

# Malaysia's Sharing Economy:

## Are we up to the challenge?

**Raja Segaran, Malaysia Digital Economy Corporation (MDEC)**

Imagine sitting comfortably in your living area and making orders for your groceries on your mobile. Then a couple of hours later as you read your favourite book on your couch, your app alerts you to the impending arrival of your groceries to your doorstep. The hassle of traffic, hunting for a parking spot, jostling of trolleys and queues fade into the past as we travel further into the 4th Industrial Revolution!

Digital technologies married to human innovation are transforming the way we work and live. Many new conveniences are made possible through the Sharing Economy.

The Sharing Economy is expected to grow to meet the needs of increasingly discerning consumers in the Southeast Asia (SEA) region, with its 650 million population accounting for a combined Gross Domestic Product (GDP) of close to USD3 trillion.

How will Malaysia fare in this sector in the coming years? Where are we today? And more importantly, are we primed and ready to meet this challenge?

### **Collaboration Drives the Sharing Economy**

The sharing economy is a phenomenon that has been sweeping the globe in recent years, and generating disruption across various sectors via technological innovation and new business models. The economic and socio-economic

impacts are now being felt by various sectors be it the government, industry, or the general public.

Collaborative consumption, or peer to peer sharing, defines and drives the sharing economy. Examples include Airbnb, which hosts the largest number of properties for home stay in the world without owning a single physical asset, is disrupting the hospitality sector. Closer to home, we have companies like Grab providing transportation services without owning any vehicles.

Entrusted with leading the nation's digital economy forward, the Malaysia Digital Economy Corporation (MDEC) has collaborated with a central planning agency and Bank Negara Malaysia in 2016 to develop the

National Sharing Economy Framework with the aim of providing clarity on the definition and scope as well as key strategies and building blocks with implementation roadmap from the Malaysian context. Stakeholders from public, private, domestic and international sectors were engaged in various discussions, forums and workshops throughout the framework and roadmap development stages to obtain suggestions, views and feedback.

The global impact by sharing economy will be in the range of USD3.1 trillion with a potential growth rate of 31% according to the study where Malaysia has the potential to see a contribution of up to USD14 billion to its GDP by 2025.



In general, the sharing economy promotes access over ownership and allows more effective resource utilisation, and strongly aligns with the Shared Prosperity vision presented in Budget 2020. The core mechanic sees under-utilised assets and services being monetised whilst community connections are built over time. These new business models brings enormous potentials in the creation of new ventures and innovative solutions, transforming traditional firms, enabling them to contribute to the economic and socio-economic growth.

As for Malaysia, the sharing economy involves four (4) major archetypes where it is defined as a socio-economic system powered by digital platforms that allow sharing of assets and resources between individuals, governments and/or businesses thus increasing assets and resource utilisation or promoting access over ownership of assets and resources. The four (4) archetypes with some key examples are:

- 1. Access to assets and services**  
– eHailing and accommodation sharing
- 2. Intangible assets**  
– time, skills and talents
- 3. Goods re-distribution**  
– buy, sell and donation
- 4. Money**  
– investment and peer-to-peer lending

**Opportunities in the Sharing Economy Ecosystem**

Back in 2013, there were less than a dozen of local players in the Malaysian sharing economy scene according to MDEC. Fast forward to 2019, the country has more than 80 local companies and counting. This significant growth is seen in the ecosystem within a space of 6 years with more than 15 categories of businesses including food delivery & homechef services, ride & transportation, logistics & delivery, healthcare, lifestyle & wellness services, digital & professional work, education & training, content creation, sales & marketer, business process & creative works, content review, personal helper & caregiver, repair, install & maintenance services, cleaning services, ads, promotion & marketing, dropship & referral.

digital & professional work and tourism related services amongst others from local and international brands.

With a high internet penetration of 87.4% (2018), where smartphone is the most common device at 93.1% (2018) to go online, it is not surprising to see the mushrooming of the online services offered by the sharing economy players with rising gig economy and start-ups.

