

Trading bits and bytes...

There's more to the Internet than merely a virtual information superhighway. It is now the place to go to shop and conduct your business. e-Business is fast becoming the preferred operations method and Malaysia is not going to be left behind in this technology revolution.



Dr Ghazie... we have achieved critical mass in Internet penetration.

Ever since the technology revolution took siege of the world, there was no doubt that it would also make a major impact in the business world. The emergence of e-business as another arm of the business world was soon about to change the traditional business system.

e-Business has fundamentally changed the way companies operate, by passing activities of buying and selling over the Internet, or e-commerce, biting into the deeper layers of how companies relate to the whole chain of enterprise from raw materials through to satisfied customers.

Currently most companies use the Internet as a method to introduce their services to customers by creating a web presence, which signifies a glorified and expensive business card. Others have created on-line stores where customers can do their shopping online and make payment with a credit card. Wholesale companies set up sites where customers and suppliers can buy and sell products. Over the past few years these services have combined into a new way of doing business in a super-efficient new electronic marketplace, which lowers the operating costs throughout their entire supply and demand chain. The new system also helps to improve customer relationships, speeds up nearly every stage of business operations and redefines business relationships.

There are many different styles of doing e-business, as there are many types of businesses. Some companies network exclusively with other businesses, others transcend the entire chain between the end customer and the suppliers. Fully integrated networks become 'an e-business ecosystem' that saves everyone time and money.

An e-business success story

Dell Computer has been operating a very successful e-business. Orders placed on the company's website are sent to the assembly factory and on to its suppliers of hard drives, motherboards, modems and so on. All the components are assembled in the factory and are shipped out as complete computers a few hours later. Dell's suppliers are given instant information on orders, which allows them to organise production and delivery to Dell in order to keep the production line rolling. Using the database allows Dell to customise their strategy and promotional plans to suit market trends and demands. For example, they are able to pinpoint models, which are unpopular and change their range of offerings. Customers' relations are strengthened as Dell has built a customer relations model into their business model. This customers' relations model allows customers to check on their order and its location via the Internet. This lowers the need for physical customers' relation's officers who are usually paid to answer such enquires.

Dell's e-business model brings together itself, its suppliers and customers. All are partners who are working to improve the efficiency of the entire chain of supply and demand and all share the benefits. The results are lower prices and a bigger market share.

Benefits of e-business

The success of e-business can be said due to the technology, which is available to everyone. Most e-business systems are built using the familiar point-and-click browser and intuitive actions, which is the most common ground for any computer user. An e-business model can provide wide reach across the world and is relatively cheap to run as it sits on the existing Internet model.

Another reason why businesses are turning to e-business is its ability to be mould for different business models. Traditionally, departments such as logistics, operations, finance and procurement would incur a lot of red tape procedures as well as communication breakdowns, which now are problems in the past.

Even the small and medium enterprises (SMEs) are getting on the e-business bandwagon with the emergence of e-services such as, The Subang Grocer. Located in a

neighbourhood, which comprises residents and other SMEs, The Subang Grocer caters for their customers by accepting online orders as well as providing a delivery service. Customers just need to log on and make their selection. The system also requires them to enter particulars, which are needed to complete the transaction. Enquires from either party can be made and attended to via e-mail. The goods are then packed and delivered according to the customer's request. Their payment system has yet to incorporate online payments due to the high costs of technology. However, as this smart enterprise grows, it will only be a matter of time before they will be doing online transactions. This is an example of e-business in its simplest form.

How does a company decide to conquer the e-business world? Jumping in headfirst will only lead to trouble and complications. If you do decide that e-business is what your company should pursue, there are certain steps, which should be followed.

The first step is deciding how much help your company will need. Does it require just a website or do you incorporate your business model into the online system? How much will you be willing to invest and what should you invest in as well should be an issue you will need to think about. It may be wise to employ consultants and consultant firms ready to help you with these decisions.

