



MDECTM

National E-Commerce Strategic Roadmap

2021-2025

**E-Commerce as the Engine for
Catalytic Growth for Businesses in Malaysia**



Table of Content



CHAPTER 1 Introduction

CHAPTER 2 Current State

CHAPTER 3 Areas for Intervention

CHAPTER 4 National E-Commerce Strategic Roadmap 2021-2025 (NESR 2.0)

CHAPTER 5 Governing the Implementation

CHAPTER 6 NESR 2.0 & MyDIGITAL

CHAPTER 7 Malaysia Digital

CHAPTER 1

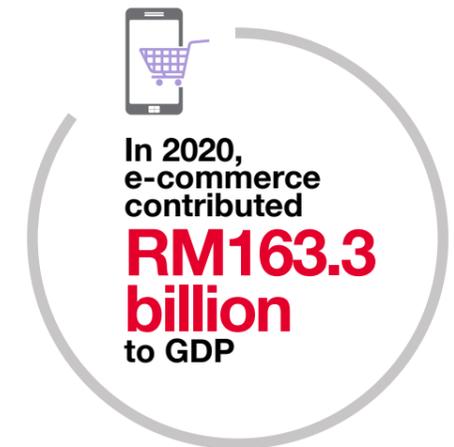
Introduction

As digitalisation becomes increasingly prevalent, traditional business practices have been disrupted and are now being moved online. With e-commerce, both buyers and sellers are benefitting from greater efficiency, speed and convenience. In addition, the borderless and interconnectedness nature of e-commerce have provided broader opportunities for businesses to expand their market reach within and beyond a country's border.

The Covid-19 pandemic, which disrupted physical business operations and supply chains, has also created an impetus for businesses to accelerate digitalisation of their operations. As movement restrictions are being imposed locally and around the world to curb the spread of the virus, businesses have been leveraging on online channels to stay afloat, grow and thrive.



Since 2015, Malaysia has seen an accelerated increase in online sales, with e-commerce contribution to Gross Domestic Product (GDP) growing almost twice in size from RM89.1 billion to reach RM163.3 billion in 2020.



Source: ICT Satellite Account 2020
by Department of Statistics Malaysia
(October 2021)



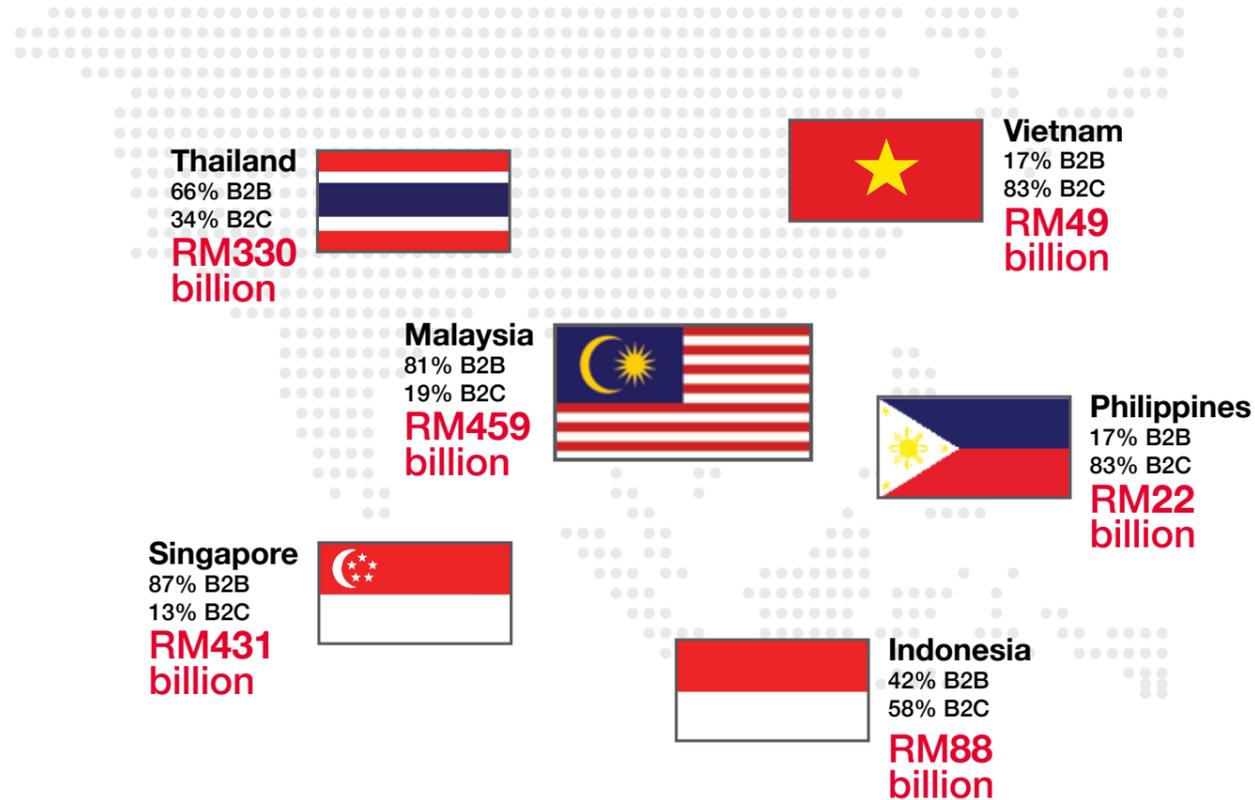
"An e-commerce transaction is the sale or purchase of goods or services, conducted over computer networks by methods specifically designed for the purpose of receiving or placing of orders. The goods or services are ordered by those methods, but the payment and the ultimate delivery of the goods or services do not have to be conducted online. An e-commerce transaction can be between enterprises, households, individuals, governments, and other public or private organisations. To be included are orders made over the web, extranet or electronic data interchange. The type is defined by the method of placing the order. To be excluded are orders made by telephone calls, facsimile or manually typed e-mail."

