

## Impact of COVID-19 on the Sales Trend of E-commerce In Malaysia

Eugene Gan Hing Jian<sup>1</sup>, Dong Ru Han<sup>2</sup>, Du Guan Ting<sup>3</sup>, Efa Afzan Bt Mohd Kamal Bahri<sup>4</sup>, Mariajose Ruiz Atencio<sup>5</sup>, A.A. Gde Satia Utama<sup>6</sup>, James Perez-Moronnb<sup>7</sup>

Universiti Sains Malaysia

Jalan Sg Dua, 11800 Minden, Pulau Pinang, Malaysia.

Universitas Airlangga, Indonesia

Universidad tecnológica de Bolívar

1km of Turbaco

Correspondence email: eugenegan@student.usm.my

### ARTICLE INFORMATION

**Publication information**  
**Research article**

### HOW TO CITE

Jian, E. G. H., Han, D. R., Ting, D. G., Bahri, E. A. B. M. K., Atencio, M. R., Utama, A. A. G. S., & Perez-Moronnb, J. (2021). Impact of COVID-19 on the Sales Trend of E-commerce In Malaysia. *International Journal of Accounting & Finance in Asia Pasific*, 5(2),59-68.

### DOI:

<https://doi.org/10.32535/ijafap.v5i2.1594>

Copyright©2022 owned by Author(s).  
Published by IJAFAP



This is an open-access article.

License:

Attribution-Noncommercial-Share Alike  
(CC BY-NC-SA)

Received: 07,APRIL,2022

Accepted: 27,MAY,2022

Published: 20,JUNE,2022

### ABSTRACT

On March 2020, the Coronavirus pandemic spread globally, and the tendencies have been profoundly altered. This pandemic also made doing business extremely tough. As international borders tighten, people around the world are forced to stay in their home and shops are closed, businesses are now facing new challenges and difficulties. Many businesses are facing closure either temporarily or permanently, leaving workers with months of financial burden and anxieties. Consumer behaviour was forced to alter on a massive scale. People in isolation or under lockdown cannot go about their daily lives because local businesses have been ordered to close for safety reasons. This paper investigates the current e-commerce trends in this Covid-19 pandemic, as well as how e-commerce advancements may affect customer behaviour in the future and the growth of e-commerce due to Covid-19. E-commerce has become a substitute in this pandemic and e-retailers must provide quality products that usually customers buy in physical stores traditionally.

**Keywords:** Covid-19, E-Commerce, Pandemic, Sales Trend, E-Retailer

## **INTRODUCTION**

Coronaviruses cause little illness and infect the lower airway, resulting in serious illnesses, including pneumonia and bronchitis. People infected with this virus can become contagious in a variety of ways, both serious and non-serious. According to World Health Organization (WHO), a long time ago, there have been various pandemics that have altered human life. The first Covid-19 case was reported on December 1 2019 and later, a new variant of Covid-19 virus was found and later named SARS-CoV-2. This new variant may be first discovered in an animal and later evolved or mutated into a virus that can infect people.

These viruses that originated in animals changed to become infectious to humans in the past, causing many serious disease outbreaks. Within several months, millions of people worldwide have been infected with this virus. Moreover, 222 countries around the globe are infected and their economies have severely plummeted. It is a difficult situation for all the countries, affecting e-commerce trends (Nakhate & Jain, 2020; Whiteford, 2020).

According to the "Worldometers" website, a total of 250 million confirmed cases and over 5 million deaths around the globe. The effect of Covid-19 on these sectors has been widespread, according to a report by the global e-commerce industry. The Covid-19 pandemic has forced the factories in China, the United States, and other countries to close and the majority of the e-commerce supply chain is stressful. This pandemic has a major impact on global patterns. The electronic industry has been affected the most due to this pandemic, as China is the biggest producer of electronics and its parts in the world. Electronic products such as computers, tablets, smartphones are mainly assembled in China. However, due to the factory closure, the supply chain of electronic products is now impacting the e-commerce of the electronic industry.

