



AIMING FOR THE STARS

Dato' Wira Louis Ng shares how home-grown online marketplace PG Mall Sdn Bhd gives foreign-owned e-commerce platforms a run for their money.

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Revolutionising Malaysia's online marketplace

Home-grown e-commerce platform PG Mall Sdn Bhd aspires to battle the big boys for a healthy chunk of online business market share.

At a time when foreign e-commerce platforms are dominating the Malaysian online marketplace by leaps and bounds, PG Mall Sdn Bhd is all fired up to give its foreign competitors a run for their money.

Reputed to be Malaysia's first home-grown online marketplace, the Penang-based company sees tremendous growth opportunity stemming from its advantage of having a bird-eye view of the local taste bud, culture and market trend.

Such optimism is further fanned by an increase in consumer spending (it has become trendy to make online purchases) as well as the wider acceptance of mobile e-commerce as a convenient tool to order a product/service that will ultimately be delivered to one's doorstep.

"Although the playing field might seem a little overcrowded currently, we are confident of winning a healthy market share as evident in our jump in revenue growth and number of shoppers/merchants," PG Mall managing director Dato' Wira Louis Ng Chun Hau tells *Smart Investor*.

"Above all else, there is surely room for local players as reflected in the success of Tokopedia (reported to be valued at about US\$7 bil in November 2018) and Matahari which are today two household e-commerce platforms in Indonesia."

From a mere RM500,000 in 2017, PG Mall has seen its revenue skyrocketed to RM5 mil in 2018. For 2019, the company is projecting a revenue of RM20 mil.

By C. S. Cheah

Profiling PG Mall Sdn Bhd

Established in 2017, PG Mall Sdn Bhd is the brainchild of Public Gold Group founder and Executive Chairman Datuk Wira Louis Ng Chun Hau who aspires to grow and push homegrown brands to the global frontier under his unique Sharing Economy business model.

Currently, PG Mall has a customer base of more than 300,000 shoppers (50% of whom are active shoppers on a monthly basis) – and still growing – from across Southeast Asia.

Since its inception, PG Mall has attracted over 10,000 merchants with approximately 500,000 merchandise consisting of mainly lifestyle products and services to cater to both the local, regional and global market.

To date, PG Mall is Malaysia's No. 1 online marketplace with 18 physical service centres nationwide to serve both shoppers and merchants effectively.



*Dato' Wira Louis Ng Chun Hau,
Managing Director of
PG Mall Sdn Bhd*

THE ALLURE OF PG MALL

At a glance, the PG Mall online marketplace targets smartphone-savvy shoppers who prioritises convenience with little hesitation to bear delivery fee of their merchandise (even though the e-commerce platform has a "Monthly Pay Week Bonanza" where shoppers can enjoy free shipping).

At present, PG Mall is ranked fourth in the Malaysian online marketplace behind Lazada, Shopee and 11street but excels as the country's No.1 local e-commerce platform.

Eventually, Malaysia will catch up with the trend of buying every necessity online – from groceries to lifestyle items and even services – given 45% of households in the US and Japan are already embarking on such buying method.

"Currently, logistical efficiency is preventing such Malaysia from emulating such trend but sooner rather than later, same day delivery shall prevail in the Malaysian shores," envisages PG Mall managing director Dato' Wira Louis Ng Chun Hau.

On a similar note, Ng shares that the most popular merchandise types purchased by Malaysians online include fashion and beauty products, electronics, and sports products.

"Each product on the shelf are carefully picked and approved to ensure its best quality when arrived to the hands of the shoppers," elaborates Ng. "Additionally, we have regular/seasonal online and offline campaigns that cater to festivities as well as the younger taste buds, i.e. fun and entertainment."



THE 10-YEAR DEVELOPMENT PHASE OF PG MALL SDN BHD

PHASE ONE

- Branding
- Building shopper/merchant base
- Getting the numbers
- Soliciting government support
- Logistic issues

PHASE TWO

- Seeking funding from investors (institutional or venture capitalists)
- Ventures into international market (Southeast Asia)

"Even though we have hit RM5 mil, the company is still in the red," reveals Ng. "We expect to break-even in three years' time by generating RM50 mil in annual revenue and RM2 mil in gross profit."

According to him, PG Mall will commit a yearly investment of about RM10 mil to improve both the features and security aspect of its portal. To date, the company has invested about RM20 mil into developing its online shopping portal.

Championing national interest

Fortunately, PG Mall is a not new kid on the block in the e-commerce business sphere. Ng is quick to point out that the online marketplace operator owes very much of its business vision – and technological prowess – to its sister company Public Gold Marketing Sdn Bhd, an online pioneer in ASEAN's precious metal industry.

Founded in 2008, Public Gold – which is also Ng's brainchild – operates a fully integrated virtual as well as physical gold exchange centre (with 18 branches throughout Malaysia and Singapore) that enables customers to both access live gold prices 24x7 and to transact the bullion online.

"Hence, PG Mall is a natural evolution from transacting one single product, i.e. gold bar, into multiple products," he justifies. "We liken ourselves to the progression of Amazon from an online bookstore to an online marketplace that enables third-party vendors to sell their (new or used) products online."

