Digital Economy in Tourism Sector in Malaysia

Conference on Future of Work for Tourism Sector in Malaysia (Post Covid-19)
The digital economy cuts through all aspects of life, - the way people interact - the economic landscape - the skills needed to get a good job - political decision-making

Our emerging digital economy has the potential - to generate new scientific research and breakthroughs - fueling job opportunities - economic growth - improving how people live their lives
MALAYSIA HAS A BROADER DEFINITION OF THE DIGITAL ECONOMY THAN OECD

<table>
<thead>
<tr>
<th>Component</th>
<th>OECD</th>
<th>Malaysia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information and Communication Technology (ICT) Sector</td>
<td>ICT manufacturing; software publishing; telecommunications; computer programming, consultancy, and information and related activities</td>
<td>ICT wholesale and retail trade; Content and media activities; Other ICT services such as repair of machinery, E&amp;E and optical equipment; Installation of industrial machinery and equipment, etc.</td>
</tr>
<tr>
<td>e-commerce</td>
<td>Commonalities</td>
<td>Wholesale and retail sectors</td>
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<tr>
<td></td>
<td>ICT wholesale and retail trade; Media and content activities; Other ICT services such as repair of machinery, E&amp;E and optical equipment; Installation of industrial machinery and equipment, etc.</td>
<td>A broader measure can be derived, which includes all sectors across the economy for which data are available</td>
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</tbody>
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EASE OF DOING DIGITAL BUSINESS

Ease of Doing Business (EODB) vs. Ease of Doing Digital Business (EDDB)

- Malaysia: Ranks 15th in 2019 (out of 42 countries)
- Malaysia: Ranks 37th out of 42 countries

EODB reforms mainly targeted at nondigital business concerns
Network coverage ~ challenges to data accessibility, interoperability, and transfer
Malaysia ranks 26th in 2019, out of 63 countries assessed in term of each economies capacity to adopt and explore digital technologies leading to transformation in government practices, business models and society in general.

The ranking examines three factors:

1. **Knowledge**, which measures the know-how necessary to discover, understand and build new technologies;
2. **Technology**, which evaluates the overall context that enables the development of digital technologies;
3. **Future Readiness**, which assesses the level of preparedness to exploit digital transformations.
Digital transformation roadmap for the years 2018 to 2025 built off a master plan drafted by the Digital Economy Development Committee (DEDC).

- Thailand 4.0
- 12th National Economic and Social Development Plan (2017-2021)
- Digital Laos (draft)
- Smart Urban Development Plan (2016 – 2030)
- Future Digital Economy Roadmap (2030 – 2045)
- Digital Transformation Strategy 2022
- Digital Cambodia – towards Industry 4.0
- Smart Nation
- Digital Economy Council - coordination will be implemented at the national level and will play a specific role in pioneering policy directions on digital economy towards a Smart Nation
- DFTZ
- Industry4wrd
- DETF
- MTEP
- Indonesia 4.0
If ASEAN were a single economy, its GDP would be the 5th largest in the world.

ASEAN’s digital economy is 7% of GDP vs. 16% for China, 27% for EU & 35% for the U.S.

ASEAN has great potential to go digital with its sizeable economies, demographic dividend and continuous regional integration.

Southeast Asia’s nine unicorns – Bukalapak, Go-Jek, Grab, Lazada, Razer, Sea Group, Traveloka, Tokopedia and VNG have received the majority of funds attracting US$16 billion of the US$24 billion invested in the region.
INTERNET PENETRATION
90.1% from total population
In 2019
Source: DOSM

SMARTPHONE USERS
20.9 Million
In 2018
Source: NEWZOO

MOBILE PAYMENT TRANSACTION VALUE
US$1.03 Billion
expected to reach in 2017-2021
Source: STATISTA

TOTAL POPULATION
32.7 Million
As of Q1 2020
Source: DOSM

ONLINE BANKING PENETRATION
85%
In 2018
Source: FINTECHNEWS

TOP 3 INTERNET ACTIVITIES BY INDIVIDUALS, 2019
Participating in social networks
2019: 97.1%
2018: 96.5%

Finding information about goods or services
2019: 83.5%
2018: 83.1%

Downloading images, movies, videos or music; playing or downloading games
2019: 84.7%
2018: 81.7%

Source: ICT Use and Access By Individuals and Households Survey Report, DOSM, 2019
GROWTH OF MALAYSIA’S DIGITAL ECONOMY

1996
Birth of Multimedia Super Corridor (MSC)

1997
NTT, 1st company awarded as MSC status

2000
Shared Services & Outsourcing as a focus industry

2008
World Congress on IT (WCIT) in KL

2010
Data Center was identified as National Key Economic Area

2013
Digital Malaysia Initiative was introduced

2015
The launch of National BDA Framework, National IOT Roadmap

2016
The launch of National eCommerce Roadmap

2017
DFTZ Goes Live

2018
Industry 4.0 roadmap

2020
Target 20% of GDP

Achieved
18.3% Digital Economy contribution to GDP

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IMPACTS OF DIGITAL ECONOMY
"That part of economic output derived solely or primarily from digital technologies with a business model based on digital goods or services"

Bukht and Heeks, 2017

Role of Digital Platforms

“Digital platform provides the mechanism for bringing together a set of parties to interact online.”

