

CHAPTER 16 - DISTRIBUTIVE TRADE

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Chapter 16

Distributive Trade

16

DISTRIBUTIVE TRADE

I. INTRODUCTION

16.01 The distributive trade sector, which comprises wholesale and retail trade, contributed significantly to the economy in terms of generating output and employment during the Seventh Plan period. However, the economic downturn in 1998 resulted in lower aggregate demand that adversely affected the wholesale and retail trade sector. The sector responded well to measures aimed at stimulating domestic demand and rebounded with positive growth towards the end of the Plan period in tandem with the nation's economic recovery.

16.02 During the Eighth Plan period, the distributive trade sector will be further strengthened and enhanced to meet the challenges of globalization and liberalization as well as more demanding consumer preferences. The overall policy thrust is to increase efficiency and productivity to achieve sustainable growth in the sector as well as increase consumer welfare and quality of life. Towards this end, the strategies that will be implemented include measures in enhancing competitiveness, providing an enabling institutional and regulatory environment, forging stronger linkages and expanding electronic commerce (e-commerce). In addition, consumer protection and maintenance of price stability will be emphasized.

II. PROGRESS, 1996-2000

16.03 The wholesale and retail trade sector registered an average annual growth of 4.2 per cent during the Seventh Plan period despite a negative growth of 3.1 per cent in 1998. The decline was largely attributed to the dampened consumer spending due to the negative wealth effects arising from the sharp decline in share prices and the uncertainty in employment. However, the recovery of the Malaysian economy together with the rebound in consumer confidence as well

as the reduction in interest rate and easing of credit terms, such as for credit cards and hire purchase of passenger cars, contributed to the growth of the distributive trade sector at 2.5 per cent in 1999 and 5.9 per cent in 2000. The employment in the wholesale and retail trade sector grew at an average annual rate of 3.3 per cent from 896,000 jobs in 1995 to 1,055,000 jobs in 2000.

Developments in Distributive Trade

16.04 *Distributive Trade Structure.* The total number of wholesale and retail establishments increased by 12.6 per cent from 192,200 establishments in 1995 to 216,400 in 1998. The structure of the distributive trade sector changed during the Plan period with the increasing presence of hypermarkets, supermarkets and direct selling. The growth of very large retail chains with integrated wholesale and retail functions affected traditional wholesalers and retailers that were located within the target areas of hypermarkets.

16.05 A survey on shopping habits in 1997 indicated that the sundry and provision shops remained the most popular shopping outlets for groceries. Wet markets, farmers' markets and night markets were also popular, as 40 per cent of respondents were regular patrons. Shoppers at supermarkets increased by 1.5 times, while hypermarket shoppers more than doubled since 1995. A Study on the Impact of Hypermarkets on Distributive Trade in 1999 found that the estimated sales of hypermarkets were RM700 million in 1999, constituting 0.4 per cent of total sales in the wholesale trade. The study also found that hypermarkets affected the sales of 58 per cent of the retailers in the neighbouring areas where hypermarkets were located. In terms of prices, 35 per cent of the retailers surveyed lowered their prices in response to competition from the hypermarkets.

16.06 *Franchising.* Franchising presented a means to promote entrepreneurs in the distributive trade with relatively low capital investment and a greater probability to succeed. The brand name, systems, guidance, training and support from the franchisors were among the critical factors that contributed to the success of the franchised business. A significant initiative in promoting franchising was the enactment of the Franchise Act 1998 which provided the necessary framework to monitor and promote the franchise industry. The Act provided for an enabling environment to promote an orderly development of the franchise industry through the compulsory registration of franchises with the Registrar of Franchises, which enhanced cooperation and commitment between franchisor and franchisee. In addition, the Franchise Advisory Council was formed to make recommendations to the Government on issues and directions of the franchise industry.