Ng also deems PG Mall as "revolutionary" in the sense that it strives to balance both the commercial and national interests.

"We are all out to rally local small medium enterprises (SMEs) to market Made-in-Malaysia merchandise both locally and overseas," he enthuses. "This is a win-win proposition for both parties to expand their businesses beyond China which nowadays seems to be the only overseas destination known to Malaysian SMEs."

In June 2017, PG Mall entered into a collaboration with the Malaysian Internet Entrepreneurs Association in an effort to engage more start-ups to explore the new era of e-commerce vis-à-vis a reliable and safe marketing platform that ultimately reaches out to the international markets.

Four months later, it tied up with Pos Malaysia Bhd's courier arm Pos Laju in a strategic partnership for the latter to be its e-commerce logistics partner in the region. This will enable PG Mall to reach out to millions of online shoppers in the urban areas through Pos Malaysia's 700 post offices nationwide.

Additionally, various government agencies (e.g. the Malaysia Digital Economy Corporation and eUsahawan) as well as industry players in the likes of DHL and redONE have reached a consensus with PG Mall to forge partnership.

Alongside its partnership with mobile network provider redONE, PG Mall is expected to derive a gross merchandise value of RM2.5 mil per month from strategic affiliation.

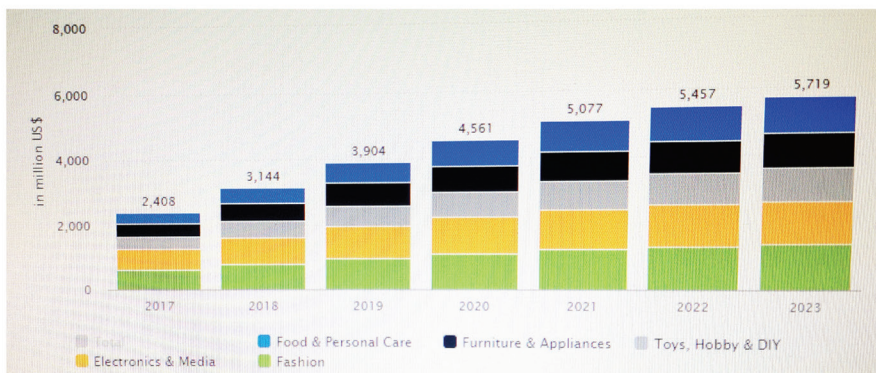
In December 2018, PG Mall facilitated the forging of closer links between merchants in East and West Malaysia.

ACCORDING TO DATO' WIRA LOUIS NG, PG MALL WILL COMMIT A YEARLY INVESTMENT OF ABOUT RM10 MIL TO IMPROVE BOTH THE FEATURES AND SECURITY ASPECT OF ITS PORTAL.



Dato' Wira Louis Ng Chun Hau

E-commerce prospect for Malaysia (2019-2023)



- Revenue in the Malaysian e-commerce marketplace is projected to amount to US\$3.9 bil in 2019.
- Revenue is expected to show an annual growth rate (CAGR 2019-2023) of 10.0%, resulting in a market volume of US\$5.72 bil by 2023.
- The market's largest segment is Electronics & Media with a market volume of US\$1.01 bil in 2019.
- User penetration is 62.1% in 2019 and is expected to hit 63.5% by 2023.
- The average revenue per user (ARPU) currently amounts to US\$192.60.

