

Special Highlights

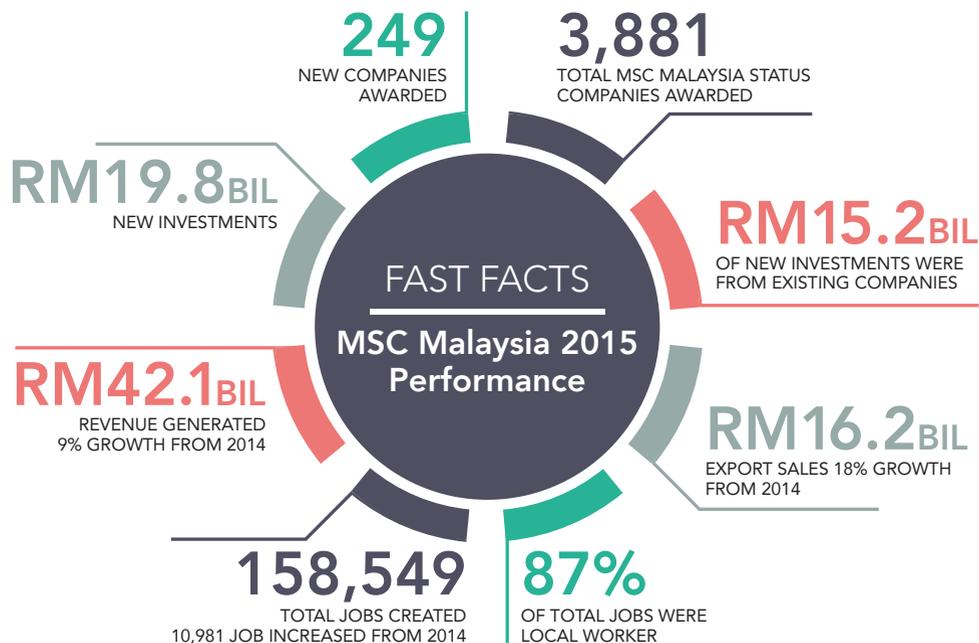
Digitising Malaysian SMEs

The digital revolution may have begun in the 20th century but it is in this day and age that its full potential is being realised in the business world. All across the globe, digital technologies are contributing to the growth of economies by providing a competitive edge, driving innovation and opening up new market opportunities. According to the European Commission, the digital economy contributes up to 8% of the gross domestic product (GDP) of the G20 major economies. In fact, digital technology has continued to evolve rapidly and now applications such as mobile, cloud, Big Data and the Internet of Things (IoT) are providing businesses with unique ways to nurture their reputation, develop and expand their products and services as well as connect with a larger audience. For example e-commerce which began with buying and selling electronically through the Internet has also matured in its applications over the years. E-commerce now offers information technology (IT) savvy businesses a competitive advantage by enabling them to automate their operations, extend market reach, communicate expediently with customers, and promote products and services more efficiently.



In Malaysia, the digital economy is recognised as a key element in driving the country's future economic growth. Malaysia scored at the higher end of the 'Break Out Trajectory Zone' in the Digital Evolution Index (DEI). Countries in this zone have the potential to develop a strong digital economy and are poised to join the ranks of 'Stand Out' countries such as Singapore, Hong Kong, United States of America (USA) and Switzerland in the future. In 2014, the digital economy contributed 17% (2013: 16.4%) or RM188.3 billion of the national GDP.

The **Digital Malaysia** programme, spearheaded by the Malaysian Digital Economy Corporation or MDEC (formerly known as Multimedia Development Corporation Sdn. Bhd.), was established to realise the country's potential as a significant player in the global digital economy. The programme began in 1996 with the launch of the Multimedia Super Corridor (MSC Malaysia) project. Over the years, the advent of more advanced digital technologies and its impact on the economy has warranted the need to revisit Malaysia's initial objectives, particularly in light of the country's goal of becoming a high-income and developed nation.