16.07 The Franchise Development Programme (FDP) was introduced as a strategy to increase the number of Bumiputera entrepreneurs in retail trade. The FDP identified products and services for franchising, particularly products that required low investment costs, assisted in developing franchise package for local products as well as matched Bumiputera entrepreneurs as master franchisees with international franchisors. At the end of the Plan period, Bumiputera entrepreneurs owned 604 franchises while non-Bumiputera entrepreneurs owned 1,555 franchises, as shown in *Table 16-1*. The franchises were mainly concentrated in businesses related to food, household products, cosmetics, motor vehicle servicing and photo studios.

16.08 *Direct Selling*. The Direct Selling Act 1993 defined direct sale as a door-

<i>Sector</i>	<i>Bumiputera</i>	<i>Non-Bumiputera</i>
Food	72	142
Household Products	189	509
Medical Centre and Pharmacy	29	5
Signage	5	-
Building Maintenance	31	3
Kindergarten and Gymnasium	5	20
Telecommunications	3	7
Optometrist	11	12
Cosmetics	108	79
Printing	11	-
Computer	13	6
Leather Goods and Apparel	22	33
Bookstore and Stationery	4	4
Consultant	1	-
Handicrafts	4	1
Education Centre	2	5
Hotel	16	-
Motor Vehicle Servicing	27	270
Photo Studio	41	441
Goldsmith	6	18
Forwarding Service	3	-
Retailing	1	-
Total	604	1,555

to-door or a mail order sale. By the end of 2000, a total of 750 direct selling licences was issued, constituting 450 multi-level marketing companies as well as 300 single-level marketing and mail order companies. A wide range of products such as food, cosmetics, health and household products was sold. During the Plan period, total sales from direct selling was RM17.8 billion at an average annual growth rate of 9.1 per cent. The industry's growth was attributed to a number of factors that included busier lifestyles with less time for in-store shopping, personal attention and the confidence generated by the Direct Selling Act 1993.

16.09 The Government introduced a number of measures to further promote the direct selling industry. To encourage Bumiputera participation in the direct selling companies, which was found to be low at 22 per cent in 1999, new direct selling companies as well as existing companies with an annual sales exceeding RM15 million were required to have Bumiputera equity. All direct selling companies were encouraged to be members of the Direct Selling Association of Malaysia or the Multi-Level Marketing Association in order to promote self-regulation and ethical practices. In addition, the issuing of new direct selling licences was frozen for one year effective from 1 June 2000 to enable the Government to review and put in place measures for the healthy development of the industry.

16.10 *Farmers' and Wet Markets.* Farmers' and wet markets remained popular modes of retail business during the Plan period. These markets provided opportunities for self-employment, particularly during the economic crisis and improved the income of traders and farmers. By the end of 2000, there were 131 farmers' markets with 5,467 stalls in Peninsular Malaysia while the number of wet markets were 412 with 21,360 stalls.

16.11 *Warehouse Sales.* The warehouse sales were organized by the private sector for a short period of time with the aim of increasing sales, particularly for clothing, footwear and household furnishings. The increase in warehouse sales reflected its popularity during the Plan period. The warehouse sales were able to attract consumers due to the relatively lower prices compared with prices in regular retail outlets.

16.12 *Strengthening Distributive Trade.* During the Seventh Plan period, efforts were undertaken to strengthen the distributive trade sector. As part of the efforts to modernize the sector, the bar code scanning project was launched on 6 May

1997. Initially, five supermarkets in the Klang Valley took part in this pilot project. The implementation of this project resulted in savings in labour input as the retailers did not have to place a price tag on each item but only at the display rack. Besides savings in operational cost, the time taken to check out and pay for the items purchased was substantially reduced. Based on the success of the pilot project in increasing efficiency and customer satisfaction, the project was implemented nationwide in 1999 and covered 159 retail outlets.

16.13 During the Plan period, measures were also undertaken to enhance the management and marketing capability of traders to supply value-added products through improved packaging and presentation as well as greater product differentiation. Towards this end, seminars that were organized during the Plan period included the Workshop on Visual Merchandising, the Workshop on Facilitative Exports through Exhibition, Training on Marketing Plan for Exporters, Training on Developing Brands for Export as well as the Seminar on South Korea: Packaging, Labelling and Import Regulations for Processed Food Products. To promote Malaysian products overseas, the Malaysia External Trade Development Corporation (MATRADE) participated in 23 international trade fairs, which involved 297 participants and generated RM31.9 million in sales in 2000. In addition, technical and advisory services were given by *Majlis Amanah Rakyat* (MARA) to improve packaging and increase value added.

