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# Current Trend in the Services Sector in Malaysia

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## Introduction

Novel Coronavirus outbreak has affected almost all countries around the world which consequently affect major economic activities. This pandemic has accelerated the digitalization of the economy (Sigala, 2020). All Malaysians showed their full support of the Movement Control Order (MCO) enforcement to ease frontlines' burden, especially the medical personnel, in handling the increasing numbers of cases each day. This has halted most of the business sectors from operating (Babuna et al., 2020; Hobbs, 2020). However, to lessen the effects of the MCO, the Malaysian government has granted a vast budget to various industries to reduce this pandemic, initiate people-based economic growth, and encourage quality investments and followed by the drastic measures of a 6-month moratorium offered by Bank Negara Malaysia (BNM) to reduce the financial impact (Md Shah et al., 2020). All Malaysians have also played their role through different channels to help the nation face this major outbreak.

Malaysia has gone through six phases of Movement Control Order with all the strict actions recommended by the World Health Organization (WHO) to effectively contain the Covid-19 outbreak. Currently, Malaysia is in the fourth phase, the recovery under Six-Phase Economic Recovery Plan (6Rs). A majority of the business sectors were allowed to resume their operations with strict Standard Operating Procedures (SOPs). However, recently the positive cases increase higher from the first phase, making all Malaysians mostly work from home and study from home like before.

This major outbreak did not just affect the business sectors, but also the education sectors, service sectors and many other sectors in every country's market. It may also affect the Gross Domestic Product (GDP). According to the updated International Monetary Fund (IMF) forecasts from April 14<sup>th</sup>, 2020, Malaysia's GDP growth was expected to fall to -1.7% in 2020 due to the outbreak of the Covid-19 and will pick up to 9% in 2021 subject to the post-pandemic global economic recovery.

## Current Trend of Services Sectors in Malaysia and the Impacts of Covid-19

According to The Edge Markets article, Malaysia's service sector will be the fastest-growing sector of the economy. The growth in 2020 will be underpinned by the expansion of most of the subsector (Shah et al., 2020). Meanwhile, The Department of Statistics Malaysia stated that the services sector's total revenue reported RM335.6 billion in the second quarter of 2020, which is declining by 24.0 percent relative to the same quarter of 2019. The Wholesale and Retail Trade, Food and Beverages and the Accommodation segment (-RM82.8 billion; -23.7 percent) contributed to growth. At the same time, the overall sales posted a negative increase of 23.4 percent or RM102.3 billion every quarter.

It can be said that although there has been a decline in those service subsectors mentioned above, these subsectors played a significant role in the country's growth (Kim et al.,

2021). It is the essential sectors during this pandemic. Other than that, this outbreak has also demonstrated the importance of technology in building a resilient society. In addition to their need for improved technology, most businesses (83 percent LLs and 84 percent SMEs) have highlighted problems in their internet access and contact with clients and suppliers. The coronavirus-driven imperatives around working from home, educating from home, e-commerce, remote healthcare, streaming media, contactless delivery and others have become dramatically more important in 2020 and have accelerated many secular themes that most of the people see at the core of the IT and communication services sectors.

The technology stocks appear to surpass large indices in the aftermath of the pandemic. These developments will have a long-lasting impact past Covid-19 not just in Malaysia, but also towards all the countries affected throughout the world. Companies at the forefront of leveraging technology to provide products and services could pivot efficiently during Covid-19-related lockdowns to offer options to clients or customers that were socially distanced. Most entrepreneurs also expect that the corporations and customers will maintain their latest technical skills they have gained during this global crisis (Nadzir et al., 2020). The new habits built during this phase will increase the value of technology suppliers and technical business leaders and accelerate their long-term growth.

This pandemic has affected the services sector, especially the IT and communication service sectors rather positively (Hudson & Hudson, 2020; Razak, 2020). Meanwhile, it has halted some service sectors like airline companies, infrastructure, construction, real estate, and many others. The airline companies have limited destinations that they can offer their service to their customers (Farhana Yahya, 2020). There have been a restriction movement orders between countries due to the pandemic. Some of the workers have also gone through the retrenchment process just so that the airline companies could cut the costs and keep only the most skilled workers to help operate the business (K. Anoop and K. Sandeep, 2021).

Not to forget the job losses (or the increasing of the unemployment rate) from all industries or sectors due to cut-off production and less demand or low volume of sales has majorly impacted Malaysia's economy. It can be stated that the poorer a given country's control over the disease, the worse its economic performance will be. The strictness of a country's lockdown to contain the disease and avoid it from spreading even further would negatively impact the economy. This is because large chunks of Malaysia's job sectors do not lend the possibilities of working from home.