The spread of Covid 19 transformed people's lives. Lockdowns, quarantine, and social distancing were among the methods used, all of which have a substantial effect on social media usage to keep people busy, entertained, and in contact with friends and family. For people to connect, social media and digital platforms were the perfect alternatives. The epidemic brought to light the critical necessity to connect digital functions within and between countries, and digital platforms provide solutions to many types of problems. In this pandemic, the technology showed to be a beneficial and vital tool. Furthermore, it changed human behavior, corporate practice, and even existence itself. It instilled terror in people, driving them to shun social interaction. The Coronavirus pandemic, social dimension and staying at home forced customers to utilize online shopping. However, Malaysia's e-commerce sector surged by 37% compare to the pre-covid era (Export.gov, 2019). Malaysia will be the 38th biggest e-commerce market in 2020, with revenue of US\$ 4 billion, ahead of Portugal but behind South Africa. This has led us to find out more about how big this pandemic has changed Malaysia's scale of the e-commerce market.

## **LITERATURE REVIEW**

### **E-Commerce in Malaysia**

E-commerce refers to the purchase and selling of goods and services over the internet and the movement of payments and data required to complete the transaction (Nakhate & Jain, 2020). The new media age has been distinguished by the growth of technologies associated with the development of the internet, like Information and Communication Technology (ICT), e-commerce, and other associate companies, marking the new media age. The General Secretariat of Planning and Coordination Commission, reported a profit for the e-commerce in Malaysia recorded nearly \$2 billion in 2010-2011 and \$3

billion the following year. The growth of e-commerce has resulted in strong and exceptional profits that have beaten the traditional way of doing business, making e-commerce a very reliable part of worldwide sales revenue growth corporations (Fadzil, Salleh, Yaacob, Yazid, & Sallehudin, 2020).

An e-commerce target market is a group of people who are most likely to have similar buying preferences and may be inclined to purchase a company's goods and services. According to Cheng and Yee (2014), as the digital revolution progressed, society's interest in online purchasing seemed to increase from time to time. For online shopping, the middle income is the main force. Females tend to become active users of e-commerce, and their percentage of online shopping users surpasses that of men. In Malaysia, most online shopping users are aged 18 to 30, with a monthly income ranging from RM 1,000 to 3,000, and are mainly corporate white-collar workers and students. The majority of men shop for large amounts of products online; users with higher incomes shop more frequently and in higher amounts (Rodgers & Harris, 2003), and the people between the age of 30 to 40 tend to have the highest number of online shopping users compare to other ages.

Compared with the non-internet shopping group, the income level of the online shopping crowd is relatively high, of which 35.9% of the monthly income of more than RM2,000, the monthly income of more than RM1,000 accounted for 73.9%; while in the non-internet shopping crowd is dominated by low-income people, no income and income of less than RM1,000 of 51.1%, the monthly income of more than RM2,000 accounted of 11.9%. The willingness to purchase online is linked to the income level, showing that certain economic strength has become a prerequisite for e-commerce (OECD, 1991).

### **The Impact of Covid-19 on Malaysia's Economy**

By now, it is clear that this Covid-19 pandemic has serious implications for both the Malaysian macroeconomy and the people's economic well-being (Cheng, 2020). The pandemic's abrupt beginning has a significant impact on Malaysia's economy and a big blow to the country's service industry, manufacturing industry, and other sectors.

Covid-19 is a double-edged sword and an opportunity for some businesses to optimize their performance (Kee et al., 2021). Although the pandemic has some negative effects on some industries, it also creates substantial potential for new industries, businesses, and business models to emerge. The outbreak has a significant impact on the service and consumer sectors, but most of the damage may be rectified in the second quarter, particularly in the area of e-commerce, which has a stronger track record. Due to the spread of COVID-19, typical trade stocks have become unpredictable and in rapid decline (Abdelrhim & Elsayed, 2020). This will be a major cause for each of these traditional market traders to migrate to internet trading to preserve the rest of their shares and keep their commercial field and market success. E-commerce was inevitably hit and there was a lack of growth.