16.14 The promotion of the Buy Malaysian Campaign was aimed at reducing imports and strengthening the economy. The campaign was launched nationwide in 1998 through the combined efforts of the Government, industries and media. It provided a boost to the manufacturers and agricultural producers as the market share of locally produced goods expanded, which increased the need for local distribution of inputs and final goods. A Made-in-Malaysia logo was introduced to facilitate the identification of Malaysian products to support the Buy Malaysian Campaign. In addition, efforts were made to encourage the development of the nation's own brand names. Some of the notable Malaysian brand names included Don apparel, Royal Selangor pewter and *Anakku* baby products. Furthermore, there was an emerging trend whereby large retailers took the initiative to sell products under their own brand names. In general, such products were of acceptable quality and priced lower than equivalent products of other established brands, thus offering more choices for consumers.

E-commerce

16.15 E-commerce included doing business over the Internet, selling goods and services that were delivered offline as well as services which could be delivered online. It offered immense opportunities for the distributive trade sector to expand its customer base, enter new markets, rationalize its business and increase productivity. To realize the full potential of e-commerce, measures were undertaken to provide a conducive environment for the development of e-commerce such as the provision of a comprehensive regulatory framework of cyber laws, intellectual property laws and the required infrastructure.

16.16 During the Plan period, the distributive trade sector developed online shopping facilities which offered the convenience of shopping from the home or any place with Internet connection, 24 hours a day, the whole year round. In this regard, retail outlets such as the Mid-Valley Megamall and Parkson Grand complemented their store presence with online shopping as an alternative distribution channel. Other initiatives included the Mall of Malaysia, which was launched in 1997, as an Internet store offering a wide range of products such as gifts, books, apparel, healthcare products and car audio accessories.

16.17 A survey on e-commerce capabilities and readiness of small- and medium-scale enterprises (SMEs) in 1999, which included distributive trade, found that more than one-half of the firms surveyed did not have the prerequisite capabilities which included the prevalent use of electronic mail and databases for customers, suppliers and products. Less than 10 per cent of SMEs had online linkages with key business partners and Internet-based ordering and payment system. A similar survey on large companies in 1999 found that firms in wholesale and retail trade were relatively ready to adopt e-commerce compared with other sectors such as agriculture and construction. The large wholesale and retail companies surveyed were capable in terms of developing computerized databases of their customers, suppliers and products. The capabilities in terms of Internet order taking and payments, however, were low. In addition, only about a quarter of the companies surveyed had a clear e-commerce strategy and less than one-half had their own websites. These findings provided the basis for the formulation of strategies to further develop e-commerce.

Bumiputera Participation

16.18 To promote Bumiputera participation in distributive trade, the Government continued to implement measures to boost their participation. Assistance was rendered in various forms including licences, credit facilities, business premises,

technical and advisory services as well as training and entrepreneurial development. During the period 1997-2000, a total of 2,847 wholesale and 6,157 retail licences for controlled items was issued to Bumiputera entrepreneurs. In addition, 309 rice wholesaling licences, 54 rice importing licences and eight rice export licences were issued to Bumiputera entrepreneurs.

16.19 During the Seventh Plan period, the Government provided various financial assistance to Bumiputera entrepreneurs in distributive trade. In this regard, MARA provided loans amounting to RM241.1 million that benefited 7,734 Bumiputera entrepreneurs. Other sources of funding included the Small Entrepreneur Financing Fund (SEFF), the Small Entrepreneur Fund (SEF) and the *Tabung Ekonomi Kumpulan Usaha Niaga* (TEKUN). A total of RM39.8 million was disbursed under the SEFF, which benefited 1,428 entrepreneurs while the SEF approved RM383.8 million for 33,910 entrepreneurs engaged in distributive trade. In addition, loans amounting to RM60.2 million were granted to 20,390 entrepreneurs under TEKUN.