Source: Organisation for Economic Co-operation and Development

CHAPTER 2 Current State

Regional Comparative Assessment

Based on the analysis by Ernst & Young Malaysia (2020), Malaysia's e-commerce market was the largest among ASEAN-6 nations at RM459 billion in 2018. The business-to-business (B2B) segment represented 81% of the total e-commerce market in Malaysia.



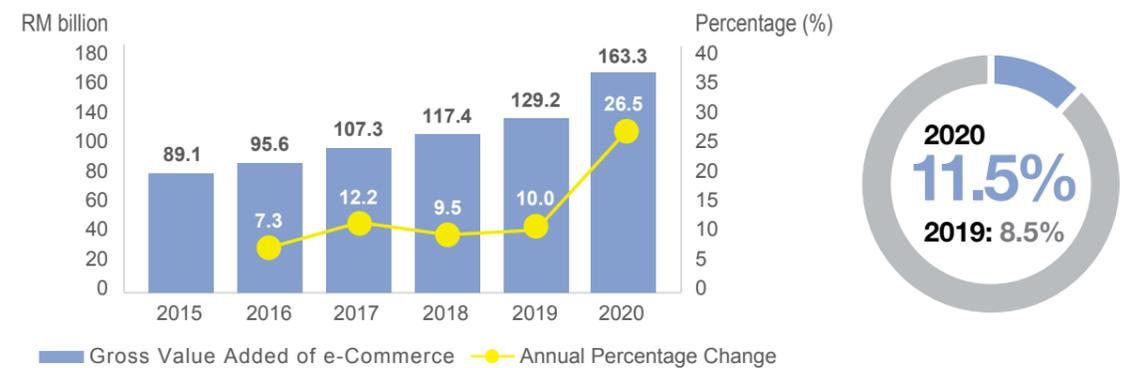
Note: Analysis by Ernst & Young Malaysia (2020) based on information from Department of Statistics Malaysia, Ministry of Trade and Industry Singapore, VN Express, Vietnam Economic Times, e-Conomy SEA 2018 & 2020 by Google, Temasek and Bain & Company, Frost & Sullivan, Bangkok Post, World Bank. E-commerce market sizes are calculated based on purchasing power parity (PPP) in Ringgit Malaysia.

Malaysia's E-Commerce Performance

E-Commerce Contribution to GDP

Gross Value Added of e-commerce increased from RM129.2 billion in 2019 to RM163.3 billion in 2020, a surge of 26.5% in 2020 (as compared to 10.0% in 2019).

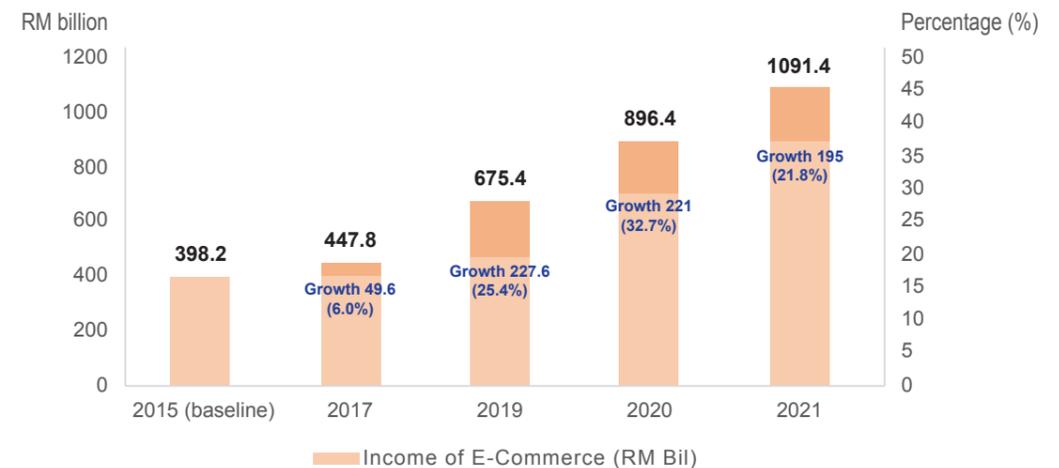
In 2020, Malaysia's e-commerce contribution to GDP recorded 11.5% compared to 8.5% in 2019.