Once you have grasped the essentials of e-business you will realise it is truly a global activity. Your customers and suppliers can be anyone and anywhere in the world. Your transactions will spread to a multitude of currencies and tax regimes. Your web site can be hosted in one country but can be seen by millions from all over the world. Your distributors can be any company from those who are located in developing countries to those in third world countries. Whatever it is, you have to be ready to explore the best possibilities for your e-business.

With a large number of e-business ventures entering the market every year, research firm Gartner Group has predicted that 75 percent of all e-business projects will fail because of poor planning and the unrealistic expectations of new technology.

Most companies enter into e-business blindly not fully knowing and understanding the technologies needed to undertake an e-business system. They forget their roots and neglect the traditional side of business.

There are five most common pitfalls made by failed e-business companies. The first mistake, and probably the most common mistake is that, owners of e-business see e-business as a no fail method and disregard the common business practice. The truth of the matter is, e-business should be used as a tool and used wisely.

“Three years ago, we had predicted that for e-commerce to take off, there had to be at least 30 percent Internet penetration. Now, there are about seven million Internet users in Malaysia. That’s over 30 percent Internet penetration of the Malaysian population,” Dr Muhammad Ghazie Ismail.

Second, many businesses entering into e-business neglect to do proper planning and management. They see e-business as an independent system, which requires no rules. Experts believe that e-business should be regarded as a project and it should be undertaken with a step-by-step approach. This keeps track of the direction of your e-business and makes sure it is heading in the right direction.

Third, new technology should be implemented when there is a sound business reason to do so. It shouldn’t be implemented due to the reason there are many other companies who are jumping onto the bandwagon. Get a person who knows what is truly needed in the e-business environment to ensure you don’t waste time or money on something your business does not require.

Many failed e-businesses botched up their planning. They weren’t prepared for changes in market trends, technologies and their consumers’ needs. Overlooking these critical factors could lead to failure in one’s e-business operations.

David Wong, the man behind SnT Global Sdn Bhd, a company offering e-fulfillment services, believed in e-business. “I strongly believe in order for e-commerce to grow, it would require a solid back-end fulfillment or logistic execution to make e-commerce a reality. Such back-end capabilities in terms of technology, processes or even infrastructure are generally weak in the fragmented Asian market. I was confident about our unique business model and took the challenge to create this vital ‘missing link’,” Wong said.

Wong has been successful due to his proper planning techniques as well as help and support from the Multimedia Super Corridor (MSC). “However, thanks to the MSC, many people outside this country are now aware of our capabilities and that has made it quite easier for us - as a Malaysian company - to present our case overseas,” said Wong.

According to Wong, being an MSC-status company, its association with the MSC has been extremely beneficial in terms of reputation and image. Being a part of the MSC makes it easy for expansion as well as getting the exposure and opportunities in other regions. With the help of the MSC’s e-Business Flagship, the company was able to

leverage on e-commerce-related initiatives and to successfully form partnerships as well as expand its customer-base.

The MSC has played a very important part in promoting e-business in Malaysia. With its key function of being a test platform, it also serves as a hub for companies that need guidance and help in venturing into unknown territories.

In the year 2000, two of the initial MSC Flagship Application, namely the Worldwide Manufacturing Web and Borderless Marketing, were merged to become the e-Business Flagship. This move was to synergies both divisions’ strengths, to create an e-business division, which would achieve the main goal of the MSC of making Malaysia more technology inclined.

The government has initiatives to spur the e-commerce industry in Malaysia. At the highest level, where policy-making for the government takes place, is the National E-Commerce Committee (NECC). This committee is chaired by the Chief Secretary to the Government, Tan Sri Dato’ Samsudin Osman and has two sub-committees that deal with issues of trade and finance, and infrastructure affecting e-commerce. These sub-committees are coordinated by the Ministry of International Trade and Industry (MITI) and the Ministry of Energy, Communications and Multimedia (MECM), respectively.