### **The Key Risks and Opportunities in Malaysia's Services Industry**

The political turmoil, low oil and commodity export prices and the downturn in China have profoundly affected Malaysia's economy over the past few years, placing the pressure on the region's finances. Malaysia's budget income was highly dependent on the performances in the gas and oil sector. The MCO has resulted in a decrease in using vehicles, resulting in the decline of the gas and oil prices. There are some other key risks and opportunities of service industry or sectors in Malaysia (Amuthan, 2020).

When we are talking about critical risks, we might be referring to the weaknesses or threats of doing something. Something that might be high or low risk to take into accounts while doing business. One of Malaysia's weaknesses or risk in the service industry is that the security and privacy issues. The whole economy and investment would not proliferate without proper measures of security. The customer's trust is also crucial in offering service. Nowadays, the service sectors have moved towards online services and went for a more cashless transaction (The Malaysian Insight, 2020). Without the customer's trust, how can the online service sectors survive in the market? In this case, they should offer a guarantee or highly secured transactions for the customers' services.

Second, the decline in export prices and the decline in Malaysian Ringgit currency is the risk. Since the outbreak of Covid-19, the export prices have been declining day by day because of the depreciation in Malaysian Ringgit currency. Due to the weak currency state, the price of the commodities or goods and services have increased. The increase in the goods and services' price will lead to the decreased demand from the consumers or customers, especially during this pandemic where the wages have been deducted, and some might even be unemployed. Malaysia needs to have a stronger currency to help this country itself recover from the crisis and have a stable price of the goods and services offered.

In addition, there are risks of the employees of most of the businesses being jobless. There are many businesses halted or restricted from operating during this global crisis, and only those are considered necessities businesses were allowed to operate (Ratnasingam et al., 2020). Many people lose their jobs, and the demand for domestic commodities have decreased instantly. However, this risk does not apply to some of the services sectors such as IT and the communication services, accommodation, and most importantly, the Food and Beverages, including the Retail and Wholesale sectors (Chenarides et al., 2020).

It is safe to say that Malaysia's service sectors have a lot of strengths and opportunities for switching to services industry-related business. Since the year 2019, service industry contributes more to growth, which is 55 percent of Malaysia's GDP compared to the manufacturing and was also expected to remain strong as the domestic consumption would create more demand for services.

The services sector offers or sells services such as energy, knowledge and also expertise in specific areas that generate income when the service is completed. Nowadays, many service businesses can easily be found. This has shown that the service business is potential enough with high demand. Moreover, the advanced technology and science drove the rapid demand for services, so it opens everyone's opportunity to extend the service businesses (Farhana Yahya, 2020).

Although the airlines' companies, travel companies and the tourism-dependent retail industry were facing a downturn at this critical time, there are many other services sectors that Malaysia could switch on to. For example, the most current trend in service sectors is Grab company. Grab offers many services in just one click in their application. The ease of use and transaction attracted many customers. They offer the designated car with a driver service, which can be said more or less like the taxi or cab service but a lot more comfortable with a random designated driver that could come from many personal backgrounds. We can pay with cash or using our credit or debit cards or using an online banking service.

Grab also offers food delivery service right at your doorstep. Since the outbreak, they have encouraged the customers to make more cashless transactions to avoid more contacts with people. Next, they also offered a grocery and necessities buying service. The designated driver or rider will then help the customers buy and deliver it to their doorstep. What's even more exciting for this company is that anyone could apply to be the designated driver or rider. Just a click away. The services offered by this company is quite helpful and easy during this MCO. Since we were restrained from moving from place to place, this kind of services was highly demanded in this country.

Courier service is in high demand as the other services mentioned above. It is because almost all Malaysians have switched to online shopping. Since the restriction movement order, people have been purchasing most of their necessities or the goods or services wanted through online shops such as Shopee, Lazada, Sephora, Zalora, and many more. This would increase higher demand in courier services to deliver the goods ordered through all the online shops used by Malaysian. For example, GD Express, Pos Laju, J&T Express, and many more courier

service companies were used to deliver the goods to the customers. The speed and the condition of the goods received are the most important to the customers.

Next, it is a maintenance service business. Like other types of services, this maintenance service provides various services, for example, computers, vehicles, air conditioners, or other electronic equipment. More consumers prefer to repair their broken stuff since it costs lower than to buy the new one. Thus, this business has enough potential to gain their very spot in the market.

Additionally, online banking services these days are critical. More people would instead go cashless by paying using their online banking service than using their cash. People can pay directly using their online banking website or application when placing an order through online shops.

Plus, PayWave is one of the technological advancements in the financial sector in Malaysia. Many people would either use PayWave through their debit and credit cards or using QR Pay through their online banking application. A secured transaction is the most important for the customers. The financial and banking sector should focus more on this issue to improve their customers or clients' services.

Family dinner service would also be pleasant if the hotels and restaurants in Malaysia want to offer or provide the family atmosphere service. Religions and cultures played an essential role in the lives of the Malaysian people. Many people would like to eat with their family every day. If not for every day, it would be once in a while or occasionally. Fast food restaurants have also become a trend among the younger generation since their launch many years back. They would prefer eating fast food like burger and pizza because it is cheap and readily available. The trend of fast foods has been increasing, making it profitable enough for investors to invest in this type of business.