### **E-commerce Fundamentals in Malaysia**

E-commerce was not popular at first in Malaysia, but it grew in popularity as customers gained trust in purchasing products through the internet. According to Wei L.H., Osman, M.A., Zakaria, N., & Bo. T. (2010), people's confidence is a key component in their decision to buy things online. The trustworthiness of a website is a significant element for individuals who want to buy things online. This encourages visitors to continue shopping online because of the website's trustworthiness.

As of 2018, the number of Internet users is 25.08 million of 31.83 million Malaysian population. Annual e-commerce sales in Malaysia have climbed dramatically since 2017. E-commerce market in Malaysia is growing steadily and may soon become one of the largest markets in Southeast Asia. Its growth is outpacing that of the typical established market in the region. The popularity of the Internet is the foundation of e-commerces. Malaysia has a higher internet penetration rate than other Southeast Asian countries, at 80.1%. Malaysia's government intends to raise internet penetration to 90%. Shanthi and Desti (2015) discovered that internet availability has a significant impact on the number of persons who engage in e-commerce. On the other hand, Lee, Mustaffa, and Salman (2014) claimed that the social aspect or the surrounding community influenced customers' participation in e-commerce. The online shopping categories include travel, contributing 39% of e-commerce. Meanwhile, consumers of electronics occupy 17.3% of the total, while furniture and domestic items occupy 13% (Sarkar & Das, 2017). When consumers discover that offline buying is cumbersome in comparison to online shopping, they are more likely to shop online, and the number of people shopping online increases (Chiang & Dholakia, 2003).

## **RESEARCH METHOD**

Based on Buckley and Chiang (1976), research methodology is a strategy or architectural design by which the researcher maps out an approach to problem-finding or problem-solving. According to Crotty (1998), it is a comprehensive strategy that silhouettes our choice and use of specific methods related to the anticipated outcomes. However, the choice of research methodology must be made based on the type of the research problem.

We employed qualitative data research methodologies and existing data to explore the impact of Covid-19 on the sales trend of e-commerce in Malaysia. Non-numerical data is collected and analyzed in qualitative research to understand concepts, opinions, or experiences better. It can be used to gain a deeper grasp of a topic or generate new research ideas (Bhandari, 2020).

Secondary data was also used to complete this research paper. Secondary data refers to data that has already been gathered and accumulated through primary sources and is accessible for other researchers to use. This kind of data was gathered and summarized to increase the research effectiveness. First, the website of Ministry of Health of Malaysia was used to collect the number of daily cases of COVID-19. It contained up-to-date and relevant information about the number of Covid-19 cases from March to December 2020. Moreover, information about the sales trend of the e-commerce company was collected from the annual report from the company. Sales from the first quarter to the fourth quarter were used in this paper. Through these resources, many data and information were gathered and analyzed about how this pandemic affects the sales trend on Shopee. Many journals were collected and used in the literature review to understand the current situation better.

## **RESULTS**

### **Malaysia Covid-19 Situation**

The epidemic broke out over time. According to the World Health Organization report (see Figure 1), in Malaysia, from January 3, 2020 to December 3, 2021, there were 2,644,027 confirmed cases of Covid-19 with 30,521 deaths, reported to WHO. Malaysia has four confirmed cases starting from January 20, 2020 (see Figure 2). This was also

the time when the outbreak in Malaysia began. On August 16, 2021, the number of confirmed cases peaked, and a total of 150,933 people were diagnosed (see Figure 3).