Source: Statista

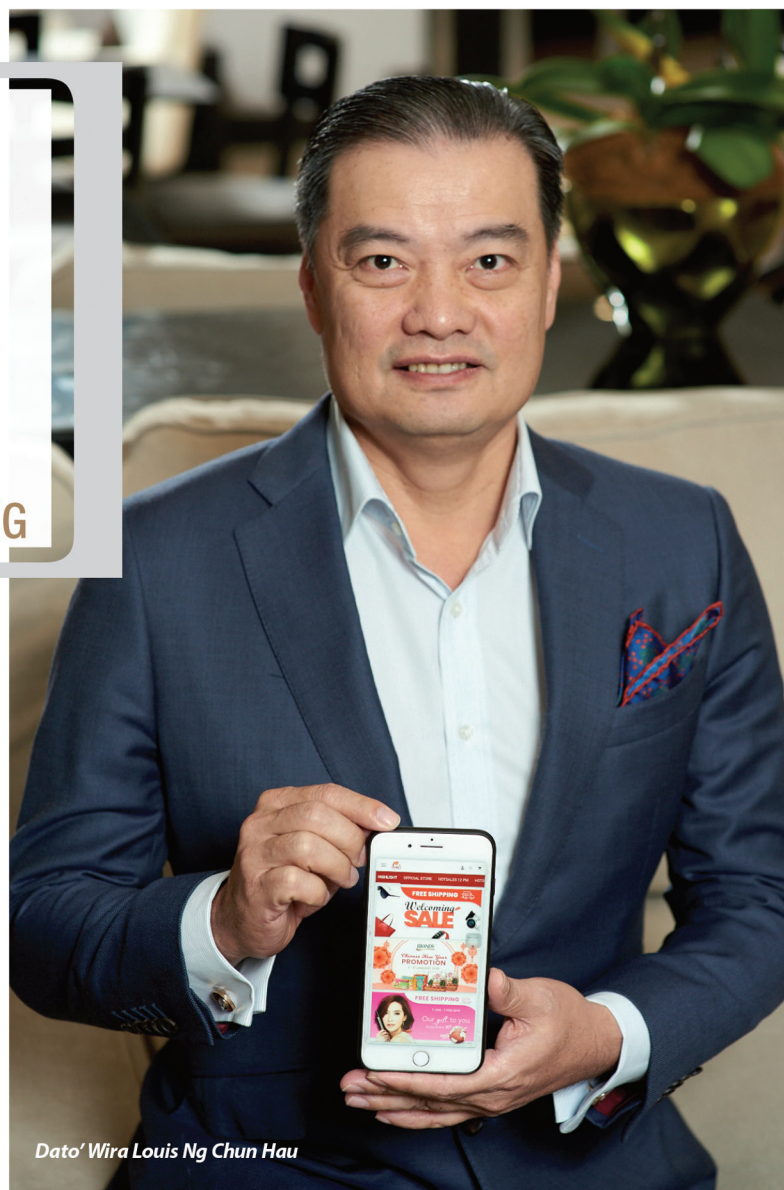
“EXISTING E-COMMERCE PLATFORMS ARE INDIRECTLY KILLING LOCAL RETAILERS – BOTH PHYSICAL AND ONLINE – THROUGH THEIR LOW PRICING WHICH IS MADE POSSIBLE VIA ATTRACTIVE DISCOUNT RATES,” OBSERVES DATO’ WIRA LOUIS NG

The e-commerce platform is collaborating with the Sarawak E-commerce Association (SECA) to open up the East Malaysia market by encouraging online retail trading (from the very much offline platform currently).

Checking ringgit outflow

On a similar note, Ng is also happy that PG Mall is able to do its part to lay the necessary infrastructure to boost e-commerce trade in Malaysia.

“Considering that 90% of our online businesses are currently controlled by foreign industry players, it’s high time to boost the participation of local e-commerce platforms given having too many foreign online players can be a national security risk poser in the long run,” he reckons.



Dato' Wira Louis Ng Chun Hau



Another critical issue that the relevant authorities should look into is the outflow of disposable income among Malaysian shoppers through the online channel given all the existing e-commerce platforms are owned by foreigners and their activities focus on promoting foreign products.

"Moreover, they are indirectly killing local retailers – both physical and online – through their low pricing which is made possible via attractive discount rates," observes Ng.

"Against such backdrop, our priority moving forward is to grow in size to match the big boys while at the same time, motivate local online businesses to grow their export business."

Under such circumstances, it is imperative to convince all PG Mall's merchants that the company is both in the business for long-term as well as harbours genuine intention to work closely with all industry players regardless of size to realise win-win business objectives.

"Our ultimate satisfaction is for big boys in the likes of Alibaba, Lazada or Shopee to treat us as a serious market contender," adds Ng. **S1**

THE VALUE OF MALAYSIA'S ONLINE MARKETPLACE

Malaysia is expected to generate revenue of US\$3.9 bil (RM16.12 bil) from the e-commerce market in 2019, 24.2% higher than US\$3.14 bil (RM12.97 bil) generated in 2018, according to the latest estimates from online market data provider Statista.

Revenue is expected to show an annual growth rate of 10.0%, resulting in a market volume of US\$5,719 bil (RM23.64 bil) by 2023. The average revenue per user currently amounts to US\$192.60 (RM796.10) while user penetration is 62.1% in 2019 (expected to hit 63.5% by 2023).

The market's largest segment is poised to be the electronics & media segment with a market volume of US\$1.01 bil (RM4.17 bil) in 2019.

On a bigger picture, e-commerce has been the most dynamic sector of Southeast Asia's internet economy over the past three years, according to the e-Conomy SEA 2018 report which was jointly authored by Google and Singapore's global investment firm Temasek.

Accounting for just over US\$5.5 bil in gross merchandise volume in 2015, the region's e-commerce sector has grown more than four times since then to exceed US\$23 bil in 2018, representing a 62% compound annual growth rate over the period.

On the back of increased consumer trust in e-commerce as demonstrated by Southeast Asian internet users, the e-Conomy SEA 2018 report has revised upwards its projection for the e-commerce sector to exceed US\$100 bil come 2025.

While e-commerce is experiencing healthy growth in all Southeast Asian countries, Indonesia is leading the way, reaching US\$12 bil in 2018 and accounting for more than US\$1 in every US\$2 spent in the region.

"E-commerce adoption has also accelerated in Thailand and in Vietnam where it has reached nearly US\$3 billion in 2018," reveals the e-Conomy SEA 2018 report.

"Similarly, across all these markets, Southeast Asian consumers increasingly rely on e-commerce to buy a wide range of products that are not available in stores as a result of the relative underdevelopment of the modern retail channel outside of metro cities."

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