Source: Department of Statistics Malaysia (2021)

Income from E-Commerce Transactions

In 2021, income for e-commerce for 4 quarters of the year recorded RM1,091.4 billion, a growth of 21.8% as compared to RM896.4 billion in 2020 (32.7% growth) and RM675.4 billion in 2019 (25.4% growth).

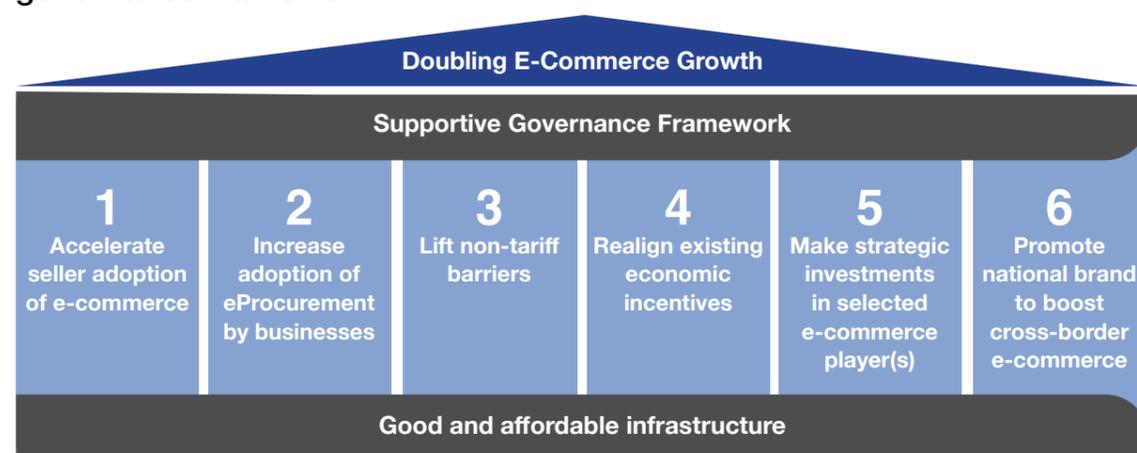


Source: Department of Statistics Malaysia (2021, 2022)

National E-Commerce Strategic Roadmap 2017-2020 (NESR 1.0)

The National E-Commerce Strategic Roadmap was developed in 2016 (NESR 1.0) to double Malaysia’s e-commerce growth rate by 2020.

The roadmap outlined key government interventions to accelerate the growth of e-commerce in Malaysia from 2017 to 2020 through 6 thrust areas, built on good and affordable infrastructure and supportive governance framework.

