase 35% from \$1.8 billion spent online in 2001. About 2.8 million Canadian households actively participated in e-commerce, an increase from 2.2 million. These households represented 19% of the total, an increase from 15% in 2001 (Ellison, 2003).

However, the scenario seems does not give any significant impact on the business models of the largest Malaysia companies. It could be due to the nature of the market itself as it is not demanding it, and the payoffs from transaction-oriented e-commerce and e-marketplaces are regarded as being uncertain. Basically, the same perception occurred in other developing nations like South Africa, China, India, Thailand, and Indonesia.

2.0 ISSUES AND CHALLENGES SURROUNDING E-COMMERCE

Major issues in using e-commerce in Malaysia are pessimism on privacy matters and challenges of identifying and targeting a segment. Issues of fraudulent credit card, and misused of information are among many reasons that make consumers skeptical in giving their personal information to “invisible company”. Most Malaysian are skeptics of the promise or code that guarantees security, reliability, and confidentiality when making transactions on the website. Other major reasons would influence e-commerce development in Malaysia are trends in consumer spending, the state of economy, changing customer expectations; fast, cheap, quality, and personalized goods or services. If all these factors perceived positively, e-commerce are definitely have better chance to establish its existence in Malaysia.

Below are strategic questions for companies to use as to develop and exploit e-commerce:

- How to evolve e-Business strategy?
- What to prepare organization to meet the challenges of e-commerce?
- How to organize and integrate e-commerce opportunities?
- What is the financial value of e-commerce to the company?

- How to measure the impact of e-commerce initiatives?
- How to out compete by leveraging intellectual capital?

Besides that, it requires companies to ensure good combination of proactive and reactive actions in formulating, implementing, and evaluating strategy as to exploit e-commerce potential. The best management concept to understand e-commerce opportunity and threat is strategic management concept due to its systematic steps in identifying strengths, weaknesses, opportunities, and threats (Haim, 2005).

3.0 ADVANTAGES OF E-COMMERCE

Looking at the brighter side of e-commerce obviously has numerous advantages compare to traditional commerce. The main advantage is convenience of use. The consumer can browse online stores, compare prices and order merchandise from home, office or any places they can access to PC. This channel has created considerable advantages over traditional commerce transaction as it has no taxes, no dealing with salesmen and access to a large market and a wide range of products without getting out of your comfortable chair at anytime and anywhere.

Besides that, e-commerce also provides some other specific features that are better than traditional commerce and it also provides the feeling ease of use and quick response times as customers can seek thus service via e-mail from their homes. In relation to Malaysia context, Malaysia companies need to ensure their websites are capable to provide excellent customer service on each step of the way, therefore having a good infrastructure for customer service can certainly help the company in succeeding.

These companies must also deliver excellent proactive customer service at all time. This means not only advertising a call center but also ensuring speedy response times and knowledgeable service reps. Dell, for example has adopted the same approach to selling their products both online and offline. They have an excellent website (<http://www.dell.com>), that provides the customers with each and every small

detail that they need to know in order to make a purchase.

Well planned e-commerce strategy would help companies become more competitive and have the advantage of not to make product until they receive orders. This advantage is definitely crucial in present business environment because it will help companies to have better financial liquidity. It also helps them to have better chance to cut down their warehousing costs.

Fawzy S., & Mohaned A. Y., (2003) cited Mougayar (1997), business value of e-commerce should help companies:

- *Reducing cost.* The most basic cost reduction could be publishing costs, marketing, and selling as all the traditional approaches can be done electronically.
- *Process simplification.* World Wide Web (www) simplifies and speeds the approval process.
- *Improving customer service.* Provide alternative to customers as they can self-access their accounts, transactions, and orders.

- *Generating new revenue.* Existing and new product can be sold on the Internet and this is definitely generating new revenue.
- *Taking faster decisions.* Enhance companies' competitiveness, as information can be access through an intranet retrieval database.

4.0 METHODOLOGY

The population for this study comprised of all companies listed in the Malaysia Bourse main board. A total of 618 companies were identified and Internet surfing approach to identify company with and without website was used.

Analysis of Finding

Out of 618 companies studied only 252 have website or 42%. This finding indicates not even half of Malaysia big companies considered e-commerce as an important communication or marketing channel to market their products and services. Lack of confidence and awareness on this marketing channel may lead them to miss a market that may worth \$1 trillion by 2010. Table 2 below shows the distribution of sectors with websites.

Table2: Percentage of Companies with Website

No.	Sector	Number of companies	Companies with Website	% Over sector	Overall %
1.	Consumer Products	74	25	34	4
2.	Industrial Products	136	66	49	11
3.	Construction	42	16	38	3
4.	Service	127	54	43	9
5.	Finance	54	32	59	5
6.	Infrastructure	8	4	50	1
7.	Hotel	5	1	20	0
8.	Property	94	32	34	6
9.	Plantation	38	8	21	1
10.	Mining	1	0	0	0
11.	Technology	16	12	75	2
12.	PN4	23	2	9	0
		N = 618	n = 252		42

Findings in Table 2 indicates the Technology based sector is a sector with high number of companies with website (75%). It was followed by sector of Finance (59%), Infrastructure (50%), Industrial Products (49%) and Service (43%). Others were found below 40%.

However if the measurement made on sector with website basis over overall companies listed in the bourse, the Industrial Sector came first with (11%) and followed by service (9%), Property (6%), Finance (5%), Consumer Products (4%), Construction (3%), Technology (2%), and others are below than 1%.

These finding indicate the commitment of giant companies in Malaysia towards e-commerce is still low. Below is the list of reasons on why these

companies and consumers have not “embraced” this marketing channel yet.

- Still skeptics on the promise of code that guarantees security, reliability, and confidentiality when making transactions on the website.
- There is confusion over the availability of choice of Internet payment tools.
- Trends in consumer spending still favor traditional approach.
- The state of economy does not really move towards that direction.
- Slow changes on expectation and perception on best business practices.

5.0 THE FUTURE OF INTERNET-BASED E-COMMERCE IN MALAYSIA

Information technology is progressing so fast that is difficult to predict correctly the future of the internet-based e-commerce. However, based on global trends, Malaysia companies will be left out if they neglected this channel of communication because the Internet-based e-commerce will dramatically change the landscape of conducting business in the near future. The early the companies adopt the internet-based e-commerce, the more likely they will survive, growth, and prosper.

Experts predict, over the next 10 years, the growth of this commerce-based function will outclass the growth of traditional commerce. With the Internet commerce at \$150 billion in 2000 and expected to reach \$1 trillion in 2010 confirm the approach is the center of dramatic growth for many years to come.

6.0 CONCLUSIONS

Success in e-commerce depends on how companies strategically position their products and services through this medium. User friendly and highly interactive website should be the most important strategic move that a company should go for. Definition of excellent website should not be perceived from consumers perspective only but all stakeholders involves. Companies have no website still have the chance to secure certain percent market shares if they act now because commerce over the Internet is very much in the early stage. Strategic move through a combination of proactive and reactive approach should be the best choice for them to embark into this business channel. While companies that already use the channel should keep on working towards making its website in general and e-commerce activities in particular the most reliable, safe and efficient. Besides that, good cooperation between companies, government, and consumers also important in speeding up the development of this sector.

For the future research, a study on how much e-commerce has contributed to profit and loss account of companies involves should be conducted. Continuous study on security, reliability, and efficiency should be conducted consistently too and the findings should be compared with global and international companies as to know our standard in the global market. Information as such is definitely useful in enhancing companies' competitiveness.

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