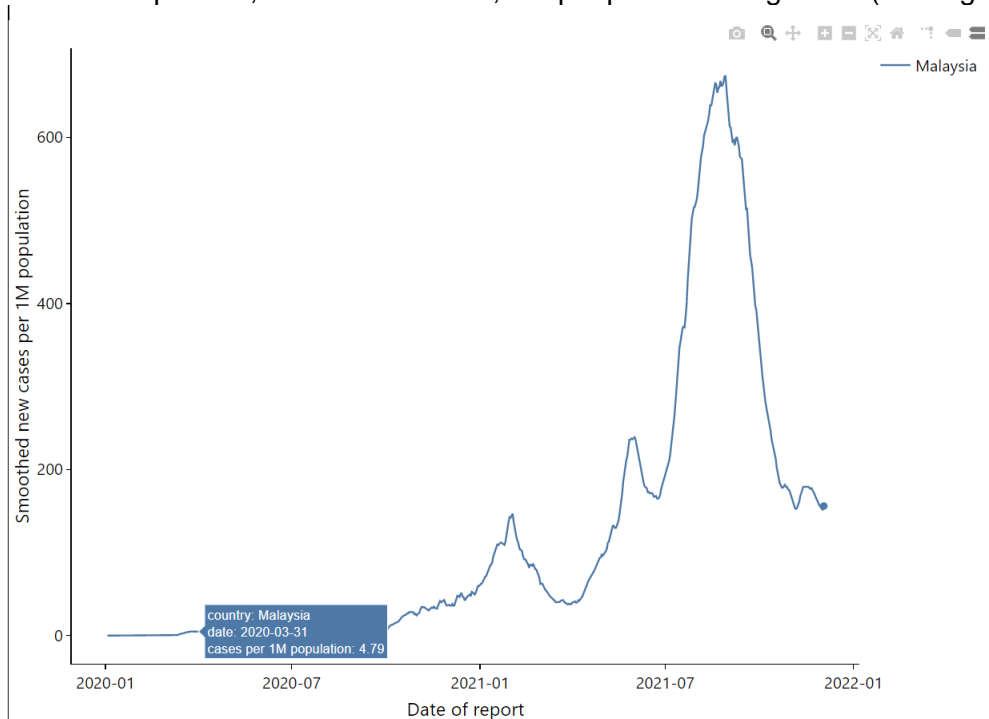


Figure 1. World Health Organization Report

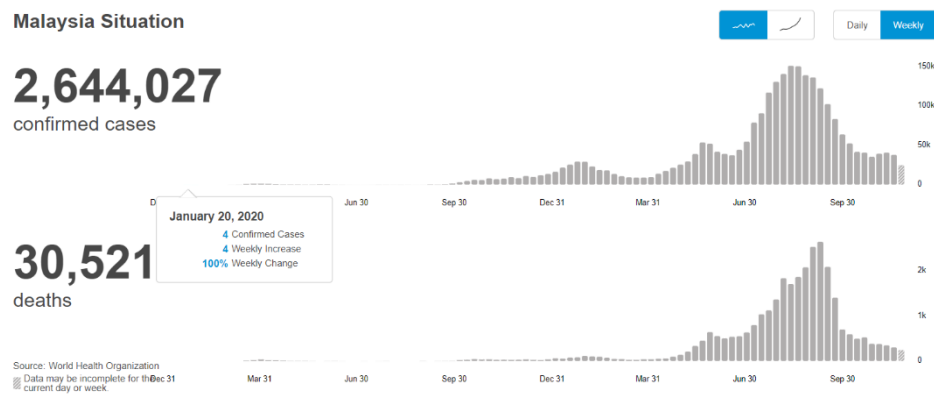


Figure 2. Confirmed Covid-19 Cases in Malaysia

#### Malaysia Situation

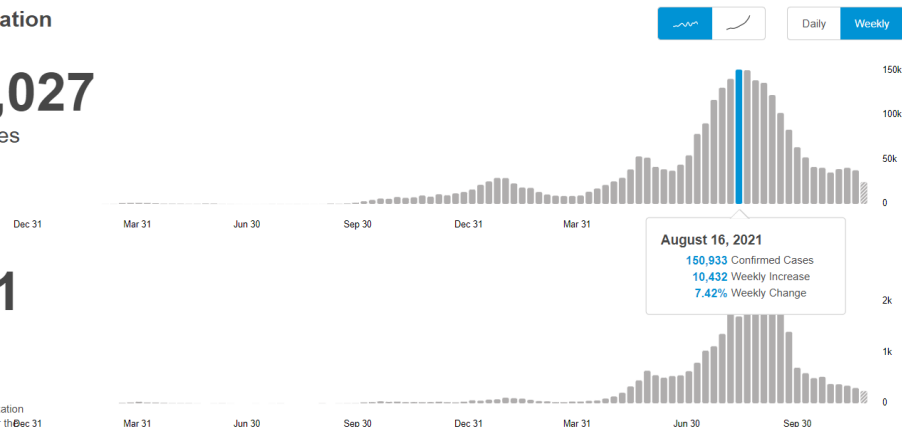
**2,644,027**

confirmed cases

**30,521**

deaths

Source: World Health Organization  
 Data may be incomplete for the current day or week.



**Figure 3. Peak Covid-19 Case**

As the impact of the epidemic, lifestyles have also changed. The movement control order the government of Malaysia implemented impacted many physical stores. The epidemic outbreak affected Malaysia's economy as it experienced weaker GDP growth since the Sino-US trade war in 2019. The current epidemic has become more tumultuous, resulting in financial distress.

Malaysia's gross domestic product (GDP) decreased 3.4% year-on-year in the fourth quarter of 2020, and the full-year GDP fell 5.6% from the previous year, the greatest drop since the Asian financial crisis of 1998. The Bank of Malaysia stated that Malaysia's GDP decline in the fourth quarter of last year was greater than that in the third quarter, mainly due to Malaysia's implementation of epidemic prevention and control measures in some areas. Although external demand has improved, Malaysia's domestic epidemic prevention measures have restricted travel and slowed economic growth in the fourth quarter.