16.20 The programme to provide Bumiputera entrepreneurs with strategic business premises continued to be implemented during the Plan period. Towards this end, 271 business premises with 4,236 lots located in shopping complexes and arcades, shop houses, markets, stalls and bazaars were provided by MARA for rental. The completion of 11 shopping complexes covering about 241,500 square metres with 1,138 lots by UDA Holdings Berhad also assisted Bumiputera entrepreneurs in securing business premises. In addition, other government agencies such as the State Economic Development Corporations (SEDCs) and *Perbadanan Kemajuan Kraftangan Malaysia* (PKKM) also provided 5,772 lots and 60 lots, respectively, to Bumiputera entrepreneurs in distributive trade.

16.21 Training continued to be an important strategy for entrepreneurial development. During the Plan period, MARA trained 13,764 Bumiputera participants. The training courses covered areas such as business, marketing, negotiations and consultancy. To increase the efficiency and effectiveness of training programmes, MARA also collaborated with the private sector to conduct practical training in supermarkets and hypermarkets. In addition, apprenticeship training was provided to 3,557 participants under the Entrepreneur Training Programme to increase their level of competence with emphasis on practical training.

16.22 The Graduate Entrepreneur Scheme was introduced in 1998 to train graduates

with tertiary education on ways to start a business and become entrepreneurs. As at December 2000, 1,144 participants underwent basic business training. A fund of RM10 million was established and managed by *Bank Pembangunan dan Infrastruktur* to provide financial assistance to the graduates to start their businesses. The amount of loans provided ranged from RM20,000 to RM250,000. As at December 2000, RM7.4 million in loans were approved for 86 applicants of whom 20 applicants were for purposes related to retailing of goods such as computers, sports equipment, car accessories, books and gifts.

16.23 The Bumiputera Participation Unit under the Ministry of Domestic Trade and Consumer Affairs was established in 1999 to enhance Bumiputera participation in distributive trade. The Convention on Bumiputera in Distributive Trade was organized in 2000 to obtain feedback on issues faced by Bumiputera entrepreneurs in the sector. The resolutions from the convention provided additional inputs for the formulation of a comprehensive plan of action to encourage the active participation of Bumiputera in this sector.

Establishing Closer Linkages with Other Sectors

16.24 Distributive trade established closer linkages with the support services, agriculture, manufacturing and tourism sectors during the Plan period. The logistics support services, which included forwarding agents, freight forwarders, inland haulage companies as well as shipping and air cargo companies contributed towards the enhancement and expansion of distributive trade. This was mainly attributed to the expansion and upgrading of roads, highways, railway infrastructure, ports, airports and communications that facilitated the improvements in logistics services. The increase in efficiency through shorter delivery time and productivity gains by the logistics services, in turn contributed to the improvements in efficiency of the supply chain and distribution system for the domestic and export markets. The linkages with the agriculture and manufacturing sectors were strengthened through the implementation of the Third National Agricultural Policy (NAP3) and the Second Industrial Master Plan (IMP2). In this regard, activities were undertaken to facilitate the promotion of product development and differentiation as well as marketing and distribution, which generated higher value added for the economy.

16.25 Efforts that were undertaken during the Plan period to position Malaysia as a leading international shopping centre provided the impetus for closer linkages between the tourism and distributive trade sectors. The three month-long Mega Sales Carnivals that were held in 2000 on a nationwide basis were successful in

attracting more shoppers, which stimulated the growth of wholesale and retail trade. In addition, commercial operations of the Light Rail System I (LRT STAR) and LRT System II (LRT PUTRA), which began during the Plan period, coupled with the integration of urban transport infrastructure provided a convenient means of transportation to shopping complexes. These efforts facilitated the growth in tourism expenditure and consumer demand, which enhanced the growth of the distributive trade sector.

