



Transformation goal: Employees are seen working in GDEX's customised hub in Petaling Jaya. The company strives to optimise costs through lowering spend on non-essential items and adopting more automation.

Homegrown courier companies call for help

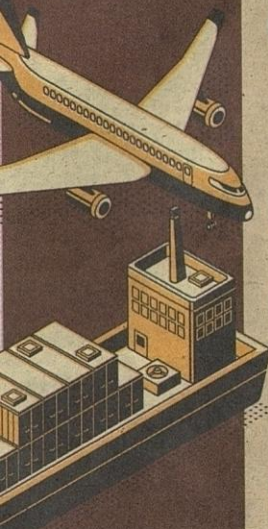




Parcel per capita in Malaysia



Courier traffic by type of items (4Q21)



Number of express documents

Category	3Q21	4Q21
Domestic	20,105,800	25,089,900
International	525,400	458,800

Number of packages and parcels

Category	3Q21	4Q21
Domestic	164,326,900	191,945,200
International	6,404,000	8,931,600

Others

Category	3Q21	4Q21
Domestic	4,051,100	3,896,200
International	48,700	48,900

Source: Malaysian Communications and Multimedia Commission

The *Star* graphics

Despite heightened demand and low charges, firms are not able to fully cash in on the business. The entry of foreign players is not helping either. Fast action is needed as some companies r

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THE eCommerce boom in the past two years has created a huge demand for courier or last mile delivery services.

Malaysians are sending and receiving more parcels than ever before, with the parcel per capita surging three-fold to 23.5 parcels in 2021 from just 7.6 parcels in 2019.

Despite the robust demand for courier services, homegrown companies are not able to fully cash in on the increased courier traffic.

Even with the cost of delivery in Malaysia already being one of the lowest in the region, companies are forced to lower their costs further to stay competitive.

As a result, the market margins have become thin, and the only way to thrive is to leverage on the volume game.

Predatory pricing, entry of foreign players into the last mile delivery services and the lack of level-playing field are said to be "killing" local last mile delivery providers.

If no immediate action is taken to remedy these issues, an industry player warns that some local companies – especially the smaller ones – could even collapse within the next two years.

Even the bigger players such as Pos Malaysia Bhd and GDEX Bhd are finding it hard to sustain in such an environment.

Pos Malaysia, which has been losing money since 2019, reported another quarter of net loss amounting to RM30.37mil in the first quarter ended March 31.

Revenue dropped by almost 19% year-on-year (y-o-y) to RM484.35mil.

In its notes to its recent accounts, Pos Malaysia reveals the problematic scenario plaguing the industry.



Brewer: New market entrants must undergo stringent controls and conditions and the industry needs good governance and regulation.

The biggest problems are the lack of fair competition in the last mile delivery of parcels, major eCommerce players leveraging on their insourced delivery capabilities and the international players' penetration strategies to capture higher market share.

In the year 2021, Pos Malaysia's courier business contributed 47.3% of its total revenue.

Another major player, GDEX, also recorded a net loss of RM1.9mil in the first quarter ended March 31, while revenue fell by over 13% y-o-y.

While its operations in Vietnam and Indonesia witnessed an improved performance, its biggest market – Malaysia – suffered a drop and dragged the entire company's performance.

The company said that the competitive pricing environment in Malaysia is destructive, with some

players offering free delivery service to grow their volume.

In a reply to *StarBizWeek*, GDEX managing director and chief executive officer (CEO) Teong Teck Lean says that most players in the industry are not profitable and that the sustainability of the industry is in question.

Meanwhile, an industry observer says that some companies "with large foreign funding" are offering last mile services at throwaway prices in order to gain a greater control of the market.

"We saw the same situation in the case of Grab and Uber, and before that, in the shipping industry.

"Not all players can sustain in such an environment.

"If the situation continues, many homegrown players may have to cease operations and we could see the creation of a monopoly or an oligopoly. The existing players will be price-setters and the end-consumers will be the biggest losers," he says.

The industry observer also notes that the quality of delivery services has deteriorated in recent years, amid the predatory pricing scenario.

"When delivery charges are cheap, companies cut corners to protect their margins. The ones losing out are the end-consumers," he adds.

In the past two years, the number of complaints against courier service providers has surged, in tandem with the rise in the total number of shipments.

In fact, in the first five months of 2022 alone, the number of complaints received by the Postal Forum leaped by more than 200% y-o-y.

Postal Forum is a self-regulatory body, designated by the Malaysian Communications and Multimedia Commission (MCMC) in February

2020, to give feedback and make recommendations to MCMC on any matters concerning the interest of consumers of the postal and courier services industry.

Among its functions are to identify and keep under review matters affecting consumers, represent consumer interests, including handling complaints, and promote consumer interest in relation to the tariffs and standards of the postal and courier industry.

Executive director Rafidah Ismail says that the most complaints received are on late delivery, followed by poor service delivery and lost parcels or letters.

"All complaints must be lodged to the respective courier company or service provider to give them a chance to resolve them first.

"If the consumer is dissatisfied with the resolution provided by the courier provider, the consumer can then lodge a complaint with the Postal Forum via the portal for further review and consideration.

"From the complaints received, Postal Forum will analyse the major consumer pain points and deep dive into the issues to find the root causes.

"Based on the findings, the Postal Forum will channel the feedback and recommendation to MCMC directing to consumer interest," says Rafidah.

The poor service by some of the last mile delivery providers is not only received by the end-consumers, but also the sellers.

Sofia (not her real name), a seller on a leading eCommerce platform, complains about how the problem of missing parcels has worsened in the past few months.

"The eCommerce platform has no win-win solution on this. Often, it is the sellers who have to face the

brunt of the customers.