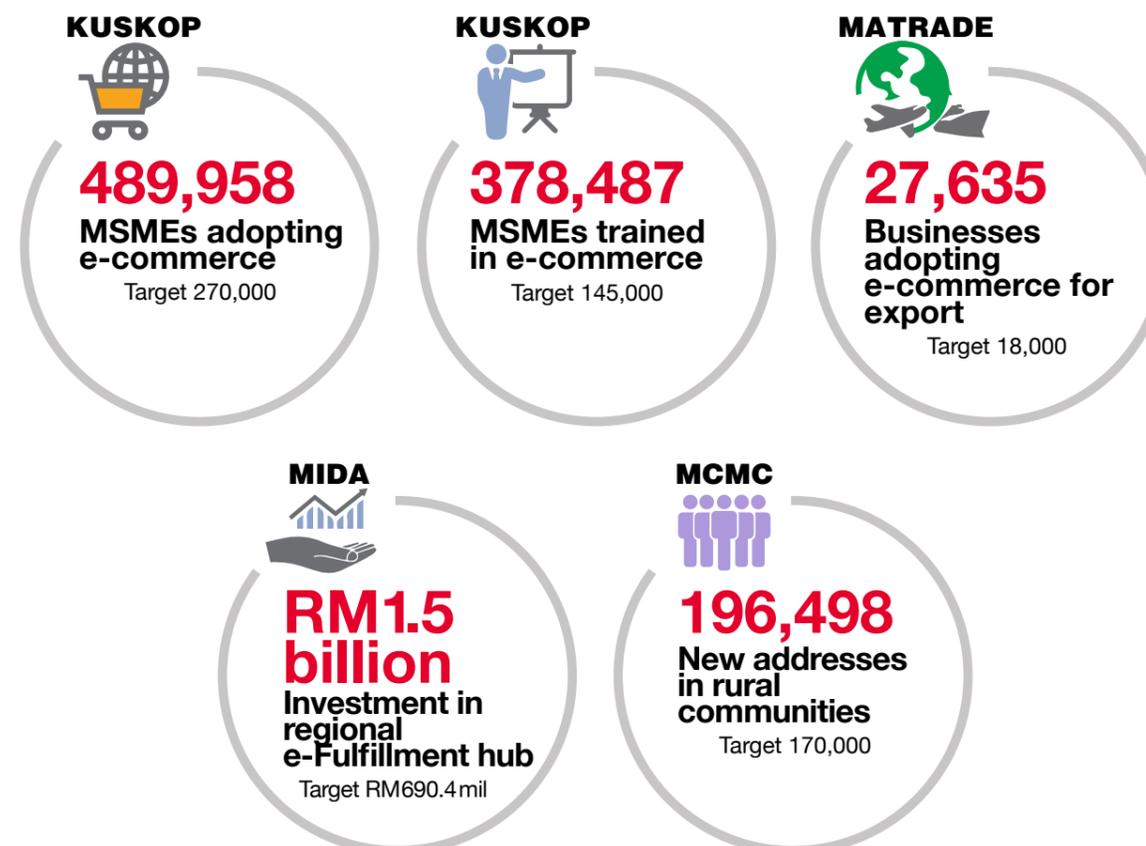


15 programmes were developed and implemented in close collaboration with the industry, led by Ministries and agencies as programme leads:

- | | |
|---|---|
| <ul style="list-style-type: none"> • Ministry of International Trade and Industry • Ministry of Finance • Ministry of Works Malaysia • Ministry of Domestic Trade and Consumer Affairs • Ministry of Science, Technology and Innovation • Ministry of Entrepreneur Development and Cooperatives • Department of Standards Malaysia • Central Bank of Malaysia | <ul style="list-style-type: none"> • Malaysia Digital Economy Corporation • Malaysia External Trade Development Corporation • Malaysian Communications and Multimedia Commission • Malaysian Investment Development Authority • Malaysian Institute of Microelectronic Systems • National Cyber Security Agency • SME Corporation Malaysia |
|---|---|

To govern the implementation of NESR 1.0, the National E-Commerce Council (NECC) was established, chaired by the Minister of International Trade and Industry.

Key Achievements under NESR 1.0



Source: Ministry of Entrepreneur Development and Cooperatives (KUSKOP), Malaysia External Trade Development Corporation (MATRADE), Malaysian Investment Development Authority (MIDA), Malaysian Communications and Multimedia Commission (MCMC)



CHAPTER 3

Areas for Intervention

In formulating the National E-Commerce Strategic Roadmap to chart the path for Malaysia’s e-commerce from 2021 to 2025 (NESR 2.0), extensive consultations were conducted in 2020 with over 600 stakeholders comprising Ministries and agencies, e-commerce sellers and consumers, platform players, logistics service and payment solution providers and industry associations to assess the state of the e-commerce landscape in Malaysia.

The framework upon which the consultations were conducted comprises 3 key pillars namely, Market Dynamics, Infrastructure & Technology Readiness, and Government Policy & Regulation.



MARKET DYNAMICS

Awareness, capabilities and overall confidence of consumers and businesses in e-commerce

No.	Key Problem Statements
1	Businesses have yet to capitalise on the full potential of e-commerce
2	Consumers lack the confidence to make large purchases online
3	Local businesses are facing difficulties to penetrate cross-border markets
4	Total addressable market size is impacted due to digital illiteracy among the older generation and limited accessibility in rural areas



INFRASTRUCTURE & TECHNOLOGY READINESS

Access to quality infrastructure and enablers to support e-commerce activities across the value chain

No.	Key Problem Statements
1	E-Commerce fulfillment performance needs to be improved
2	Adoption of advanced ePayment methods among consumers and merchants is relatively low
3	Poor network reception in selected areas, especially in rural areas



GOVERNMENT POLICY & REGULATION

Availability of data and effectiveness in enforcement mechanisms in e-commerce

No.	Key Problem Statements
1	Existing deterrence and enforcement mechanisms for e-commerce crimes are insufficient.
2	Data published on e-commerce can be more timely and comprehensive to cater to e-commerce stakeholder needs

