

**Client:** Exabytes Network  
**Publication:** Focus Malaysia  
**Format:** Hardcopy  
**Subject:** Avoiding E-commerce Pitfalls  
**Date:** 4 November 2014  
**PR Value:** RM 51,603



## Avoiding e-commerce pitfalls

Local e-tailers warn of possible threats to the online shopping industry



by Behonce Beh

**SHOPPING** can be addictive. Shopaholics may avoid malls to keep their addiction in check but online shopping has made it easier to buy things we do not need – just click a button.

“Online shopping can be addictive as you could end up spending more to meet a minimum order which qualifies you for free delivery,” explains hishop.my co-founder Shaun Lee.

The number of local “e-tailers” has grown; they peddle every imaginable product and service. While competition is stiff, many are looking to increase the size of the pie instead of looking for ways to destroy the competition.

According to a PayPal study, Malaysia’s online shopping market was estimated to be worth RM1.8 bil in 2010 and is expected to hit RM5 bil by year’s end.

“One of the main reasons behind the boom is larger online brands such as Groupon educating the market about how convenient and easy it is to buy things online,” explains Exabytes Group CEO Chan Kee Siak.

### Promoting online shopping

Akin to the discount megasales of Black Friday and Cyber Monday in the US, the inaugural #MYCyberSALE led by the Multimedia Development Corp (MDeC), which saw 4,500 merchants offering over 225,000 deals from Sept 29 to Oct 1, was deemed a success at promoting online shopping in Malaysia.

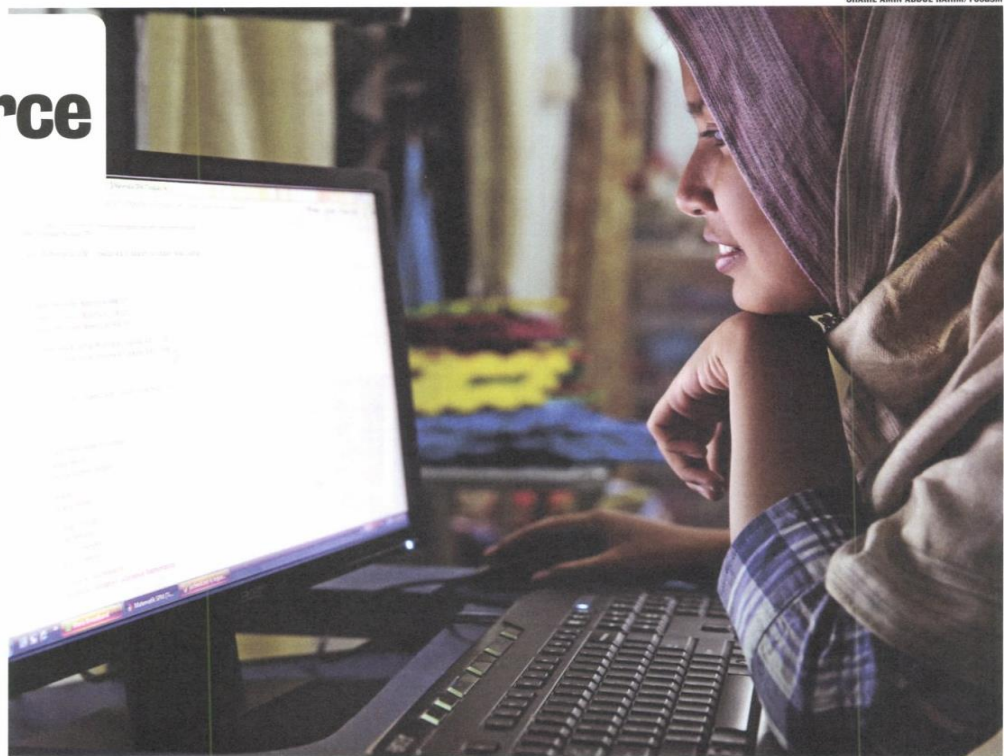
Lee says hishop.my doubled daily sales during the period, while some merchants reported a 10-fold increase. Official sales figures from MDeC were not available at press time.

While many favour online shopping for better deals, Chan explains there are pockets of shoppers, especially among younger members of the middle class, willing to spend more online in return for convenience.

“You can buy everything but time. That is why some are willing to shop online for groceries, for example, to address issues such as looking for parking and the safety concerns regarding visiting a shopping mall,” he adds.

Infrastructure improvements such as increasing broadband penetration outside the Klang Valley and a wider courier reach are regarded as having been instrumental in increasing online shopping.

