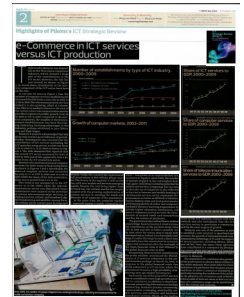


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06 Sep 2010
The Edge
NetV@lue 2.0
N/A
Weekly
25,041 /

Language
Page No
Article Size
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e-Commerce in ICT services versus ICT production

Traditionally, Malaysia was dependent on the electronics component industry, which formed a large part of the contributions to the ICT sector. However, the tide has now turned. As shown in Figure 1, in recent years, investments in the services component of the ICT sector have been on the rise.

It can also be seen in Figure 1 that the number of computer services establishments increased fivefold from a mere 283 in 2000 to 1,339 in 2009. The telecommunication services industry is also growing, albeit at a slower rate. This is in marked contrast to the turn of the century when telecommunication service providers registered prolific growth from 38 in 2000 to 170 in 2007. Compared to the services component, the number of electronics-related establishments has been fluctuating, indicating declining advantages in the industry, perhaps attributed to poor labour mix and high wages.

However, it must be acknowledged that this alone may not be a good indicator of growth. Further investigation also revealed that the contribution of ICT services (excluding the ICT manufacturing sector) to GDP rose from 3.3% in 2000 to 5.1% in 2009 as shown in Figure 2. The 10th Malaysia Plan reported that the overall ICT sector accounted for 9.8% of GDP in 2009 and of this, apparently only 4.8% came from the ICT production sector.

Between telecommunication and computer services, the latter seems to be growing faster, as shown in Figures 3 and 4. Specifically, the share of computer services that accounted for only 0.2% of GDP in 2000 rose to 0.9% in 2009 while the share of the telecommunication sector moved from 3.1% to 4%.

This trend is not unexpected in the ICT sector as in the 1990s, when the telecommunications sector was liberalised, heavy investments were targeted at the provision of various telecommunication services, including Internet, cellular and broadband, digital broadcasting and satellite. Among these, the cellular phone market grew by leaps and

bounds. Today, the country has experienced full penetration of the cellular phone market. The frenzy in the segment is still on the rise, with new models and services emerging rapidly. Despite the cost being higher than for fixed line, the cellular market has surged, coupled with the growing sophistication of content services in meeting the needs and lifestyles of all segments of the population.

At the same time, the computer market — especially laptop or mobile computing services — has grown at an unprecedented rate. As shown in Figure 5, since 2006, the number of laptops shipped in has outweighed desktops, again indicating increasing potential for mobile and wireless computing. The increase in the take-up of computers is also reflected in the rise in Internet and mobile banking in the financial services sector, expansion of e-government activities at all levels of administration (federal, state and local governments), growing popularity of online and computer-mediated distance learning programmes by private higher education institutions, and more e-commerce activities with the introduction of secured credit card transactions and Pay Pal system of payments.

The government also realised that to achieve a knowledge-based economy, it must increase the contribution of the services sector from 55% in 2008 and 60% in 2009 to possibly 70% by 2020, when the nation aims to attain fully developed status. Indeed, it is a formidable challenge to realise this target in such a short time, especially since the country lost its economic vigour and momentum after the onslaught of the Asian financial crisis of 1997 followed by the global financial crisis in 2009.

Recognising these economic impediments, the prime minister announced the liberalisation of 27 services subsectors in the second stimulus package on March 20, 2009, in response to the global financial crisis. One of the subsectors is ICT services, where the government foresees a high possibility of attracting new-age related investments.

Pertinently, one of the areas of ICT services that is considered to have high growth potential is e-commerce, in addition to shared services and outsourcing, information technology outsourcing, business process outsourcing, e-government, e-learning, multimedia content services, and software and hardware consultancy services. Pikom, as the leading

voice of the ICT industry, concurs with this outlook and also anticipates that the ICT services sector, in particular e-commerce, will be the next engine of growth.

Malaysia was one of the pioneers in Asia to establish a new ministry to spearhead and promote the growth of information and communications technology (ICT) with the support of several agencies, including Mimos, MDEC and MCMC. Over the years, these agencies have contributed to e-commerce by developing master plans and agendas and fostering

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research into what is needed to drive e-commerce in Malaysia.

The importance of e-commerce also prompted the government to allocate RM12.9 billion in the Ninth Malaysia Plan (2006-2010) for these initiatives. It is pertinent that the government continues to drive e-commerce initiatives, in particular boosting the confidence of the public in the adoption of e-commerce, and to build a critical mass of Internet users so that cost and ease of e-commerce usage can be assimilated into the system and economy. **E**

This is Part Two of a 26-part series highlighting key points of Pikom's 2010/11 ICT Strategic Review