Due to the pressure of the new crown pneumonia epidemic, e-commerce business has been severely restricted. E-commerce has been identified as the dependent variable because the rise or fall in demand for specific online platforms is mainly dependent on the widespread spread of Covid-19 and the customer behavior on this global issue. These two criteria are the most important in online business, and they will have an impact on the market's overall demand. Customers have turned to e-commerce as a result of this. This is thought to be the only way for the country's inhabitants to escape the pandemic. More and more viewers are trying to benefit from digital grocery facilities. The tracking entity of this mobile app called 'Apptopia' shows that starting from the end of February, the daily downloads of popular grocery apps such as Tesco, Lazada, and Shopee have begun to rise sharply (Hasanat et al., 2020).

## DISCUSSION

### Sales Trend During Covid-19 Pandemic

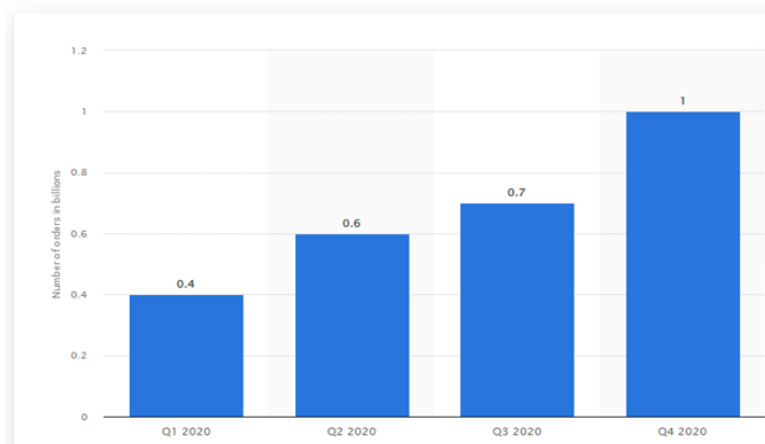
Shopee has reaped the benefits of the pandemic, as people have had to make their purchases through this type of commerce, which made Shoppe in 2020 increase its sales significantly. The gross value of goods on its website increased by 74.3% to \$6.2 billion in the first three months of the year alone.