"Transaction platforms are two/multi-sided markets with online infrastructure that support exchanges between a number of different parties."

“Innovation platforms create environments for code and content producers to develop applications and software ....”
THE FUTURE OF JOBS: THE ROLE OF DIGITAL TECHNOLOGIES

Technological, Demographic and Socio-Economic Trends Affecting Business Models

Impact felt already
- Rising geopolitical volatility
- Mobile internet and cloud technology
- Advances in computing power and Big Data
- Crowdsourcing, the sharing economy and peer-to-peer platforms
- Rise of the middle class in emerging markets
- Young demographics in emerging markets
- Rapid urbanization
- Changing work environments and flexible working arrangements
- Climate change, natural resource constraints and the transition to a greener economy

2015–2017
- New energy supplies and technologies
- The Internet of Things
- Advanced manufacturing and 3D printing
- Longevity and ageing societies
- New consumer concerns about ethical and privacy issues
- Women’s rising aspirations and economic power

2018–2020
- Advanced robotics and autonomous transport
- Artificial intelligence and machine learning
- Advanced materials, biotechnology and genomics
Which are the correct terms?
• There are several labels / terms used globally
• Key components are the same or similar

Freelance and Gig Worker
• Providers of services in this form of economy are generally referred to as ‘freelancer’ or ‘gig worker’; they are enabled by digital, not an employee / self-employed and categorized as part of the informal work sector

Disrupting Economic Sectors at Global Scale
• Role of digital technology and digitalization in transforming business models
IMPACT OF SHARING ECONOMY TO SECTORS

Disrupting Economic Sectors at Global Scale

Logistic  Transportation  Tourism  Household/Domestic  Financial  Professional

Efficiency  Cost Savings  Wider Options  Quality  New Form of Employment

Impact can be augmented through:
• High participation of communities to improve productivity and derive income/benefits
• Government’s facilitation to address trust issues between supply and demand, and enabling environment
• Government’s open policy to embrace Sharing Economy model, promoting a fair level and competitive playing field vis-à-vis the traditional model of the incumbents
**SHARING ECONOMY IMPACT TO TOURISM SECTOR**

- New platform tourism services are expected to continue growing in importance in the coming decade.
- Despite the challenges, the **positive impact** of new platform tourism services outweighs the negative effect.
- Globally, tourists welcomed emergence of new platform tourism services – benefitting from innovation, convenience, broader choice and lower prices – which in turn driving greater interest to use services on offer.
- Consensus among traditional businesses – no point in denying expansion and popularity of platform services.

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**UNWTO Report, September 2017**

**Figure 3.4: Current overall impact of new platform tourism services (%)**

*Question D1: How do you rate the current overall impact of private tourism services through digital platforms for your destination/activity?*

<table>
<thead>
<tr>
<th>Service Type</th>
<th>Rating</th>
</tr>
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<tbody>
<tr>
<td>Information</td>
<td>Very positive</td>
</tr>
<tr>
<td>Accommodation</td>
<td>Very positive</td>
</tr>
<tr>
<td>Transportation</td>
<td>More positive than negative</td>
</tr>
<tr>
<td>Food</td>
<td>More positive than negative</td>
</tr>
<tr>
<td>Tourism activities (“things to do”)</td>
<td>Very positive</td>
</tr>
</tbody>
</table>

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OPPORTUNITIES & CHALLENGES IN P2P ACCOMMODATION

Digital platforms have a particularly significant impact on the tourism sector. They provide both opportunities and challenges for countries looking to harness tourism to help achieve goals such as ending extreme poverty and boosting shared prosperity.

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Challenges</th>
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<tbody>
<tr>
<td>1. Helps attract new markets and demographics to new and existing destinations.</td>
<td>1. May be unregistered and unregulated.</td>
</tr>
<tr>
<td>2. Influences the type and nature of visitor purchases and services.</td>
<td>2. May not be following tax laws.</td>
</tr>
<tr>
<td>3. Builds consumer trust to visit a destination in new ways and try new products.</td>
<td>3. Can cause disturbances in a residential community.</td>
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<tr>
<td>4. Lowers the barriers to entry for entrepreneurship.</td>
<td>4. May cause housing prices and rents to increase.</td>
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<tr>
<td>5. Supports homeowners and helps prevent displacement.</td>
<td>5. May put visitors at higher risk.</td>
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<tr>
<td>6. Enables the dispersion of tourists in a wider geographical area.</td>
<td>6. May impact the job-intensive hotel sector.</td>
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<tr>
<td>7. Increases access to market, which is particularly helpful for community-based homestays.</td>
<td>7. May benefit only a small minority.</td>
</tr>
<tr>
<td>8. Provides flexible inventory to meet the rise and fall of demand and assists in times of crisis.</td>
<td>8. Providers lack organization and representation.</td>
</tr>
<tr>
<td>9. Has a relatively small environmental footprint.</td>
<td>9. Contributes to the impact of &quot;overtourism&quot;.</td>
</tr>
<tr>
<td>10. Collects real-time data about visitors.</td>
<td>10. Internationally located P2P platforms divert income that would otherwise be earned locally.</td>
</tr>
</tbody>
</table>