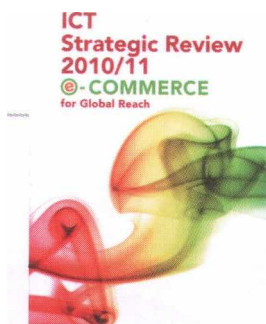


FIGURE 1

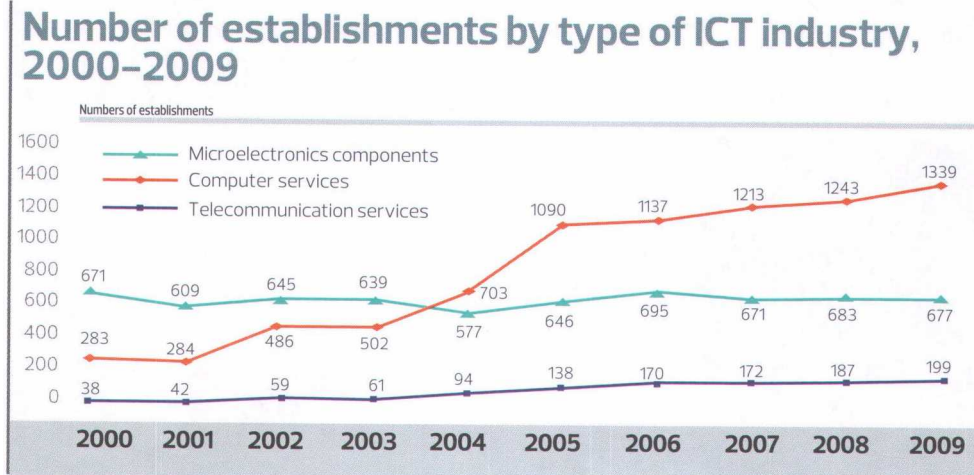


FIGURE 5

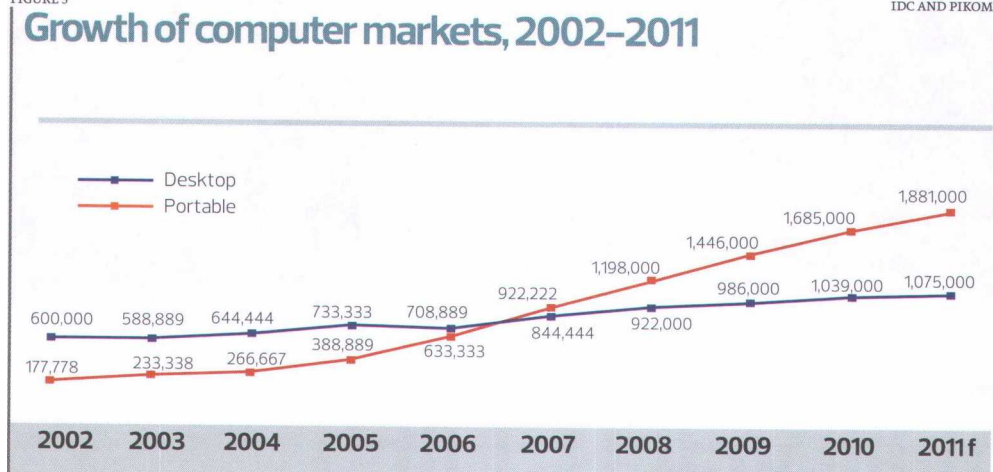


FIGURE 2 DEPARTMENT OF STATISTICS (2000-2008); PIKOM (2009)

Share of ICT services to GDP, 2000-2009

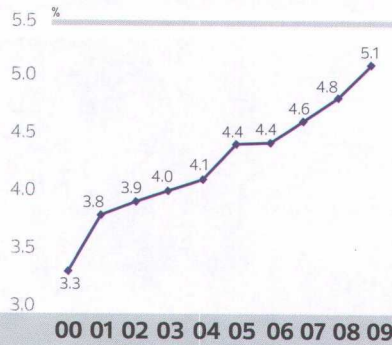


FIGURE 3 DEPARTMENT OF STATISTICS (2000-2008); PIKOM (2009)

Share of computer services to GDP, 2000-2009

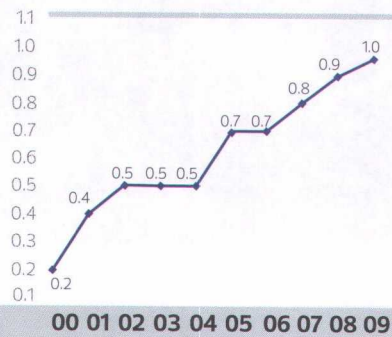
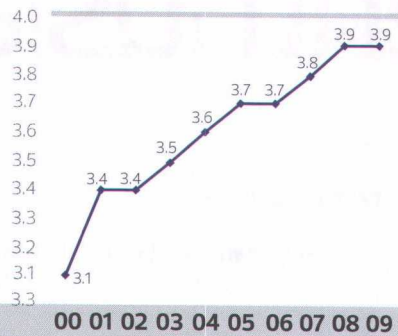


FIGURE 4 DEPARTMENT OF STATISTICS (2000-2008); PIKOM (2009)

Share of telecommunication services to GDP, 2000-2009



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KARAMJIT SINGH/THE EDGE

Since 2006, the number of laptops shipped in has outweighed desktops, indicating increased potential for mobile and wireless computing