It should also be noted the total number of orders Shoppe had in the early year of the pandemic reached 429.8 million in the first three months. This we can compare with

203.5 million in the same period of the previous year 2019, when Covid-19 had not been presented. This tells us that the percentage increased.

Taking advantage of the sudden increase, Shopee has set a plan for consumers to buy products such as kitchen, work and entertainment, with totally free shipping. Another important point is Shopee's revenue, which for the year 2020 presented a total revenue for the fourth quarter, almost at the end of the year, of \$ 842.2 million, presenting an increase of 178.3% more than last year. This includes market sales of \$ 627.6 million, having an increase of 175.4% considering the previous year to the previous year, 2019. They also had product revenues of \$214.6 million, showing an increase of 187.1% year-over-year. Shopee's gross product value rose by about \$11.9 billion, in the fourth quarter of 2020 (see Figure 4).

**Number of orders on Shopee from Q1 2020 to Q4 2020**  
(in billions)



**Figure 4. Shopee's Gross Product Value**

Figure 4 shows the number of orders Shopee had throughout 2020. It shows the incredible increase during the pandemic, reaching the figure of 1 billion orders at the end of the year in Indonesia, Malaysia, the Philippines, Thailand, and Finland.

The development space of e-commerce essentially depends on the traditional retail industry's operational efficiency and cost control ability. From the situation in the past two years, the traditional retail industry is not in very good shape, which has released new space for e-commerce. This epidemic is an example.

The sales trend during Covid-19 pandemic is undoubtedly good, e-commerce has long penetrated people's lives. People have also developed the habit of online shopping, and from the point of view of the enterprises and business models damaged in the epidemic, most of them are away from the physical enterprises of e-commerce. E-commerce enterprises, instead of the logistics system, rely on the important force to support medical supplies and residents' living materials. Due to the epidemic's impact, although the global total retail sales are declining, it can also be said that the total demand is declining. However, because the rate of e-commerce penetration has risen dramatically, it has aided the growth of cross-border e-commerce.

#### **How Covid-19 Changes the Consumer Behaviour**

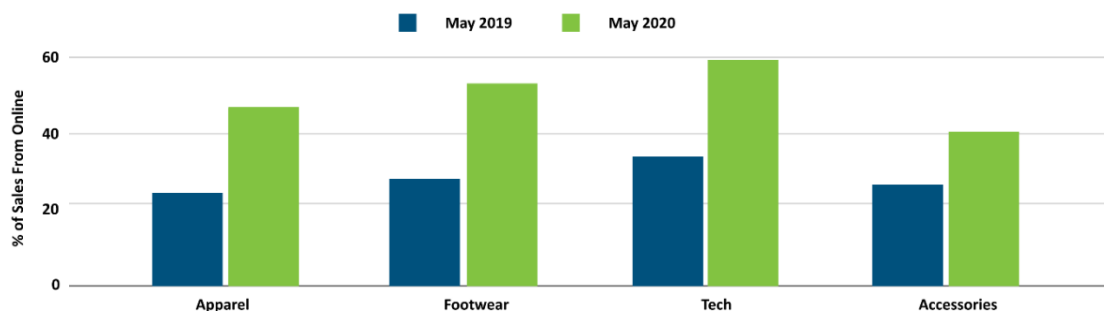
The pandemic makes consumers prefer buying goods and services digitally. Online shopping prevents them from meeting people and spreading Covid-19 (Hashem, 2020). The best way to keep away from the virus is for consumers to choose e-commerce as a

platform for them to shop. The pandemic makes them realize that many e-commerce platforms like Shopee are better than physical shopping. It provides many choices and low prices and even buys goods from overseas. Therefore, e-commerce is highly developed throughout the pandemic as all customers are focused on e-commerce. Moreover, it has a wide variety of easy items to obtain. Before the pandemic started, people were free to choose any shops and supermarkets to quickly acquire these goods and services that e-commerce cannot provide, because they have to wait for delivery, and it is very costly. Over time, online shopping has become a permanent place for them to shop because their behavior has changed since the covid-19 pandemic.