April Rinne, who is a Young Global Leader and co-founder of the Sharing Economy Working Group at the World Economic Forum, said “As the sharing economy concept continues to grow, in terms of both business models and global scope, sharing economy industry players in Malaysia need to better understand what works and what doesn’t. We should learn from other countries, to avoid pitfalls and leverage emerging best practices. Governments and especially certain policy makers have a big role to play here. If governments expect to

**The Sharing Economy in Malaysia: Opportunities in diverse service segments**



Source: MDEC Team Analysis

**Total: 112**  
**Local Players: 87**  
As of 1<sup>st</sup> July 2019

develop appropriate policies and effectively regulate sharing economy platforms and activities, then they must have deep platform expertise within its agencies. I don't mean merely using apps; I mean understanding how platforms are built, how data is captured and shared (or not), and the blind spots of platform design. Without this internal expertise, governments will always be playing catch-up with business, and they will never fully achieve their

is expected by 2020, the freelance jobs will grow to 650,000.

GoGet, a sharing economy start-up aimed at part-timers to perform tasks for individuals and businesses, believes that future of work is about empowerment and being flexible where people connect with each other to get tasks done faster and with better quality. According to its Chief Executive Officer and co-founder, Francesca Chia, the

with more than 7,000 trucks, who started their business in Malaysia in 2016. They have made positive growth with expansion to countries like Thailand, India and Singapore.

According to Darzy Norhalim, Director of Sharing Economy Ecosystem Division at MDEC, when asked about the growth of the sharing economy, he said "The Sharing Economy in Europe is projected to experience exponential growth by the EU in the



mandate to serve the public good." She was in Cyberjaya in October 2019 as a keynote speaker at a dialogue session with the industry players organised by MDEC called 'Current and Future State of Freelance, Gig and Sharing Economy in Malaysia'.

The ecosystem needs to be robust to support the growth of sharing economy. Hence, the awareness of the impact and benefits of the sharing economy to the wider industry audience must be meaningful where businesses and individuals can have options to obtain services from platform players such as crowdsourcing and freelancers. With the increase in uptake and delivery of such services, the dynamics of demand and supply are felt with positive growth in the sharing economy. Newer jobs are created with innovate methods of delivery. It concept of sharing economy is better understood now than 5 years ago. She also commented that Malaysia has

the ability to adopt to new technologies, hence, it will be a good test-bed before GoGet expands to other ASEAN countries. With its more than 250,000 users in 2019, GoGet envisages itself to grow further and provide an open network for other partners and businesses to plug into GoGet's system and generate new jobs in the future.

There is room for many more players in Malaysia as some have already expanded their businesses in the region becoming little multinational companies while maintaining their main operations here. One such company is EzyHaul, a digital road freight platform for Business-to-Business (B2B) short-haul, long-haul and cross-border shipments next five years, and we expect the local Sharing Economy to also continue expanding annually with double digit growth in the next three to five years. At the minimum, we plan for the local market value to

double from what it is now in the next three years, driven by logistics and transportation, tourism, retail, and F&B services."

### **Rising Needs of the New Generation of Consumers**

The rapid urbanization rate of 76% in Malaysia as compared to a global average of 56% has welcomed a new generation of consumers who want things to be better, faster and cheaper. Services such as transportation, food delivery and accommodation amongst others are high in demand. In addition to that, the new digital age means instant access to information and ever-evolving technologies have developed more knowledgeable and sophisticated consumers. With various services and products made available at the touch of the screen, consumer behaviour, needs, and demands are ever changing. The sharing economy has given

opportunities for platform-driven applications with innovative business models to bridge the gaps between demand and supply.

PantangPlus is a local tech platform founded in 2016 that brings mothers-to-be to enjoy the services of traditional confinement therapists throughout the country. With a few clicks, mothers-to-be can book the services based on the service menu with pricing. The transparency, ease of use, and speed provided by this platform have grown its customer base from 30 in 2016 to more than 500 in 2019. Its co-founder Zamzana Arifin said, “We are seeing young executives with a combined income of about RM8,000 per month seeking for our post-natal therapy services. This segment of customers know what they want and expect high professionalism in our services. They are not just into smartphones but also able to do proper research and analysis to get the right services. We have now grown our services beyond Malaysia and our clients are from the UK, Australia, Dubai and Singapore. By 2022, we target to grow our customer base to 3 times of what we are today. And to achieve that, we are enhancing our technology to ensure our operations are efficient”.