Healthcare service is the most essential and critical for this country currently. Having better health equipment and better medicine and better skills of the healthcare service providers such as the nurses, doctors and many more, would increase the performance of them delivering the services towards the patients. There is also a statement that China would give the vaccines for Covid-19 to Malaysia first if their testing succeeded.

In conclusion, the services sectors mentioned above and many others would help this country recover from the mass unemployment issue during this global crisis. The service sectors have been providing about 3.6 million jobs to Malaysians mainly comprising high-income work in finance, e-commerce, ICT, healthcare R&D and professional services. This sector can also be internationalized more conveniently as compared to other brick-and-mortar businesses.

### **The Adaptation of Digitalization in The Services Sector**

The widespread adoption of ICT, combined with the rapid decline in price and increase in performance of these technologies, has contributed to the development of new activities in both the private and public sector (Almeida et al., 2020). Together these technologies have expanded market reach and lowered costs and have enabled new products and services. These technologies have also changed how such products and services are produced and delivered and the business models used in companies (Fitriasari, 2020).

Malaysian economic trends have been changing for the past 50 years. Now, the economy has moved to middle-income countries with the rise of the working class's standard of living. This country has also established multiple sources of income. The knowledge-based service industry is the new economy dominating any nation's factor if the country shifts its

focus from the exportation of oil and gas to the service industry (Teräs et al., 2020). Then, Malaysia's economy would grow more in future.

Nowadays, the services sector is an essential factor of global economic development, and it continues to grow more, vigorously. The progress of the globalization, government liberalization, and the rapid advancement of information and communication technology (ICT) contribute to the continual acceleration of this sector. Many companies are utilizing the technology to deliver goods and services so that they will be able to operate during this pandemic and survive in the market (Anthony Jnr & Abbas Petersen, 2020).

Among all the specific segments expected to reap this trend's benefits are digital transformation (DT) and related themes that were already seeing substantial gains even before the coronavirus outbreak. Many businesses or corporations believed that DT will be a part of the pandemic solutions during the current crisis and will lead over the long run in a post-Covid-19 world. Since the emergence of the Internet system, various types of e-services have been created and innovated from the essential services. One successful example is eBay, an online and real-time auction service that replicates the traditional auction service.

Service business has an advantage in permeating effectively into the market. The easiness of transforming and digitizing most of the services into e-services contributes to this effectiveness. Hence, this would enable efficient dissemination and transmission of services via the Internet system (Almeida et al., 2020). Today, many services industry such as banking, telecommunication, music and entertainment has already exploiting successfully into the market. And not just that, even the courier and e-hailing were used mostly nowadays during this pandemic. As the Internet system continues to develop, the e-services subsector is expected to grow further in the near future.

### **Strategic Recommendations and Action Plans.**

There are a core and necessity for Malaysia to sustain its growth and continuous development with the presence of all the global players so that Malaysia can survive in the dynamic service environment. Indeed, the international services environment provides plenty of opportunities for a country to tap into. However, before that, the first encounter is to cope with those challenges as discussed earlier and build a competitive edge that can sustain the industry in the market.

The first strategy is positioning. A study stated that the services industry is a diverse industry capable of attracting many players who will generate ongoing intense competition. Thus, to compete effectively and retain the customers in the long-term, positioning of the service businesses needs to be established in the customers' mind (Trout, 1997). Positioning is essential for Malaysia in creating niches in its various services industries in the global markets. Secondly, the Malaysian people. The services industry required human resource as the primary input for the output hinged on employees' productivity for success (Abidin et al., 2020). Despite that, service productivity always needs to be compromised with the quality delivered by people. Therefore, continuous training and development of human resource would help produce higher competency and knowledgeable workers that can support the services industry as employees to attain high productivity in the longer term, it would shape the Malaysia services sector competitiveness at the global market stage.

Lastly, the system strategy to maintain good service quality and reliability is necessary for service systems (Končar et al., 2020). The operation process must be seamless. The process flow is required to allow efficient production of output and consumption simultaneously. It would become a strategic benefit if a service process could be systemized effectively to prevent competitors' replication. Plus, to achieve a sustainable competitive advantage, service players

should, in their service process, given top priority to system architecture. A system can also be enhanced further by applying information technology support to attain a higher level of efficiency.

### Conclusion

In this borderless business environment, the services sector is becoming critical in driving global economic growth. Most governments are aligning their trade policy towards the dynamism of the services sector for wealth building. This has led to intense competition among nations. To sustain its services economy, governments must identify the challenges and threats to generate a problem. Simultaneously, vigilant steps must be taken to possess potentially long-term competitiveness, growth, and success. Malaysian economy can become more fruitful and thriving if it adopts technology and the service-based knowledge industry.

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