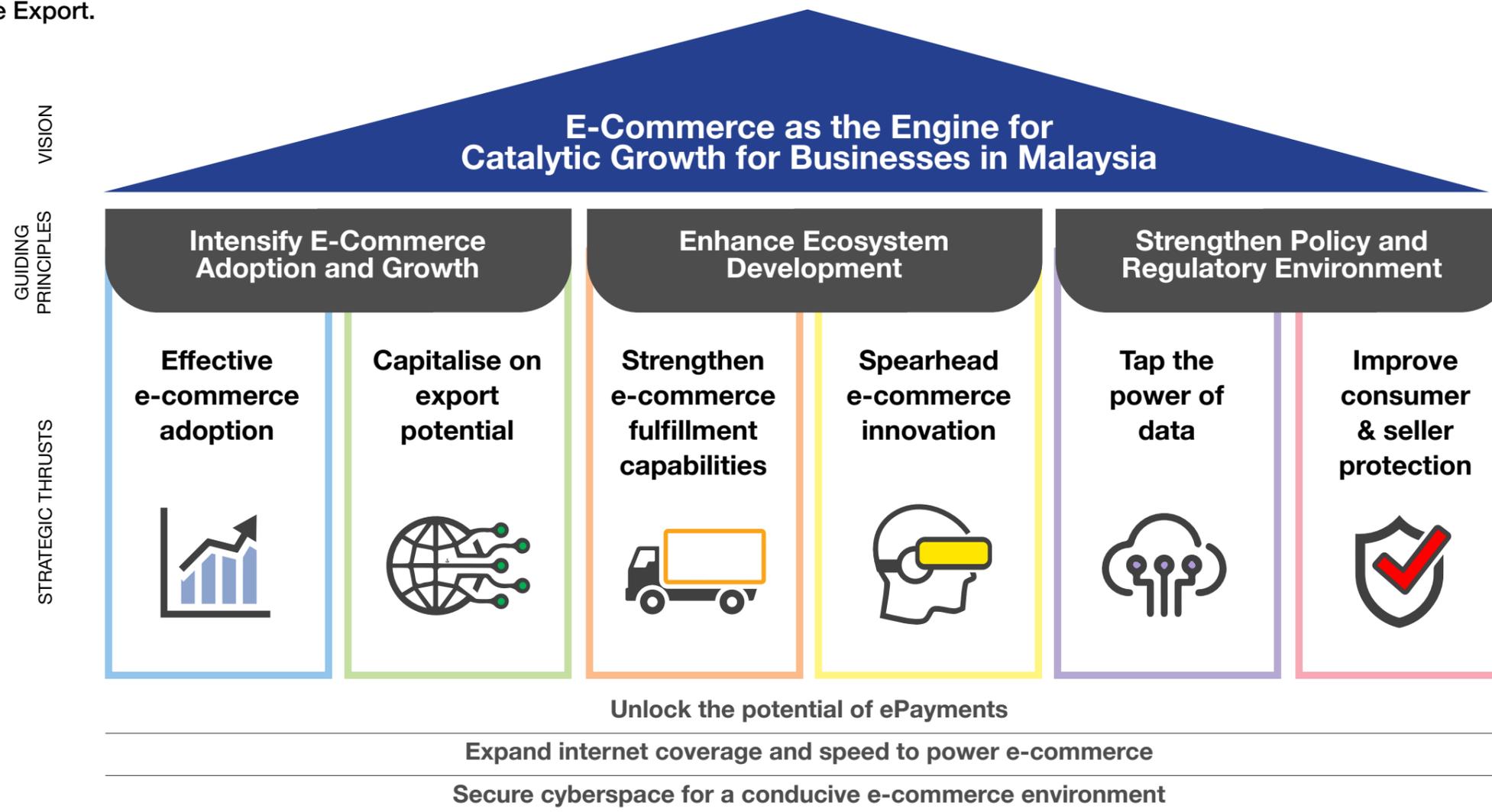
CHAPTER 4

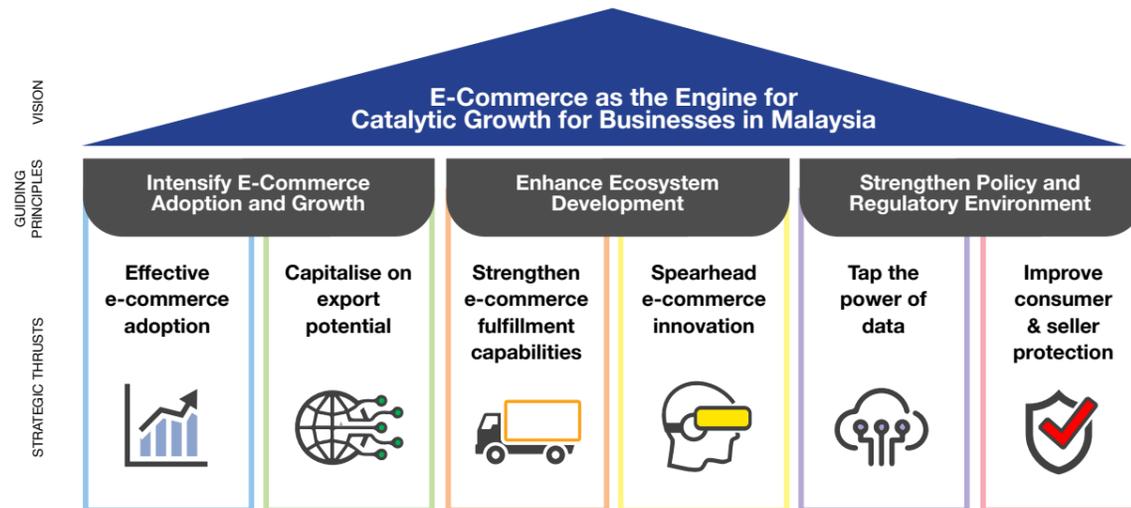
National E-Commerce Strategic Roadmap 2021-2025 (NESR 2.0)