Travellers both domestic and international expect to have quick access to what local places can offer and assess if that’s what they want to do with family and friends. To meet such demand for authentic local experiences provided by local experts, Chin Yoon Khen founded a technology start-up called Lokalocal, that would see it grow its customer base and with over 800 experiences in Malaysia. This intent to grow is further incentivised by the growing middle income group in Asia Pacific which will see a population of up to 66% by 2030.

Known as Khen in the sharing economy circle, he said, “There are four key consumer trends that we have observed in our business. The travellers expect personalisation where they can have exclusive experience. Secondly, it’s the fear of missing out or FOMO, and, they prefer visual content so that they can share in their social media with their family and friends of their experiences. Last



but not least is word of mouth. Fellow travellers tend to listen to their friends when they make decisions as this gives them the trust and comfort”.

### Driving Innovation with Growth Mindset

With the growing innovation in technologies, personalization becomes important for platform-based companies to create value from the massive amount of data to serve their markets. The convergence of Artificial Intelligence (AI), Internet of Things (IoT), cloud technologies, virtual reality and other emerging technology trends help the sharing economy tech companies to improve customer experience and integrate their business operations effectively.

The Transport Optimization Planner (TOP) developed by Ezyhaul helps its customers to conduct route planning optimization in an effective and productive manner. With an AI application that learns on its own, the system is able to recommend the best alternatives for routes coupled with a

cloud-based real-time Transportation Management System. For instance, a typical manual process for a 1000 order line in a city will take up to 5 people to plan and assess and up to 1.5 hours to determine the optimized route. With Ezyhaul’s homegrown AI application, the TOP is able to complete this task in 20-30 minutes with 1 person working on it. This has a tremendous impact on operation and decision-making efficiency.

Soon, start-up companies like Lokalocal foresee Blockchain, Software-As-A-Service (SaaS), and AI as the leading technologies to support its market growth. Lokalocal is already in collaboration with a blockchain partner for a loyalty programme to attract more travellers. In addition, Lokalocal plans to grow its businesses beyond experiences. The company has developed a business and technology roadmap with an aim for Lokalocal to be a leading online travel agency in the country which will include flight and hotel booking with merchant solutions

such as e-billing and e-invoicing. This would also help the ecosystem partners to digitalise their businesses and be aligned to the growth trajectory of Lokalocal.

### The Role of The Government

The Government remains committed and is continuously implementing policies in line with the rapid development in sharing economy. The Dewan Rakyat, in April 2017, passed the Self Employment Social Security Bill which aims to provide Social Security Organisation (SOSCO) protection to every self-employed person including taxi and e-hailing service providers. The Dewan Negara legalised e-hailing services in the country in August 2017 by passing amendments to the Land Public Transport Act 2010 and the Commercial Vehicle Licensing Board Act 1987. It is imperative that the wellbeing, safety and security of the consumers and citizens are maintained at all times given the changes and the volatility in the ecosystem, economy and regulations.

Francesca views Government support has been crucial to the growth of start-ups. She said, "GoGet will not be where it is today if not for the support from the Government. We benefitted from MAGIC's coding programme and Cradle's seed funding that helped us to grow as well as MDEC's eRezeki programme as part of market access efforts to train B40 communities to be our talent pool in their centres without any cost. We are also here to support the Government in solving national problems where people have the opportunity to earn income."

Darzy further commented on the role of Government and MDEC, and said, "Based on the current players in the local market and adoption rate by Malaysians, the Sharing Economy in Malaysia has great growth potential, especially with the Government's will to look into existing policies and regulations with greater granularity. Clarity of policy is key to enable more business innovations and create a somewhat even playing field for both the new digital players and the industry incumbents. Beyond,