Ensuring Adequate Supply of Essential Goods

16.26 During the Plan period, measures were undertaken to ensure an adequate supply of essential goods at reasonable prices through close monitoring by the Task Force on Essential Goods and the Special Panel on Building Materials. The number of inspections by enforcement officers was increased to ensure correct price tagging of goods and prevent hoarding of essential goods. In this regard, *Ops Sedar* and *Ops Budget* were launched throughout the nation and about 586,000 business premises were inspected annually. *Ops Budget* was to ensure that prices of goods that were given reduction or exemption in duty were reduced accordingly after the Budget announcement. *Ops Sedar* was conducted not only to provide information, advice and guidance to traders but also to ensure their compliance with the required rules and regulations.

16.27 Price stability of essential goods continued to be given priority during the Plan period. In this respect, the prices of goods that were monitored increased from 99 to 255 items. This was to provide consumers with up-to-date information on prices as well as to ensure that such goods were readily available and priced at reasonable levels. The relevant legislation such as the Price Control Act 1946 in respect of labelling and price tagging and the Control of Supplies Act 1961 were strictly enforced to ensure price stability. The Control of Supplies Regulations (Prohibition of Exports) 1998 was gazetted to prohibit the exports of five commodities, namely, flour, cooking oil, sugar, condensed milk and diesel beyond a specified quantity. Subsequently, a review was made and only flour remained on the list of items that had a limit on quantity of exports. This measure curbed the outflow of essential items and ensured that the supply could match domestic demand. These efforts together with the sound macroeconomic management contributed towards the relative stability of consumer prices during the Plan period.

Consumer Protection and Education

16.28 Measures were undertaken during the Seventh Plan period to ensure consumer protection and promote consumer education to stimulate the healthy development of distributive trade. In this regard, a significant development was the enactment of the Consumer Protection Act in 1999. The Act aimed at safeguarding consumer interests and ensuring that traders will be responsible in their business operations. As provided for in the Act, the Consumer Claims Tribunal and the National Consumer Advisory Council were established in November 1999 and April 2000, respectively. The basic aim of the Consumer Claims Tribunal was to preside on and expedite the settlement of claims. The National Consumer Advisory Council was to advise the Government on consumer issues as well as promotion of consumer protection and awareness.

16.29 Consumer education was provided to instil consumer awareness as a means to protect their interests. Towards this end, measures undertaken to disseminate consumer education included the conduct of seminars, use of mass media as well as publication of brochures, consumer guidebooks, bulletins and videos. In addition, efforts by non-governmental organizations (NGOs), including the Federation of Malaysian Consumers Association (FOMCA), also contributed towards the promotion of consumer education and protection. Enforcement measures and consultations were also undertaken to safeguard consumer interests. The enforcement of consumer protection-related regulations resulted in legal action being instituted against 11,657 traders in 2000. Furthermore, channels for consumer complaints were adequately provided which included the use of the designated postal box and electronic mail address. As a result, an average of 5,087 complaints was received and investigated from 1997 to 2000. Tripartite consultations represented an amicable and effective way to resolve disputes. In this regard, the Government assisted in resolving about 3,000 disputes between the consumers and traders from 1997 to 2000.

III. PROSPECTS, 2001-2005

16.30 The distributive trade sector supported by sustained economic growth and rapid expansion of the tourism industry will assume a more prominent role in the growth of the economy. In this regard, the wholesale and retail trade sector is expected to grow at an average annual rate of 7.8 per cent during the Eighth Plan period. Towards this end, the strategies that will be implemented to strengthen the performance of the distributive trade sector are as follows:

- ❑ *enhancing the competitiveness of distributive trade;*
- ❑ *facilitating the development of new distribution modes;*
- ❑ *expanding e-commerce;*
- ❑ *intensifying efforts to increase Bumiputera participation;*
- ❑ *strengthening linkages with other sectors of the economy;*
- ❑ *ensuring price stability; and*
- ❑ *promoting consumer education and ensuring consumer protection.*