From 2021 to 2025, the National E-Commerce Strategic Roadmap (NESR 2.0) aims to carry the momentum from the foundation laid by NESR 1.0 to position e-commerce as the engine or catalytic growth for businesses in Malaysia.

Interventions from the Government in collaboration with the industry across the various programmes under the 6 strategic thrusts, are expected to drive the growth of E-Commerce Market Size, MSME E-Commerce Adoption, and E-Commerce Export.

2025 Key Targets





VISION

From 2021 to 2025, the National E-Commerce Strategic Roadmap 2.0 (NESR 2.0) envisions e-commerce as the engine for catalytic growth for businesses in Malaysia. NESR 2.0 is guided by 3 guiding principles and 6 strategic thrusts.

GUIDING PRINCIPLES

NESR 2.0 is guided by 3 underlying principles:

- Intensify e-commerce adoption and growth
- Enhance ecosystem development
- Strengthen policy and regulatory environment

STRATEGIC THRUSTS

ST1 : Effective E-Commerce Adoption

ST2 : Capitalise on Export Potential

ST3 : Strengthen E-Commerce Fulfilment Capabilities

ST4 : Spearhead E-Commerce Innovation

ST5 : Tap the Power of Data

ST6 : Improve Consumer & Seller Protection

A robust approach will be taken in the implementation of NESR 2.0 as it will be continuously enhanced and updated in view of the latest developments and trends in the e-commerce ecosystem.

MSMEs in E-Commerce

Many businesses, especially MSMEs, have successfully leveraged on e-commerce to increase their competitiveness, expand their domestic and global reach, and be better prepared for the future. In the face of the Covid-19 pandemic, the shift to online sales channels can help ensure the viability of their business and strengthen the resilience of MSMEs.

An inclusive approach is taken under NESR 2.0 by including those in the informal sector who are currently selling via e-commerce. In this regard, the term “MSME” under NESR 2.0 is expanded to also include micro entrepreneurs and individuals.

Based on “Guideline on SME Definition” issued by SME Corp. Malaysia, “SME” refers to:

- Locally incorporated under the Companies Act 2016 (replaced Companies Act 1965)
- Registered under the Registration of Business Act (1956) or Limited Liability Partnerships (LLP) Act 2012
- Registered under respective authorities or district offices in Sabah and Sarawak
- Registered under respective statutory bodies for professional service providers



Strategic Thrust 1: Effective Adoption of E-Commerce



ISSUE

Businesses have yet to capitalise on the full potential of e-commerce

OBJECTIVE

Increase the conversion rate of businesses selling via e-commerce

No.	Programme	Programme Lead
1	Build capabilities of e-commerce businesses in selected industries and leverage e-commerce enablers to increase conversion among local businesses	Ministry of Entrepreneur Development and Cooperatives (KUSKOP)
2	Facilitate demand generation among e-commerce consumers	Malaysia Digital Economy Corporation (MDEC)

KEY BENEFITS

- Improved accessibility to e-commerce training modules and industry-relevant information
- Higher number of businesses leveraging e-commerce in their operations
- Increased e-commerce revenue generation

Strategic Thrust 2: Capitalise on Export Potential



ISSUE

Local businesses are facing difficulties to penetrate cross-border markets

OBJECTIVE

Enhance adoption and value of e-commerce export

No.	Programme	Programme Lead
1	Develop and implement a national brand for Malaysian products based on a data-driven e-commerce export strategy	Malaysia External Trade Development Corporation (MATRADE)
2	Facilitate market access and generate demand for Malaysian products abroad	Malaysia External Trade Development Corporation (MATRADE)

KEY BENEFITS

- Higher number of e-commerce export adoption among businesses
- Increase in e-commerce export value
- Improved recognition of Malaysian-made products and sellers in global markets
- More favourable cross-border trade terms improving access to global markets

Strategic Thrust 3: Strengthen E-Commerce Fulfillment Capabilities



ISSUE

E-commerce fulfillment performance to be improved

OBJECTIVE

Enhance coverage and efficiency of e-commerce fulfillment services towards regional competitiveness

