

IMPACT OF COVID-19 ON MALAYSIAN E-COMMERCE

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ABSTRACT

COVID-19 pandemic has made a tremendous impact all across the globe. It is clearly reflected in the ongoing lockdowns, closing down of almost all shops, restaurants and public transportations, surge of unemployment etc. all culminating into severe economic depression. Malaysia, also, has faced this hit of recession, depreciation, and unemployment to a great extent with the current pandemic situation. However, when everything seems to be crumbling, e-commerce appears to have found its golden break in raising its profit and contributing to the overall GDP growth of Malaysia. There are various factors that played into the booming of e-commerce owing to the current pandemic situation. Needless to say, the value of e-commerce in helping the depleting economy and just plain convenience for people to purchase essential commodities during lockdown cannot be denied. Even the government of Malaysia has been showing support by encouraging local Micro, Small and Medium Enterprises (MSMEs). E-commerce has the potential to become a major source of contribution to the country's economy. However, it needs to ramp up their infrastructure regarding security, delivery, and customer services. Additionally, importance should be given to local businesses in order to empower the local e-commerce sector. This article aims to give an overview of the trend in the growth of e-commerce during the COVID era and its potential growth in the next four years based on Compound Annual Growth Rate (CAGR) and Statista Digital Market Outlook and the factors that have led to the boom in e-commerce in Malaysia.

Keywords: COVID-19; E-commerce; Economy; Online Business

INTRODUCTION

In the year 2020, the world was shocked by an unanticipated outbreak of the Coronavirus (COVID-19) pandemic. This virus spread like wildfire all over the world in just a matter of three months and resulted in a tremendous ordeal in all of mankind's history till date. Death rates skyrocketed to 4 million and still counting and adding on to it are pandemic-related severe economic recession. Malaysia is not excluded from this misfortune, where not only the cases of COVID-19 infected rates are increasing each day but the impact to its economy is reflected through high unemployment incidence and depreciation in Malaysian Ringgit against USD (OECD, 2020). On the other hand, the E-commerce of Malaysia had a big turn over and grew more than 37% compared to the pre-covid era (Export.gov, 2019). Malaysia is the 38th largest market for e-commerce with a revenue of US\$4 billion in 2020, placing it ahead of Portugal and behind South Africa.

1. Malaysian E-Commerce

Malaysian e-commerce started to bloom only a decade ago and was growing at a slow but strong and steady pace. The growth of the technology was directly

proportional to the growth of e-commerce. In the early 2000s, there was an increase in easy access of internet services and usage of computers in households and offices, which acted as a catalyst for e-commerce growth in Malaysia. Furthermore, there was a big influx of new players offering attractive products via online platforms (ecommerceDB, 2020). In the late 2000s, there were new sets of e-commerce infrastructure for various platforms. These developments were well-received and in no time became the world's most popular online marketplaces. By the end of 2014, for the first time in history, the Global e-commerce (B2C) sales exceeded US\$1 trillion, and a double-digit growth was reflected in every continent. In 2020, the COVID-19 pandemic also became a blessing in disguise for the E-commerce market in Malaysia, where it contributed up to 37% growth (GlobalData, 2020).

2. Components for E-commerce Growth during COVID-19 Pandemic

a. Lock Down: E-commerce became one of the most popular and convenient methods utilized by people to combat the ongoing lockdown due to the pandemic and this pattern could be seen across the whole of Malaysia

from 2020. Since lockdowns mandated people to stay indoors and close down many shops, Malaysians shifted into the virtual world for online purchasing of daily essentials (Aprameya, 1 June 2020). Malaysian Communications and Multimedia Commission (MCMC) also reported an increase of 30-70% of internet traffic during the lockdown. On coming under Malaysian government attention, they backed it by announcing support for empowering local Micro, Small and Medium Enterprises (MSMEs) (J.P. Morgan, 2020).

b. Logistics: Without a doubt, the intra-logistics have increased during this pandemic. This is primarily affected by three factors:

- Increase in unemployment forcing people to find alternative job like Grab and Lalamove
- Increase in online purchase of daily essential
- Increase in demand of riders for delivery

c. Tech-Savvy End-User: Almost everyone in Malaysia irrespective of age owns a mobile device with active internet and this subsequently can result in commercial growth outpacing overall e-commerce, being projected to rise at a compound annual growth rate of 19.7 per cent by 2023, with the aim to become a US\$8.9 billion market.

d. Cashless Payments: The usage of e-money has become popular in Malaysia in recent years. Any bills and purchases can be done with a single click. The various platforms available in Malaysia are bank transfer, QR code pay, E-Wallet, Grab Pay and many more. Studies have also shown each Malaysian relies on more than one online payment method.

e. Power of Social Media: Social media is known for its easy marketing and its potential to reach various consumers from all over the country. This is seen with Chef Khairul Aming, who successfully reached Rm 1 million sales on “sambal” (Spicy Malaysian Paste) which was sold online across the globe.

f. National E-Commerce Strategic Roadmap: This is one of the Malaysian government initiatives that strive to increase internet accessibility to rural areas and Improve e-wallet technologies (Statista, 2020).

3. Recommendation to improve E-Commerce in Malaysia

It is of no doubt that the emergence of e-commerce has been a boon for people all over the world with its easy-to-use feature and accessibility to commodities (J.P.

Morgan, 2019). However, with all its benefits, e-commerce can act as a double-edged sword due to its vulnerability in exposing personal details and increasing fraudulent activities. Few salient upgradations that could assist in providing safe and secure service to the consumers of Malaysia are-

- a) Improvement of e-commerce infrastructure, updating easy payment methods, ensuring faster delivery, and reducing incidences of fraudulent activities. Merchants should reassure customers on the after sales support.
- b) Emphasizing the security and providing flexibility in card payments will help mitigate this. This will ensure good customer care and easy transactions for international customers.
- c) Encouraging local e-commerce. The Malaysian government is already coming up with new initiatives on E-commerce but needs to pick up speed on developing these initiatives. The development of local e-commerce will be one of the promising ways in coming years to increase Malaysian GDP.

DISCUSSION

Malaysian e-commerce was seen as one of the fastest-growing business models among the other Southeast Asian countries especially during the pre-covid era (ecommerceDB, 2020; J.P. Morgan, 2019). E-commerce made its entry in Malaysia with the launch of eBay in 2004 and over the years many online platforms such as Shoppe, Lazada, PGmall, etc. (ecommerceDB, 2020; Aprameya, 2020; J.P. Morgan, 2020; Statista, 2020) opened up. The current worth of Malaysia's e-commerce market is said to be US\$4.3 billion. This is soon expected to double to \$8.1 billion by the year 2024 as forecasted by the Compound Annual Growth Rate (CAGR) (Aprameya, 2020; J.P. Morgan, 2020; OECD, 2020). The focus of Malaysian e-commerce is on upgrading its e-commerce infrastructure, including product availability, payments, delivery, and regulatory requirements, in line with more established online business models (Aprameya, 2020; J.P. Morgan, 2020; OECD, 2020; J.P. Morgan, 2019). Additionally, the process of growth of Malaysian e-commerce has been hastened by the COVID-19 pandemic, where traditional offline purchasing is now converted to online purchasing (GlobalData, 2020; Export.gov, 2019). There are various factors contributing to the growth of Malaysian e-commerce during the pandemic such as improvement of technology and internet services (ecommerceDB, 2020; Aprameya, 2020).

CONCLUSION

The COVID-19 pandemic in Malaysia has expanded the e-commerce sector. It has provided consumers access to a variety of products to be purchased via online safely from their home. E-commerce market expansion in Malaysia is expected to grow in the next few years, as indicated by the Statista Digital Market Outlook. A prediction has been made that the Compound Annual Growth Rate (CAGR 20-24) in the next four years will be 18%. The Malaysian governments also need to focus on the needs of MSMSEs, by ensuring a fair playing field in the context of intermediated services (e.g., online platforms). Furthermore, development of local national business hubs has to be developed to support the local e-commerce sector.

Conflict of Interests

The authors declare that they have no conflict of interests.

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