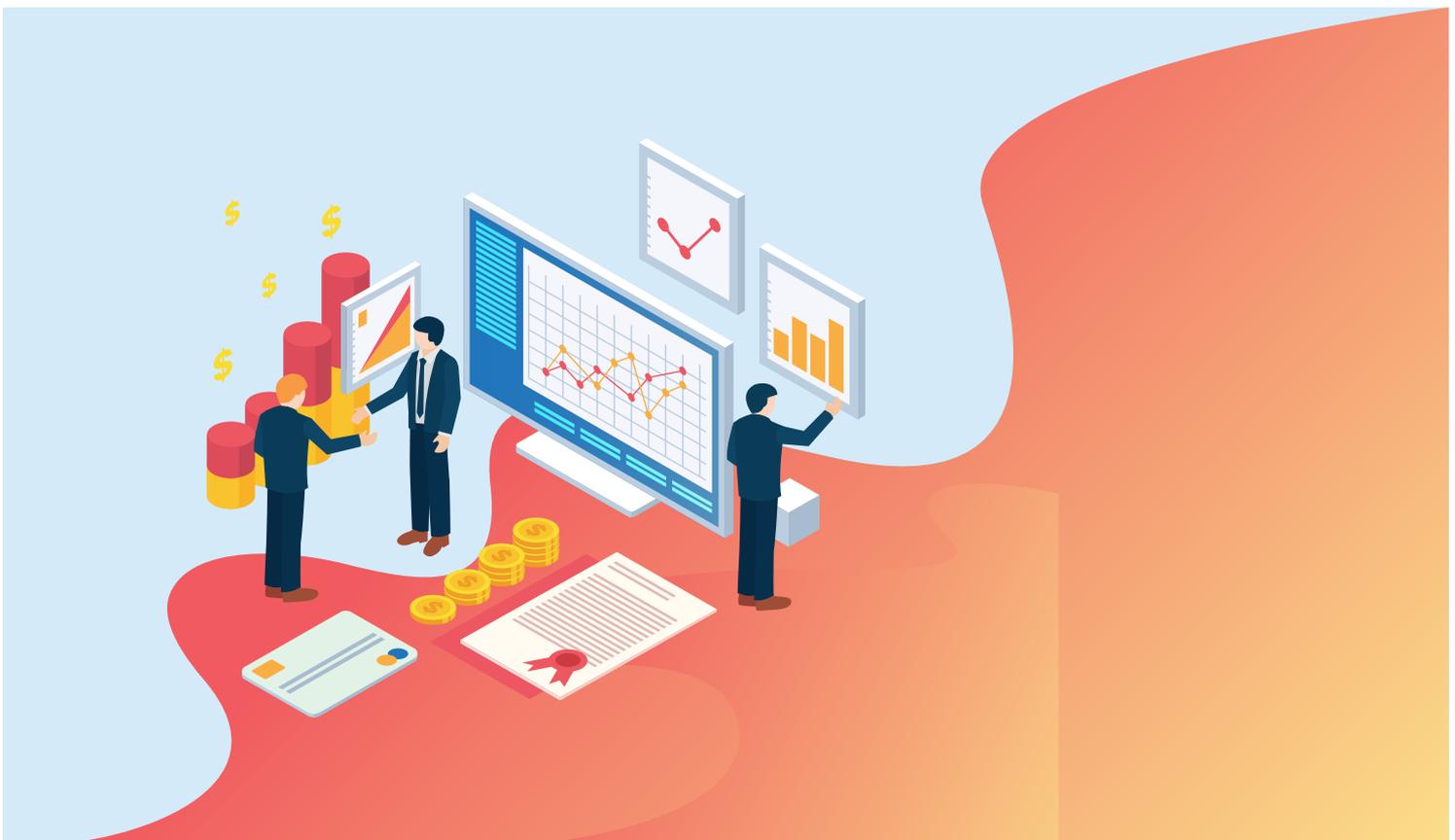
eHailing, ride sharing and accommodation sharing, many more services or asset sharing areas are still under developed involving C2C, B2C or B2B models."

In conclusion, with the commitment, support and intervention from the Government and the innovation driven by the industry players coupled with rising demands of consumers, the Sharing Economy is poised to grow. And rest assured, we will see more sharing economy players creating value in the ecosystem and moving Malaysia closer to becoming a vibrant digital economy.

### Malaysia is ready for the challenge!

#### Disclaimer:

The article is also published in the MANAGEMENT (Vol 54 No.3), Malaysian Institute of Management.



#### About the Author

Raja Segaran is the Head of Strategy & Research in MDEC. He is involved in the development of macro & strategic roadmaps for Malaysia's digital economy.