No.	Programme	Programme Lead
1	Improve Malaysia's regional performance and competitiveness in logistics	Ministry of Transport (MOT)
2	Facilitate adoption of sharing economy models in the logistics sector	Malaysia Digital Economy Corporation (MDEC)
3	Attract investments to facilitate expansion of logistics service offerings and coverage	Malaysian Investment Development Authority (MIDA)
4	Develop performance and operational standards for postal and courier service firms	Malaysian Communications and Multimedia Commission (MCMC)
5	Standardise data exchange formats to facilitate efficiency in goods delivery	Department of Standards Malaysia (JSM)

KEY BENEFITS

- Improved timeliness in last-mile delivery speeds
- Improved service offerings and service quality by logistics players
- Reduced inequalities in logistics coverage between urban and non-urban areas
- Higher investment levels in the logistics sector
- Higher efficiency and lower cost of customs process

Strategic Thrust 4: Spearhead E-Commerce Innovation



ISSUE

Malaysia lags behind leading nations with regards to technological innovation

OBJECTIVE

Develop local enablers to create a vibrant and innovation-centric e-commerce ecosystem

No.	Programme	Programme Lead
1	Develop local digital talent in the e-commerce ecosystem	Malaysia Digital Economy Corporation (MDEC)
2	Incubate and strengthen the e-commerce innovation value chain ecosystem	Ministry of Science, Technology and Innovation (MOSTI)
3	Enhance the 1-stop resource center for e-commerce training, regulations and incentives	Malaysia Digital Economy Corporation (MDEC)

KEY BENEFITS

- Growth in local technological solution providers
- Increased applications of emerging technologies in e-commerce

Strategic Thrust 5: Tap the Power of Data



ISSUE

Data published on e-commerce can be more timely and comprehensive to cater to e-commerce stakeholder needs

OBJECTIVE

To ensure the availability of data for effective planning, monitoring and decision making

No.	Programme	Programme Lead
1	Facilitate nationwide adoption of e-invoicing on an interoperability framework	Malaysia Digital Economy Corporation (MDEC)
2	Establish data repository with predictive and analytics capabilities for e-commerce stakeholders	Department of Statistics Malaysia (DOSM)

KEY BENEFITS

- Improved data gathering efforts with a higher response rate from stakeholders
- Timely reporting of information and greater insights into e-commerce industry for improved decision making and policy formulation

Strategic Thrust 6: Improve Consumer & Seller Protection



ISSUE

Existing deterrence and enforcement mechanisms for compliance with laws and regulations relating to e-commerce are insufficient

OBJECTIVE

Improve regulations and enforcement to grow consumers' and businesses' confidence in e-commerce

No.	Programme	Programme Lead
1	Review existing legislation relevant to e-commerce and drive greater enforcement	Ministry of Domestic Trade and Consumer Affairs (KPDNHEP)
2	Improve promotional efforts for usage of trust mark schemes	Ministry of Domestic Trade and Consumer Affairs (KPDNHEP)
3	Enhance seller competitiveness and improve consumer trust and confidence through SIRIM Trusted Mark Scheme	SIRIM QAS International

KEY BENEFITS

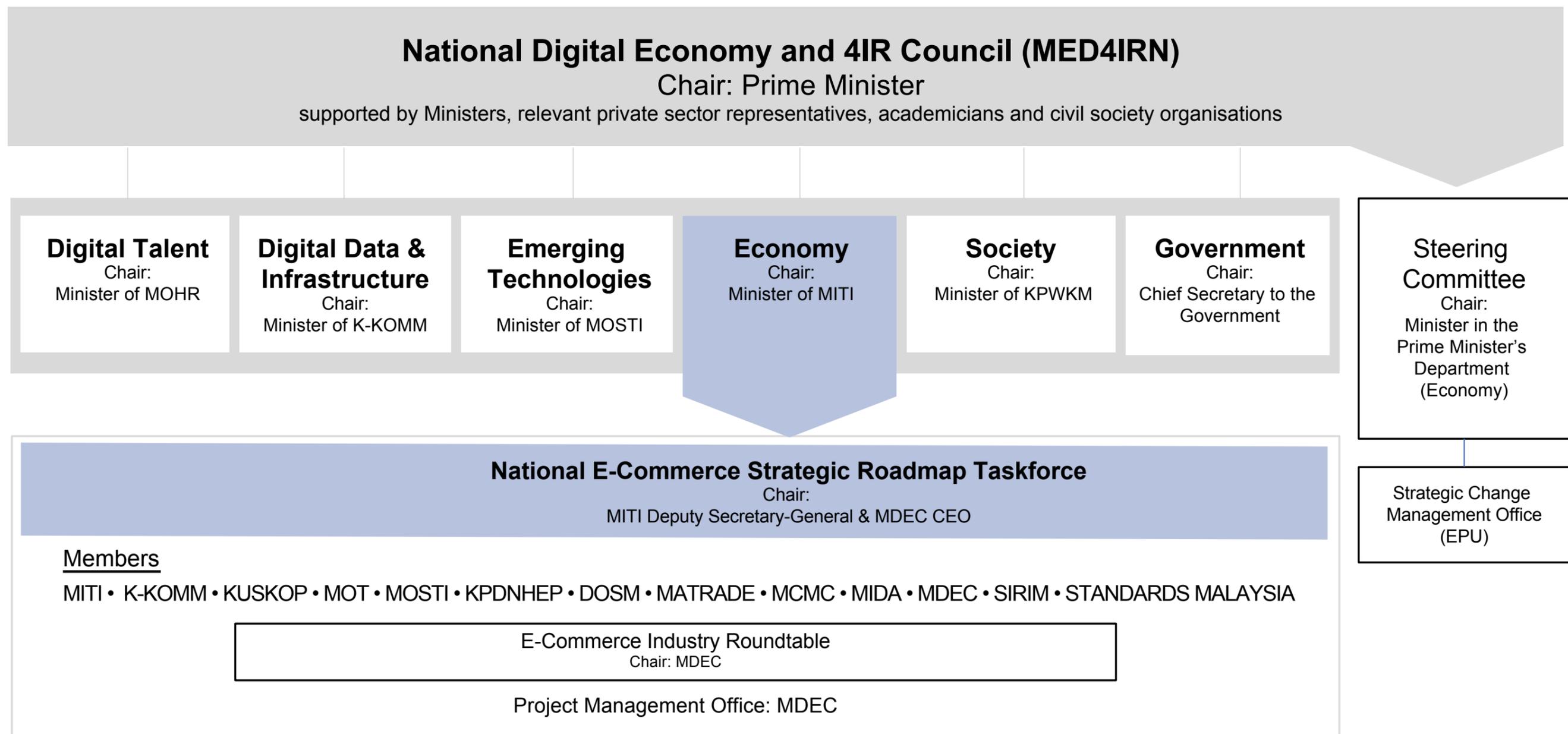
- Strengthened monitoring efforts by the Government to improve industry regulation and ultimately policy formulation
- Increased confidence among consumers and businesses in e-commerce