“When we started our business four years ago, up to 80% of our transactions were coming from the Klang Valley, Penang and Johor. Now that figure has dropped to 60% as we see more orders from beyond those areas.



SHARIL AMIN ABUL RAHIM/FocusM

Shoppers are likely to read online reviews of products before making a purchase

“Sometimes, we do send orders at a loss from KL to East Malaysia as we want to retain customers,” explains Lee.

hishop.my works with at least five courier companies to fulfil orders as each courier has strengths in a particular locations.

e-tailers grapple with a massive headache when it comes to order fulfilment. Chan laments not many couriers are willing to deliver to rural areas due to low volumes. Alternatively, some e-tailers limit free deliveries to within Peninsular Malaysia as delivery charges to East Malaysia are high.

“Online retail businesses can easily damage hard-earned reputations with late or wrong deliveries due to inefficient logistic and return processes,” he adds.

Chan hopes to reduce delivery fees by aggregating the services of logistic providers in Malaysia through Exabytes’ latest project, Easy Parcel. The system combines the service availability of up to five shipping service providers such as Poslaju, Skynet, Airpax, Nationwide and DHL in one integrated e-commerce platform.

An e-tailer using the system can explore all delivery options available to it, compare pricing, terms and conditions as well as directly track the delivery stages of their e-commerce goods.

Chan says Easy Parcel has received encouraging response from over 2,000 e-retailers and users in Malaysia, following the launch of its beta version in June.

As online stores grow in number, retailers are also jumping on the bandwagon of online shopping websites that run parallel to their brick-and-mortar businesses.

According to an August Nielsen e-commerce report, over six in 10 Malaysians say they are likely to read online reviews before purchasing a product



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Late deliveries can hurt an e-tailer, says Chan

(68%) and that they view products online before purchasing them in-store (64%).

Moreover, 62% of Malaysian consumers join a large proportion of Southeast Asian consumers who view the internet as a means of checking out products to inform offline purchases.

Judging from such trends, hishop.my’s Lee is adamant an online presence establishes a new channel from which to sell goods and should complement the brand’s offline operations.

“You will not destroy your offline presence if you are a strong online store; but if you are an existing brand selling offline but not online, you will kill yourself!” he warns.

However, strategies to run an offline business should not be carried into the new venture. Chan explains a calculation of margins based on running an offline store will not work online.

“Offline brands tend to forget embarking on e-commerce frees you from paying rent for a physical store.”

Hence, product prices are generally the same for the online and the offline stores as retailers are unlikely to slash prices over lower operating costs for their online store. However, they are likely to add value to the online transaction by offering either gifts or free deliveries.

Chan suggests mid-sized retailers consider a team dedicated to running the e-commerce side of the business. “Not all SMEs may have the resources to do so but they should consider this as the business grows.”

It must be said that not all online businesses will flourish and garner a following. Those who jump on the e-commerce bandwagon without understanding market demands are more likely to fail, says FoodPanda.my marketing director Sidney Ng.

## More shopping online via mobile apps

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He suggests conducting a simple market test in small batches as a way to gauge market acceptance for the product. "It would be foolhardy to start your website and have nobody buying."

Ng advises entrepreneurs to send out tester emails to potential customers or teaming with well-known shopping websites such as Groupon.

### From PC to mobile

Mobile versions of popular shopping websites and dedicated shopping apps are expected to be a gamechanger for e-tailers.

The Nielsen report states the use of mobile devices for online shopping is growing across regions with the Philippines leading (62%), followed by Indonesia (61%), Vietnam (58%) and Thailand (58%). Singapore and Malaysia fare comparatively poorly, with only 48% and 47% respectively using a mobile phone to shop online.

Ng explains FoodPanda.my, an online food-delivery service, is seeing an increase in orders originating from its mobile app. Mobile apps are favoured by returning customers owing to ease of use and availability compared to having a computer or laptop to perform transactions.

While e-tailers are reaping the benefit



Sending out tester emails is one way to gauge market interest, says Ng

of a growing acceptance of online shopping, they should brace themselves for possible bumps ahead.

Online businesses are not immune to changes in the offline world. Lee says the retail business is sensitive to macro-economic sentiment. With the recent petrol price hike and the upcoming implementation of the Goods and Services Tax (GST), shoppers could tighten their belts.

"People shop when they are happy or when they feel they have a lot of money. However, they could be cautious about opening their wallets next year as consumer spending sentiment is not encouraging," he warns. [FocusM](#)