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E-Commerce in Malaysia

PROSPECTS

Cross-border E-commerce Agreement Improves Consumer Trust, Boosting Growth

The outlook for cross border e-commerce in Malaysia is bright following the signing of the ASEAN Agreement on Electronic Commerce in 2018. The agreement is designed to facilitate cross-border e-commerce transactions, creating an environment of trust and confidence in the use of e-commerce and deepening cooperation among the 10 ASEAN member states to further develop and intensify the use of e-commerce to drive regional economic growth. This is likely to other locations for e-commerce in Malaysia as local consumers will find it easier to purchase products from websites based in other countries and have them ship internationally. However, there is also a possibility that e-commerce players located in Malaysia will experience an uplift in the numbers of consumers based on other countries purchasing goods and having them shipped to their home countries.

E-commerce Likely to Begin Accommodating Higher Value Transactions

As e-commerce in Malaysia continues to develop, notably in the area of third-party consumer-to-consumer marketplaces, the range of products on offer is expanding. E-commerce is no longer limited to the sale of traditionally popular products such as consumer electronics, apparel, and footwear,

or groceries. For instance, motor vehicles are now among the types of products being sold via e-commerce websites. Indeed, during the Singles Day sale held on 11 November 2019, Malaysia witnessed its first two online car sales as a Ford Ranger Splash was sold via Lazada.com and a Toyota Vios was sold via Shopee.com.my. Moreover, there are currently indications that, with levels of trust in e-commerce growing, even larger transactions for items such as real estate may be realized in the near future.

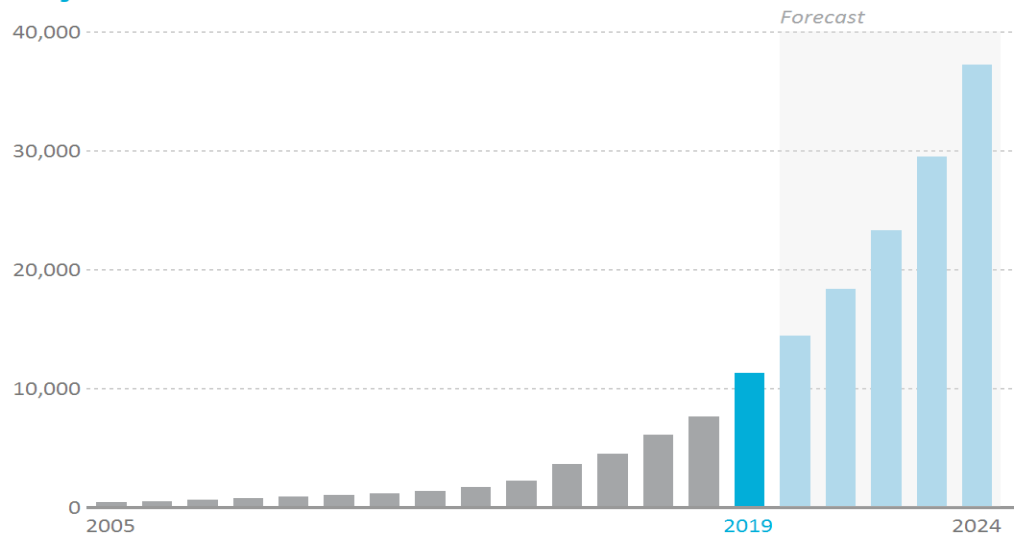
Online Customer Experience Often Still Falling Short of Expectations

With internet penetration and digital participation already registering consistently high levels in Malaysia, much of the country's population have adapted well to digital lifestyles. In particular, online shopping and e-commerce have become the norm, although delivery charges and the length of time that customers must wait to receive their online orders remain as major factors in discouraging consumers from engaging with e-commerce. Parcel Perform and privately-owned online shopping aggregator iPrice Group recently conducted a survey suggesting that 43% of Malaysian consumers are unhappy with their e-commerce delivery experience. It is thus becoming clearer that the country's obvious e-commerce players will need to ensure a smoother shopping experience in order to win and maintain the confidence of vast numbers of consumers.