CHAPTER 5

Governing the Implementation

To strengthen cooperation and coordination between Ministries, agencies and industry to ensure the effective implementation of strategies and action plans of the National E-Commerce Strategic Roadmap, the NESR Taskforce has been established as part of the Economy Cluster under the National Digital Economy and 4IR Council (MED4IRN).

The E-Commerce Industry Roundtable is formed under the NESR Taskforce to foster collaboration with the industry. MDEC has been tasked with the role of Project Management Office (PMO) with the mandate to oversee the successful implementation of the NESR 2.0.



CHAPTER 6

NESR 2.0 and MyDIGITAL

MyDIGITAL is a national initiative by the Government to transform Malaysia into a digitally-driven, high-income nation and a regional leader in the digital economy. The Malaysia Digital Economy Blueprint lays out the strategies and initiatives in achieving the aspirations of MyDIGITAL. This blueprint plays an important role to chart the path of e-commerce and the digital economy's contribution to the nation's economy. It also drives digitalisation across the country, including bridging the digital divide.

With the foundation laid down by NESR 1.0, e-commerce through NESR 2.0 forms a key component of MyDIGITAL, aligned to MyDIGITAL's Thrust 2 (Boost Economic Competitiveness Through Digitalisation), and the 2 services subsectors (Wholesale & Retail Trade and Food & Beverages), to contribute to MyDIGITAL's target of 875,000 MSMEs adopting e-commerce by 2025.



CHAPTER 7



Malaysia Digital (MD) is a national strategic initiative by the Government to encourage and attract companies, talents and investment while enabling Malaysian businesses and rakyat to play a leading part in the global digital revolution and digital economy.

MD is the initiative to succeed MSC Malaysia, which has driven digital transformation and adoption across the public and private sectors in the nation since 1996. However, the fast-evolving landscape of today's digital economy warrants for a new strategy to remain relevant, resilient, and continuously ready to bolster the country's economic growth.

MD's mission is to drive digital adoption among aspiring young entrepreneurs, companies, and the rakyat; support local tech companies to become "Malaysian champions" and successful international players; and to attract high-value digital investments.

The initiative's three primary beneficiaries are the Rakyat, Businesses, and Investors. It seeks to accelerate digital adoption by providing the rakyat with equitable access to digital tools, knowledge, and income opportunities. At the same time, MD is set to open new business opportunities and growth in a vibrant ecosystem, while offering flexible and agile digital investment facilitation for investors.

MD will also serve as the engine that accelerates the growth of Malaysia's digital ecosystem within nine focus areas, which includes Digital Trade, Digital Finance, Digital Services, and the Islamic Digital Economy. The initiative also seeks to drive digital adoption and opportunities in digital economy via the Malaysia Digital Catalytic Programmes (PEMANGKIN) and other competitive offerings.

With Malaysia Digital, NESR is expected to further elevate Malaysia's e-commerce to reach new heights.



www.mdec.my

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