Source: MSC Malaysia Annual Industry Report 2015

As a result, the Digital Malaysia programme was launched in 2012 to advance the country to become a developed digital economy by 2020. In particular, Digital Malaysia aims to:

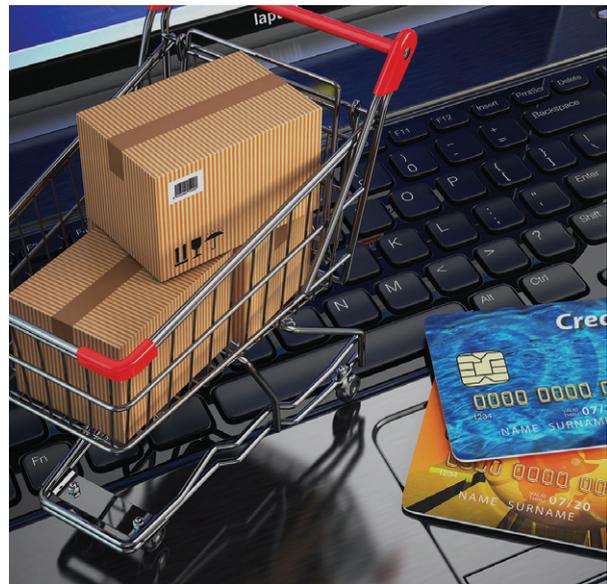
- Tap global demand for digital products and services;
- Increase citizen income and unlock entrepreneurship potential for the bottom 40% household income (B40) group;
- Empower the next generation workforce with digital skillsets and the productive use of digital tools; and
- Drive technology adoption amongst Malaysian SMEs to enhance productivity.

To achieve these goals, the Government has established a number of key initiatives to develop the e-commerce industry as follows:

ENABLING E-PAYMENT SERVICES PROGRAMME FOR SMEs

As technology continues to develop, the range of devices and processes to transact electronically continues to increase while the percentage of cash and cheque transactions have reduced significantly. The Internet has the potential to become the most active trade intermediary within the decade. The Enabling e-Payment Services Programme for SMEs aims to facilitate and encourage SME participation in the digital economy by increasing their adoption of e-payment. The ultimate objective is to simplify the purchasing process and lower the cost.

SME Corp. Malaysia being the implementing agency of the programme introduces low cost e-payment devices that can be connected to the existing network infrastructure. The target groups for the e-payment programme are the microenterprises or operators of 'pasar tani', small restaurants, and small businesses dependent on night markets, flea bazaars and cottage industries. For the period of 2015, a total of 13,846 SMEs have been enabled with the e-payment solutions involving 22,236 terminals. By 2020, the project is expected to generate 1,125,000 e-payment merchant outlets points enabled by Electronic Funds Transfer Point-of-Sale (EFTPOS) terminal.



eTRADE PROGRAMME

The eTRADE programme, implemented by Malaysia External Trade Development Corporation (MATRADE) is working with other agencies like SME Corp. Malaysia under Digital Malaysia with the objective to accelerate Malaysia's exports through the participation of Malaysian SMEs in leading international e-marketplaces.

The three core activities undertaken through the eTRADE programme involve selection of international e-marketplace, awareness and outreach programmes, as well as on-boarding the qualified SMEs on the e-marketplace.

The Alibaba.com was the first Business to Business (B2B) e-marketplace under the eTRADE programme through MATRADE's collaboration with Alibaba in October 2014. A total of 40 awareness programmes in the form of Seminars, Workshops and Information Booths were conducted by MATRADE or jointly with Alibaba. Application for eTRADE could be done online by Malaysian SMEs through MATRADE's website and qualified SMEs were provided with e-voucher to cover partially the cost of their first year subscription or listing fee as Alibaba Gold Supplier.