Sales of E-Commerce in Malaysia

Retail Value RSP excl Sales Tax - MYR million - Current - 2005-2024

11,172



One-day E-commerce Sales Events Prove Popular with Malaysian Consumers

With e-commerce registering very strong sales growth in recent years, the channel's leading players are breaking their sales record during major sales events. These include the 9 September Discovery Sales event, an 11 November Singles Day sale, and 12 December Grand-year End Sale. During its 9 September Discovery Sale event, Lazada saw a threefold increase in orders compared to the previous year.

COMPETITIVE LANDSCAPE

Lazada and Shopee Maintain its Leading Position in E-commerce

2019 saw e-commerce in Malaysia remain a relatively consolidated retail channel, with Lazada still the leading name. Lazada has developed rapidly since its acquisition by Alibaba Group and 2018 saw the online retailer introduce new features on its app, including the very popular image search function. This uses artificial intelligence to suggest similar items available on the platform to users who upload pictures of items they are interested in. Lazada mobile app has registered more than eight million downloads in Malaysia and the platform regularly engages in sales events on specific days such as Shopathon on 27 September, which forms part of its Crazy Flash Sales campaign.

Lazada faces increasingly intense competition from the second-placed Sea Ltd, which operates the Shopee platform. Shopee is a consumer-to-consumer online marketplace that operates mainly as an m-commerce platform, although it is also available as a regular e-commerce website for desktops and laptops. Shopee registered particularly strong growth during 2019 to significantly close the gap

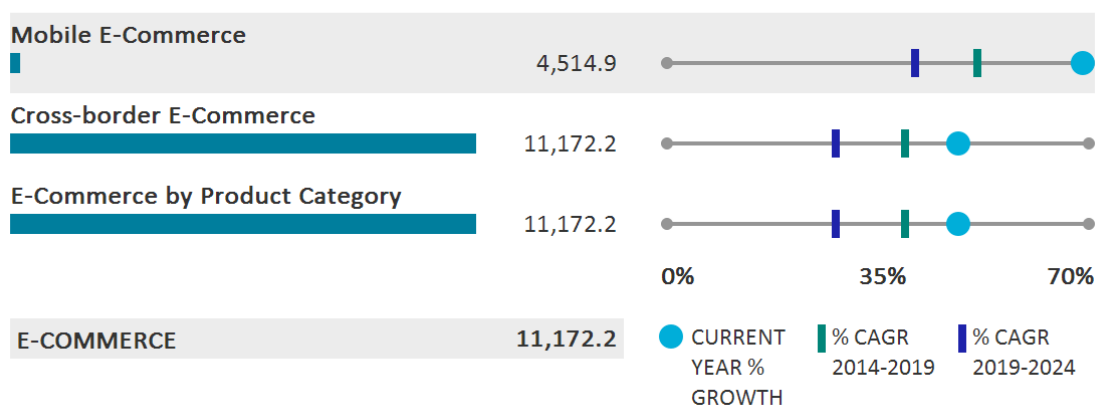
on Lazada. This was based on its savvy approach to social media marketing activities, including the appointment of Portuguese footballer Cristiano Ronaldo as its brand ambassador. During Shopee's 9 September sales event, the marketplace saw a 400% increase in sales compared with the daily average via its Malaysian site. Shopee credits this success to its substantial third-party seller base and it continues to invest in helping these sellers to market their products more effectively, including online tutorials to help sellers make the most of their Shopee experience.

Lazada.com Fighting Back with Exclusive Partner Deals and Improvements in Delivery

Lazada continues to face very strong competition from second-placed Shopee, which remains in the ascendant after registering extremely strong sales growth during 2019. Much of Shopee's success has been built on its large base of third-party sellers, which offer shoppers seemingly endless options in terms of products and brands. At the same time, Shopee has developed a more effective distribution system, meaning that its orders are shipped within a far shorter time frame than Lazada. To compete more effectively with Shopee and maintain its leading position in e-commerce, Lazada continues to negotiate exclusive distribution deals with its partner retailers, recently announcing the sale of an exclusive, limited edition Ford Ranger Splash that was made available during its 11 November Singles Day sale. It is thus clear that Malaysian consumers will soon be getting even better value from e-commerce as the leading players continue to improve their services as competition in the channel heats up. ■

Sales of E-Commerce in Malaysia by Category

Retail Value RSP excl Sales Tax - MYR million - Current - 2019 Growth Performance



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