Covid-19 changes consumer behavior to always prioritize needs over wants. This is because many Malaysians lost their job during the pandemic. The companies chose to save themselves from infected covid-19 by reducing their staff. Besides, they have to buy required personal protective equipment (PPE) like facemasks, sanitizers, and gloves to avoid spreading the virus to one another. Besides, the PPE has already become an obligation to comply with the standard operating procedure.

During the lockdown, consumers must change their behavior to buy groceries monthly instead of weekly or daily. By this way, people will not be going out too often to buy for groceries and help to prevent the transmission of the COVID-19. Frequent outings will cause supermarkets and some stores to become more crowded. Going out on less crowded days or hours such as weekdays also helps to reduce the spread of the virus. Thus, this will indirectly change the way consumers shop permanently.

However, the most significant changes Covid-19 brought are consumers focus more on online shopping. The majority of the consumers prefer online shopping rather than physical shopping to stay safe in this pandemic. Many companies and shops are forced to close due to the lack of sales in the pandemic. It can be seen that online sales are now on the rise compared to years before the pandemic happened.



**Figure 5. Sales Difference of Products**

Figure 5 shows differences in sales for the five types of products from online in May 2020 compared to May 2019. The percentage of sales from online on May 2020 is higher than in May 2019 for all types of goods. This means that no matter what kind of products, such as apparel, footwear, tech, or accessories, most consumers will find them online because they are all available on the online shopping platform.

Moreover, the new epidemic has had an irreversible impact on consumer behavior. The eMarketer data shows that the epidemic accelerated digital transformation in 2020, leading to a 25% surge in online shopping. In 2021 begins with the gradual lifting of quarantines worldwide and the gradual adjustment to the normalization of the epidemic, but consumer shopping behavior has entered a fully digital era. Past consumer habits



have become a thing of the past. This argument can find massive amounts of data to support it. A survey of smartphone users (based on more than 2,000 adults and teens) by Deloitte (2021) shows that 70% of respondents claim they will continue their current smartphone habits after the epidemic has passed. Mobile e-commerce is leading the digital space, growing by nearly 30% in 2020 and 64% of global retail e-commerce sales. E-Marketer data projected that e-commerce sales will reach nearly \$3.2 trillion this year and exceed \$5 trillion by 2025 - nearly double the 2020 figure.

## **CONCLUSION**

This paper investigates the effect of this Covid-19 pandemic on the sales trend of e-commerce in Malaysia. The e-commerce market in Malaysia shows an upward trend in this Covid-19 pandemic. Customer can easily purchase a wide range of items online at the comfort of their own houses. Statista Digital Market Outlook shows that e-commerce market in Malaysia shows a good chance to grow and expand in the future. Increased public awareness of this situation can lead to more information and investigation of how this pandemic affects e-commerce, businesses, and country's economies. How e-commerce provides consumers with an additional option for meeting their needs and demands. This pandemic has improved the sales and performance of e-commerce. The Covid-19 pandemic has clearly shown that e-commerce can be an important tool or solution for consumers and support small businesses. By increasing the country's competitiveness, e-commerce will also become an economic driver for Malaysia's domestic growth and international trade.

## **LIMITATION**

There are some limitations while completing this paper. It is unclear whether the findings can be applied to other countries. The results implicate that this pandemic leads to an increase in people using online shopping as a substitute for the physical shop. This paper did not discuss if there is a reverse causal relationship in that people using online shopping apps are likely to impact the pandemic prevention and control. This is outside the scope of this study.

## **ACKNOWLEDGMENT**

N/A

## **DECLARATION OF CONFLICTING INTERESTS**

We declare no potential conflicts of interest concerning the study, authorship, and/or publication of this article.

