

# Local businesses unprepared for e-commerce

While 85% of business leaders feel a digital strategy is important, only 44% have embarked on one, and that too on a limited scale



by Galyn Yap

AS the increasing number of smartphone owners fuel the e-commerce revolution, brick-and-mortar stores and other retail businesses have new opportunities

to reposition themselves.

Unfortunately, many business leaders just pay lip service to the e-commerce potential and are unable to effectively strategise and exploit the possibilities it presents.

Microsoft Malaysia's *Asia Data Culture 2016* study reveals that while 85% of business leaders feel it is important to spearhead an agile business that is data-driven, only 44% have embarked on a digital strategy. And even then, the strategy is limited, it says.

The study, which polled 940 business leaders from medium to large companies in 13 Asian markets, also shows that even though business leaders felt there were clear benefits to having a data culture, gaps needed to be addressed before embarking on it.

"Digital transformation goes beyond adding a layer of digitisation to your business. It's about bringing together social, mobile, analytics and Cloud technologies together," says Microsoft's national technology officer Dr Dzaharudin Mansor.

Nevertheless, the growth in e-commerce is encouraging, considering that consumers are relatively new to the

online marketplace, with nearly 60% of respondents to PricewaterhouseCoopers' (PwC) *Total Retail Survey 2016* study reporting having made online purchases within the past three years.

PwC senior executive director Scott Constance, who is also PwC Southeast Asia Consulting retail and consumer consulting leader, says: "Although Malaysian consumers are relatively new to the online shopping market, they are leading in mobile and social shopping.

"This expands the universe of possibilities for retailers who want to engage individually with their consumers.

"But it also presents a challenge to retailers as consumers broaden their range of channels for interacting with brands vying for their attention," he says.

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In contrast to the global average of 54%, some 66% of Malaysian and Singaporean consumers, and 73% of Thais use their phones to make purchases.

Nearly half (48%) of the 500 Malaysian respondents in the PwC survey say they buy online at least monthly. Only 7% have never shopped online.



The Microsoft report shows that gaps needed to be addressed before embarking on a data culture, says Dzaharudin



Many traditional companies' supply chains struggle to meet the digital challenge, says Constance

## Untapped potential

That said, e-commerce, and by extension, mobile commerce in Southeast Asia will be hard to crack.

PwC's survey reveals that the adoption of online shopping in the region lags behind Japan, and China where 88% of respondents used mobile phones

to make purchases.

In terms of the digital economy's performance, The *Asean Digital Revolution* report by global management consulting firm AT Kearney and Axiata Group Bhd shows that Malaysia and Singapore match the performance of developed countries, but lag in spectrum availability, innovation and regulatory environments, and digital literacy.

Convoluting customs procedures are pointed out as key barriers to cross-border e-commerce. Import duties, for example, vary widely among countries and hamper region-wide e-commerce, as well as consumer adoption.

Furthermore, regulations are not harmonised between local and international players. A case in point, the report says, is that GST is not imposed on international transactions due to enforcement issues or complicated mechanisms.

This puts local players at a disadvantage and prevents the innovation ecosystem from booming, it notes.

As a result, the evolution of e-commerce in total retail here is below 3% compared to India (5%), Singapore (6%) and China (9%).

## Lack of preparation

PwC's report sheds light on changing consumer behaviour and reveals that Malaysian consumers are making it clear they want the retail store to be a portal to wider brand experience and product assortment.

The threat to retailers from not providing this experience is worrisome, as the report says the lack of access to products desired by consumers locally could lead to lost sales. It is a key factor motivating 61% to buy from retailers outside the country.

PwC's Constance says the complexity of the back-end of commercial transactions outside of the brick and mortar environment is a major challenge for brands in Southeast Asia.

"Consumer expectations for service and responsiveness are no different, if not higher. But many companies' supply chains struggle to meet the challenge with patchwork processes, technologies, and infrastructure that are not built for the purpose.

"It's an area ripe for innovation in the coming years as brands evolve to fulfil consumer demands," he says. **FocusM**