

### **E-commerce: E-commerce a lifeline, not a silver bullet**

If there is a silver lining that has come out of the nearly 18 months of the Covid-19 pandemic in Malaysia, it is that the e-commerce ecosystem has finally hit the mainstream in a way it did not before. However, it is not a silver bullet to help tide economies over during the lockdowns that seem to go on in perpetuity.

The Department of Statistics Malaysia's (DOSM) latest 2020 Usage of ICT and E-commerce Report found huge spikes in e-commerce adoption over the last year and a half. It is worth mentioning that these e-commerce habits are likely to have crystallised in the population for the long term.

According to DOSM chief statistician Datuk Seri Dr Mohd Uzir Mahidin, this indicates that where previously, people viewed e-commerce as a means to purchase discretionary goods or experiences (such as electronics or group-based dining experiences), e-commerce is now being used to purchase essential items and household goods.

Further, businesses recognise this shift and have taken steps to compensate for the inability of customers to sample or test products before purchasing them, he adds. "Prior to the pandemic, people would have been hesitant to make consistent purchases via e-commerce because of the perceived inability to test, feel or sample the product. With the pandemic, however, people have had no choice but to adapt, and businesses have made efforts to improve both the quality and consistency of their products as a means to help instil confidence in the e-commerce shopping experience."

"Businesses have made efforts to improve both the quality and consistency of their products as a means to help instil confidence in the e-commerce shopping experience." - Mohd Uzir (Photo by Suhaimi Yusuf/The Edge)

This, he says, has likely created a measure of goodwill among the broader consumer demographic in the country, such that they are more likely to continue buying things online even after the pandemic has been well and truly overcome.

### **Businesses need to reopen safely**

Over the longer term, the e-commerce resurgence looks set to be bolstered by the pandemic turning endemic, according to Dr Yeah Kim Leng, economist and professor of economics at Sunway University Business School.

But as Covid-19 turns into a long-term problem, the government cannot force businesses to remain closed indefinitely. Prolonged lockdowns are simply not feasible, e-commerce and digitalisation notwithstanding.

Using the rough timeline of the Spanish Flu from the early 20th century, which raged from 1918 to 1920, Yeah believes this particular pandemic will take at least that long to be brought under control. And even then, he sees Covid variants continuing to create pockets of localised infections for some time after.

“We’ll need to come to terms with the fact that vaccination efforts are not going to be uniform everywhere in the world, and certainly not in Malaysia. Certain areas will be inoculated faster than others, so the pandemic will linger in certain places,” says Yeah.

“Further, we’re starting to see that even after we achieve herd immunity, chances are that Covid variants will continue to be a risk, albeit a reduced one, even among the inoculated population.

Under these circumstances, even though e-commerce will no doubt continue to play a major role in keeping the economy chugging along, Yeah cautions against prolonged lockdowns.

While intelligent, data-driven online strategies will help the vast majority of businesses, the fact remains that the longer the lockdowns persist, the more businesses will suffer. Endless lockdowns will result in greater economic damage that businesses and individuals will take comparatively longer to overcome.

“Being mindful of the possibility of booster shots and hyperlocal lockdowns over the next few years, the government will nonetheless have to adapt to an increasingly immunised population. This means businesses must be allowed to safely reopen, even if we don’t yet hit herd immunity. At this juncture, the latest lockdown has already lasted for two months,” says Yeah.

“I hope to see a limited reopening of businesses in general, to be complemented with strict social distancing protocols, as well as high levels of compliance with these protocols. It would be prudent for the government to draw up plans to allow fully vaccinated individuals to begin dining out and generally stepping out in public with minimal restrictions.

“Covid-19-related standard operating procedures must evolve alongside the race to herd immunity. We must be very careful at this point to not force prolonged lockdowns at the risk of causing irreparable damage to the economy.

“The more this drags out, the more enormous the economic damage will be. And past a certain point, digitalisation may not be able to compensate for this.”

“We’re starting to see that even after we achieve herd immunity, chances are that Covid variants will continue to be a risk, albeit a reduced one, even among the inoculated population.” - Yeah (Photo by Sam Fong/The Edge)

## **DOSM to tighten data capture**

With vast swathes of the country turning to e-commerce, and with both households and businesses increasingly relying on the medium, DOSM's Mohd Uzir points to the need for his agency to evolve and update its data-collection practices.

"It is by no means a stretch to say that families are increasingly devoting much larger chunks of their monthly budget to the e-commerce ecosystem. However, this is a metric that we're not able to effectively track just yet," he says.

"It will be very useful for the economy if, going forward, we are able to track a data point like this, in addition to, for example, the average revenue per user (Arpu) in the local e-commerce ecosystem as a whole."

This can be a complicated problem to overcome, however. In order to glean such information, it is possible that DOSM will need to work closely with the various e-commerce platforms in Malaysia. It may even need to establish some kind of data collection framework with the platforms, in such a way that it facilitates DOSM's data-tracking mandates but still protects the platforms' proprietary data and strategic advantages in the local market.

"We could explore the possibility of gleaning Arpu and other e-commerce-related data for the Malaysian economy as a whole, while ensuring that the numbers we get are completely anonymous, untraceable, and do not identify any one e-commerce platform operating in the country. This way, the government will have data to further improve its policymaking around e-commerce, without risking the platforms' positions in the market," says Mohd Uzir.

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