To describe precisely what Malaysia must encounter to be involved in e-commerce, the NECC endorsed an in depth study of e-commerce with a view to develop strategic directions and action plans, the study was completed in 1999, called the National E-Commerce Strategic Directions for Malaysia - A Report on the Strategic Directions and Success Strategies of E-Commerce In Malaysia. The report, which was approved by the cabinet, looked at horizontal issues and concluded that there were five areas that required attention.

According the report, it was critical to acquire a mass. “Three years ago, we had predicted that for e-commerce to take off, there had to be at least 30 percent Internet penetration. Now, there are about seven million Internet users in Malaysia. That’s over 30 percent Internet penetration of the Malaysian population,” observed Dr Muhammad Ghazie Ismail, senior vice president corporate investments of MDC. “So, now that we have achieved the critical mass, it’s time to tackle the next issue.”

It was also found that Internet users in Malaysia lacked trust towards e-business transactions especially with the amount of fraudulent transactions, which takes place daily. Even with 30 percent of Malaysians online, only very few conduct transactions online. "It's an issue of trust and perception," said Dr Ghazie. "These users think that it is unsafe to use their credit cards online but credit card fraud happens both on and offline. In fact, it happens more easily offline."

So, to tackle these issues, the electronic payment system is being reviewed while the regulatory issues are simultaneously being addressed. To date, there have been several cyberlaws in various stages from proposal to enactment, such as the Digital Signature Act 1998. The government is also seeking to improve the fulfillment system that is often the bane of e-commerce initiatives. One Malaysian company that has successfully proven themselves in this area is ShipnTrack, a company offering e-fulfillment services.

Probably the most challenging issue in the report is the need to transform the local organisations. These organisations are not adept to change especially when it comes to investment in technology, people and the business environment. Local organisations cite that the lack of technical knowledge as well as unfamiliar ground makes them unwilling to venture into e-business. It is also a challenge to convince companies that have been using the traditional methods of doing business that they have to adopt the change. Undertaking this challenge is MITI's e-commerce division. Among the activities and programs that they have to promote the e-business usage is continuous education programmes, providing

encouragement to the entrepreneurial development and building the venture capital industry in the country.

Currently, the policy and regulatory framework is barely sufficient. There are many issues, which need to be addressed as a global marketplace like taxation, consumer protection and intellectual property. Problems do arise due to the fact that different countries have their own regulations and protocols.

The report also identified the need to attract inbound consumers. "Although there are Malaysian Internet users conducting transactions online, most of them do so on non-local sites. This results in an outflow of our currency," said Dr Ghazie. "So we must bring them back by building the local content development industry, increasing web hosting services and building the Malaysian brand."

The efforts of the MSC e-Business Flagship have fuelled an increase of the number of companies that are involved in e-business activities. Twenty percent of all MSC status companies are now involved in e-business activities. This marks an improvement from 1997, which only had six companies who were involved in e-business activities.

The NECC will be launching the second phase of the National Electronic Commerce Strategic Directions. This phase has been approved by the Prime Minister's Department's Economic Planning Unit (EPU) and hopes to pinpoint areas for improvement as well as forecast the trend for this technology. Dr Ghazie said, "The aim of the second phase is to identify actionable activities and projects as well as agencies involved, to address the challenges and meet the strategic e-commerce objective of Malaysia by conducting a comprehensive study, based on sectoral approach. The study will also focus on vertical

issues such as competitiveness and the resilience of various Malaysia industries - like manufacturing, agriculture, tourism and banking among others - while implementing e-commerce activities."

Malaysia is starting to embrace e-business. With the continuous support of the various government bodies and the MDC, e-business will definitely be a part of our lives. It is just a matter of time till more and more companies realise the importance of e-business and its advantages, thus revolutionising themselves to join the e-business world. ●



The issue of trust and perception is stopping many Malaysians from conducting transactions online... Dr Ghazie.