## **REFERENCES**

- Abdelrhim, M., & Elsayed, A. M. (2020). *The effect of covid-19 spread on the e-commerce market: The case of the 5 largest e-commerce companies in the world*. SSRN, 3621166.
- Bhandari, P. (2020, July 30). *An introduction to qualitative research*. Retrieved from <https://www.scribbr.com/methodology/qualitative-research/>
- Buckley, J. W., & Chiang, H. (1976). *Research methodology and business decisions*. Canada: National Association of Accountants.
- Cheng, B. L., & Yee, S. W. (2014). Factors influencing consumers' online purchase intention : A study among university students in Malaysia. *International Journal of Liberal Arts and Social Science*, 2(8), 121-133.

- Cheng, C. (2020). *COVID-19 in Malaysia: Economic impacts & fiscal responses*. Retrieved from <https://www.isis.org.my/wp-content/uploads/2020/03/COVID19-article-Calvin6.pdf>
- Chiang, K., & Dholakia, R. (2003). Factors driving consumer intention to shop online: An empirical investigation. *Journal of Consumer Psychology*, 13, 177-183. doi:10.1207/153276603768344898
- Crotty, M (1998). *The foundations of social research: Meaning and perspective in the research process*. Thousand Oaks, CA: SagePublications, Inc.
- Deloitte. (2021). *Digital usage & COVID-19 | Digital Consumer Trends 2020*. Retrieved from <https://www2.deloitte.com/ie/en/pages/technology-media-and-telecommunications/articles/digital-consumer-trends/digital-consumer-trends-digital-usage.html>
- Export.gov. (2019). *Malaysia - eCommerce*. Retrieved from <https://www.export.gov/apex/article2?id=Malaysia-E-Commerce>
- Fadzil, A. F., Salleh, F., Yaacob, M. R., Yazid, A. S., & Sallehudin, H. (2020). The inclinations of entrepreneurial cognition and competencies: The case study of successful e-commerce new venture creation in Malaysia. *International Journal of Scientific & Technology Research Volume*, 9(3), 4471-4474.
- Hasanat, M. W., Hoque, A., Shikha, F. A., Anwar, M., Hamid, A. B. A., & Tat, H. H. (2020). The impact of coronavirus (COVID-19) on e-business in Malaysia. *Asian Journal of Multidisciplinary Studies*, 3(1), 85-90.
- Hashem, T. N. (2020). Examining the influence of COVID 19 pandemic in changing customers' orientation towards e-shopping. *Modern Applied Science*, 14(8), 59-76.
- Kee, D. M. H., Al-Anesi, M., Chandran, S., Elanggovan, H., Nagendran, B., & Mariappan, S. (2021). COVID-19 as a Double-edged Sword: The perfect opportunity for GrabFood to optimize Its performance. *Journal of the Community Development in Asia*, 4(1), 53-65.
- Lee, H. E., Mustaffa, N., & Salman, A. (2014). Faktor-faktor yang mempengaruhi remaja Lembah Klang untuk terus membaca dan membeli melalui pengiklanan Facebook. *Jurnal Komunikasi; Malaysian Journal of Communication*, 30(1), 229-250.
- Nakhate, S. B., & Jain, N. (2020). The effect of coronavirus on e commerce. *Studies in Indian Place Names*, 40(68), 516-518.
- OECD. (1999). Economic and social impact of ecommerce: Preliminary findings and research agenda. *ECD Digital Economy Papers*, No. 40. doi:10.1787/236588526334
- Rodgers, S., & Harris, M. A. (2003). Gender and e-commerce: An exploratory study. *Journal of Advertising Research*, 43, 322–329.
- Sarkar, R., & Das, S. (2017). Online shopping vs offline shopping: A comparative study. *International Journal of Scientific Research in Science and Technology*, 3(1), 424-431.
- Shanthi, R., & Desti, K. (2015). Consumers' perception on online shopping. *Journal of Marketing and Consumer Research*, 13, 14-21.
- Whiteford, A. (2020). *Symptoms of coronavirus in e-commerce*. Retrieved from <https://www.retailcustomerexperience.com/blogs/symptoms-of-coronavirus-in-e-commerce/>