Source: World Bank Group Report, 2018
EVOLUTION OF P2P ACCOMMODATION PLATFORMS

First there was...
- couchsurfing
- Elderhostel
- Road Scholar

Then...
- airbnb

plus many others

Today... There’s more of everything
- Hotel-ification of homesharing
- Airbnb entering corporate & hotel space

Plus: Aggregators
- Vrbo
- Expedia
- HomeAway
- Booking.com
- TripAdvisor
- Kayak

- Wyndham Hotels & Resorts
- AccorHotels
- Love Home Swap
- Onefinestay
- Homes & Villas by Marriott International
- Four Seasons
SHARING ECONOMY PLATFORM PARTNERS as of May 2020

Total: 119
Local Platform: 92
SHARING ECONOMY PLATFORM PARTNERS as of May 2020

- Food Delivery & HomeChef Services
  - DeliverCAT
  - Yummie Hery
  - MakanSharing
  - foodpanda

- Logistics & Delivery Services
  - JobForHire.com
  - PartTimePost.com
  - miloExpress
  - justlorry
  - degeo

- Ride & Transportation
  - Grab
  - MyCar
  - WAHDAAH
  - moovby

- Part-Time Crew
  - FASTJOBS
  - Cidekick
  - SupaLaju

- Tourism Related Activities & Services
  - TOURPLUS
  - Airbnb
  - let's GO HOLIDAY

- Repair, Installation, Maintenance & Domestic Services
  - StarTasker
  - SERV

- Healthcare, Lifestyle & Wellness Services
  - casamua
  - senuh
  - DigiHealth

- Digital & Professional Work
  - freelancer.com
  - upwork
  - favser.com

- Data Labeling & Content Review
  - DefinedCrowd
  - supahands

- Education & Training
  - ezySpark
  - tutorbar

- Ads, Promotion & Marketing
  - 123RF
  - Netizen

- Business Process & Creative Works
  - designhill
  - gloVis

- Sales & Marketer
  - DIDIAN
  - MyCash Online

- Content Creation
  - SENANGNOW
  - CONTENT WRITER

- Dropship & Referral
  - SUREPLIFY
  - GO SHARE LAM

- Sales & Marketer
  - erle

- Personal Helper & Caregiver
  - kidocare
  - GetRunner

- Food Delivery & HomeChef Services
  - BUNGKUS IT

Local Platform: 92
Total: 119
Leverage on Sharing Economy Models

- Malaysia’s Authentic Local Experience
  - provided by Malaysian community-at-large, via collaborations and linkages with global and local platforms
  - capturing the free & independent travelers and millennial tourists – who prefer to live and eat like locals when traveling
  - Customize package that is exclusive to every state.

- Combined and concerted effort to enrich Malaysia’s Tourism content, with easy access via multiple channels

Other New Digital Tourism Activities:

Examples of potential new local platforms:
- Cultural Experience
- Nature Experience
- Traditional Healthcare
POST COVID-19: EMERGING TOURISM TRENDS

TRAVEL LOCALLY
- Shorten-distance destinations travel by road instead of flights
- Closer-to-home destinations (within a few hours drive)
- Less frequently visited tourist destinations may benefit from the demand for less crowded places.

SOCIAL DISTANCING & HYGIENE
- Travel privacy & preference for less crowded facilities
- Attractions that support physical distancing
- Permissible capacity levels
- Usage of mobile, virtual and contactless solutions.

NATURE / RURAL TOURISM
- Nature-based tourism, fresh air & outdoor activities (birdwatching, mountain sightseeing, seaside, stargazing, camping, hiking).
- Allow tourists to put together social distancing, discovery and contact with nature.

MICRO-HOLIDAYS / STAYCATION
- Small, closer to home, safer & more affordable throughout the year.
- A short holiday or long weekend to spend quality time and relax.

ENABLED BY DIGITAL
- Tourism products and services are shifting towards being offered through digital channels.
- Increase in usage of digital tech and apps to access to services.
HOW DO WE PLAY IN A CHANGING GAME TO ACHIEVE THE VISION OF SHARED PROSPERITY

• What are the roles of a Government in a Digital Economy
  o Wealth creation in an extremely connected / globalised world
  o Social well being, local/cultural values
  o New problems, New divides – can be widening instead of closing
  o People vs people, people vs machines, machines vs machines
  o New form of “nations” – google, facebook, etc.
THANK YOU