As of 31 December 2015, a total of 416 SMEs from various industries such as prepared food, beverages, furniture, pharmaceuticals, personal care and automotive parts qualified for the eTRADE programme. The qualified SMEs can attend the on-boarding training conducted by Alibaba's appointed agents in Malaysia to enable them to understand the features of Alibaba as well as to acquire the necessary knowledge to manage their products information, photos and business leads on the platform.

Additional international B2B and Business to Consumer (B2C) e-marketplaces, namely TradeIndia.com, Amazon.com and eBay.com were selected for the eTRADE programme for 2016. Collaboration was also initiated with JinBaoMen (M) Sdn. Bhd., to expand the B2C e-marketplaces serving the China market which include JD.com, TMall.com, Suning.com, Kjt.com and Yhd.com.

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#MYCYBERSALE

#MYCYBERSALE is Malaysia's biggest online sale event, which gathers Malaysia's popular online merchants to provide significant discounts on their products and services during a stipulated period of time. It is organised by MDEC as the main driver of this programme and supported by the Ministry of Domestic Trade, Cooperative and Consumerism (KPDNKK), CyberSecurity Malaysia and SME Corp. Malaysia. #MYCYBERSALE aims to boost the e-commerce industry in Malaysia through these objectives:

- To generate online shopping demand from consumers;
- To encourage SMEs to adopt e-commerce in their businesses; and
- To increase domestic revenue of e-commerce

#MYCYBERSALE was first introduced in 2014 under the Digital Malaysia initiative as a catalyst to the e-commerce industry. The first #MYCYBERSALE generated RM67 million in SME gross merchandise value (GMV), demonstrating that SMEs play a vital role in increasing domestic e-commerce revenue and have the potential to become a net exporter in the region. For 2015, a total of RM117 million worth of transactions generated through #MYCYBERSALE and RM61 million is from SMEs' GMV. In 2016, #MYCYBERSALE will be held from 26 - 30 September, which includes some popular retailers in the e-commerce sphere such as Lazada, Zalora, Lelong, Uniqlo, Bonia, Padini, Tanamera, Malaysian Airlines, Malindo Air and Air Asia Berhad. The event is targeted to generate RM150 million in GMV this year.

ICT ADOPTION BY SMEs

Recent statistics suggest a discernible increase in the adoption of information and communications technology (ICT) among SMEs, particularly in the last two years from 2014 to 2016. In the First Quarter 2016 (1Q 2016) SME Survey conducted by SME Corp. Malaysia covering 2,176 SMEs, the findings showed that while the devices namely mobile phones, computers and laptops used by the respondents did not change much (from 92.6% recorded in the 1Q 2014 to 98.3% in the 1Q 2016), the number of respondents using the Internet has increased significantly to 90.1% (1Q 2014: 33.3%), usage of social media to promote and market their products and services also increased to 78.2% (1Q 2014: 12.1%), about 32.3% conducting e-commerce and e-payment (1Q 2014: 7.1%) while 30.9% having websites (1Q 2014: 11.4%). The survey also revealed that about 10.8% of the respondents were first-time users of ICT tools. In essence, about 89.1% of the respondents cited that they have utilised computers for business purpose as compared to 27.0% recorded in 2010 based on the 2011 Economic Census conducted by the Department of Statistics, Malaysia (DOSM).



Based on another survey conducted by the DOSM on the ICT use by individuals and households in 2015, the findings also corroborated to reveal that the usage of mobile phones and computers have increased including for business purpose. Social networking tops the list with 84.3% respondents using it, while about 79.6% utilised the Internet to get information on goods and services, 27.4% were involved in Internet banking and about 16.1% purchased good and services online. These findings suggest that consumers are more well-informed about their personal needs through Internet and have begun relying on ICT to make up their mind upon purchase of products and services. At the same time, there has been a mindset change among businesses particularly SMEs who are coming on board to respond to the consumer behaviour and leverage on ICT, the Internet and social media to conduct more online business transactions.