"In the event parcels go missing, in many cases, the sellers are not compensated. I have personally been affected by this," she says.

Safiah also points out that the sellers are given limited options in terms of the courier players.

"You don't get to choose your own preferred service provider. Apart from the eCommerce's own delivery provider, there are only two more options available," she adds.

Crowded courier landscape

Malaysia, with a relatively small population of around 33 million, is home to many logistics players, with more than 121 licensees.

This is way more than the number of providers typically seen in similar-sized markets around the world.

It is also twice as many, for example, in Thailand, where there is a population of approximately 70 million.

The question is, will too many chefs spoil the broth?

Pos Malaysia group CEO Charles Brewer says that "healthy" competition is generally good for all, but not in the case of Malaysia.

"When you couple both the number of logistics players operating in Malaysia with investor-driven predatory and market-disrupting pricing practices aimed at a land-grab, you end up with a very fragile industry.

"An industry that is struggling to deliver sustainable profits, and as a result having to take unnecessary, short-term actions to survive, which ultimately creates poorer service levels as witnessed across Malaysia and across providers just after Hari Raya, employment risks and most concerning increasing job-related safety risks for delivery staff," he

risk collapse.

tells *StarBizWeek*.

Brewer also says that the pricing practices of “many of the more recent foreign entities” that have entered the Malaysian market are destructive to all players.

“As seen, this past three months or so, the ‘race to the bottom’ means logistics companies are not investing in adequate capacity, processes and technology to keep up with demand, and this results in a worse service for the consumer,” he says.

GDEX’s Teong also agrees that too much unfair competition will destroy the industry.

He expects competition in the last mile delivery segment to remain intense in the near term due to the current loose regulatory regime.

“As demand from consumers and business continues to rise, the space is bound to see more entrants seeking to capture new opportunities,” he says.

Looking ahead, Teong says consolidation needs to happen in the industry. “However, it would not happen without a clear roadmap from all stakeholders.

“The industry needs incentives to consolidate, to create sizeable national-sized operators that have the chance to become regional players,” he suggests.

Teong also calls for a sustainable framework to be introduced for the courier delivery business. This is to ensure that market participants can operate and thrive in a fair marketplace.

Meanwhile, an industry observer says that the Malaysia Competition Commission (MyCC) must investigate the major eCommerce platforms for anti-competition practices.

“We hear from sellers that they are not given the option to choose whoever delivery service providers they prefer. This could involve an

“The industry needs incentives to consolidate, to create sizeable national-sized operators that have the chance to become regional players.”

Teong Teck Lean



element of anti-competition.

“There is market talk that some of the eCommerce platforms and delivery companies are ultimately owned by the same foreign investors. Could this be a reason for the limited option given to the sellers?

“MyCC should investigate this,” he says.

He also suggests for a reasonable base price to be introduced, in order to prevent acts of predatory pricing.

“With a base price, end-consumers will enjoy a better quality of service.

“You won’t see your delivery man throwing your parcels around or leave your items at home when you are not around,” he says.

GDEX’s Teong and Pos Malaysia’s Brewer have voiced their support for the introduction and regulation

of a base price for parcel delivery.

Brewer opines that the base price would be most effective in preventing price dumping, particularly in the eCommerce delivery space.

Teong says a reasonable base price would help courier companies sustain their operations.

When asked whether a moratorium on new licence issuance would prove effective in solving some of the issues, Teong says a moratorium targeted at national-sized couriers is necessary.

“But there may be a need for licences for small niche players to serve the untapped small market segment,” he adds.

It is noteworthy that a moratorium on new licences already exists and is due to expire in September 2022.

Even with a moratorium in place, Brewer thinks that it is not too difficult for a new entrant to circumnavigate by acquiring an already established logistics player who already has an operating licence.

“The Malaysian logistics sector is vital and employs thousands of Malaysians.

“As such, we fully support a fair and open economy, new market entrants must undergo stringent controls and conditions and the industry needs good governance and regulation,” he says.

Rafidah of the Postal Forum urges consumers to use their purchasing power to demand the best quality from their courier provider based on the price they pay.

“Generally, the consumer must first manage the expectations concerning the service offerings to achieve satisfaction with the delivery experience.

“Besides, the consumer also should have the basic knowledge of the courier provider as part of the deliberations in terms of the type of services provided, the standard conditions of carriage, the liability limit, and the extended protection in order to uphold the rights of the consumer.

“Eventually, the mechanism through this basis will spur the level of quality delivered to balance off the expectation from the consumer for the service,” she says.

Amid the challenges in the industry, the players are upping their game to gain more customers.

Pos Malaysia, which has been narrowing its losses, is actively working on its transformation plan.

“For example, we now offer seven-day a week pick-up and delivery service ensuring we deliver when it is needed, we extended our retail operating hours in more than 120 locations, ensuring we are open when it matters, we improved our parcel next-day delivery to more than 90% – the best in Malaysia, ensuring we deliver first and fast,” says Brewer.

Nevertheless, he concurs that there is still much to be done to deliver on the company’s transformation goals.

Meanwhile, GDEX had in April 2022 unveiled its GDEX 2.0 strategy to drive long-term growth and become the preferred logistics ecosystem in Asean.

Under the initiative, GDEX says it will build a platform-based ecosystem comprising technology partners and synergistic businesses in Malaysia and Asean.

Going forward, the company strives to achieve higher revenue contribution from its overseas businesses towards achieving higher contribution.

“Furthermore, our exploration of mergers and acquisitions, and strategic investments may also include potential regional opportunities.

“We also strive to optimise costs through lowering spend on non-essential items, as well as adopting more automation.

“We are currently setting up our new automated sorting hub in Petaling Jaya, which will double our sorting capacity from 175,000 parcels to 350,000 parcels in early-2023,” according to Teong.