Enhancing Competitiveness

16.31 Globalization and liberalization of trade and services necessitate that vigorous efforts be undertaken to enhance competitiveness in order to ensure sustainable growth of the distributive trade sector. Towards this end, the private sector will be the driving force while the Government will be a facilitator to enhance competitiveness. Measures will be undertaken to provide an enabling administrative and legislative environment as well as to modernize and strengthen the sector. As part of the efforts to modernize the sector, the bar code scanning project will be progressively extended to all retail outlets. With the expansion in the usage of the scanning system, greater benefits will be realized at every stage of the production, distribution and consumption cycle. The manufacturers will have more accurate sales information and, therefore, greater control of their production plans. Retailers will have better inventory control and faster service at checkout counters. In addition, it will facilitate the monitoring of prices of essential goods more effectively.

16.32 During the Plan period, efforts will be made to foster fair trade practices that will contribute towards greater efficiency and competitiveness of the economy. In this context, a fair trade policy and law will be formulated to prevent anti-competitive behaviour such as collusion, cartel price fixing, market allocation and the abuse of market power. The fair trade policy will, among others, prevent firms from protecting or expanding their market shares by means other than greater efficiency in producing what consumers want. In addition, a national policy and master plan on distributive trade will be formulated to facilitate an orderly and healthy development of the sector.

16.33 To enhance the competitiveness of the distributive trade sector, human resource development will be emphasized. In this regard, relevant training such

as accounting, business management, marketing and entrepreneurial development will continue to be intensified during the Plan period. The training programmes will be continuously reviewed and upgraded to keep pace with the latest developments including e-commerce.

16.34 Market expansion to other countries will be encouraged to reap the benefits from economies of scale. Strategic alliances and smart partnerships with foreign companies will be fostered to penetrate new markets as well as facilitate the export of locally manufactured goods. Efforts will be undertaken to promote Malaysia as a regional distribution and warehousing hub. This endeavour will be supported by efficient facilitation measures. Steps will also be undertaken to develop Malaysia as an international centre for *halal* food by capitalizing on the nation's competitive advantage in the *halal* food industry. Malaysian producers will, therefore, be encouraged to tap the immense opportunities to export *halal* food. In addition, further efforts will be made to increase research and development (R&D) on food technology. There will also be an increased utilization of e-commerce applications to facilitate the sourcing, distribution and export of goods.

16.35 The further strengthening of the support services for distributive trade will be crucial to increase competitiveness. In this regard, measures will continue to be undertaken to develop a more efficient production and distribution system for food, general merchandise and other consumer goods. In addition, support services such as logistics, warehousing, distriparks and communications will also be improved.

16.36 In order to enable effective policy formulation and implementation, a comprehensive database on distributive trade will be developed. It will also facilitate the monitoring of the performance of the industry and also the effectiveness of programmes to increase Bumiputera participation. Market research activities will be encouraged to enable producers and distributors to supply goods that meet changing preferences as well as raised expectations and demands of consumers.

16.37 A well-regulated and efficient intellectual property regime is necessary to protect the interests of producers, attract investments as well as encourage innovation and technology transfer. In this regard, an intellectual property authority will be established to oversee the development of intellectual property rights that include the registration of patents, trademarks and copyrights. The registration of

trademarks will be accelerated with improvements in computerization of relevant Government agencies. Efforts will be stepped up to curb the import and production of counterfeit goods. The Special Copyright Task Force will intensify efforts to ensure adequate copyright protection and conduct enforcement to contain piracy.

Development of New Distribution Modes

16.38 The development of new distribution modes will be encouraged, as it will offer a wider variety of choices for consumers to suit their convenience and preferences. It will also generate a positive competition effect, which can result in efficiency gains that can be passed on to consumers in the form of more competitive prices and better services.

16.39 *Franchising.* The franchise industry, backed by strong economic growth and optimism, is expected to flourish rapidly. To accelerate the development of the Franchise Development Programme (FDP), RM100 million will be allocated during the Plan period. This allocation will focus on activities such as promotion and marketing, training, financing, product development as well as improvement of database. In addition, the FDP will continue to emphasize on nurturing home-grown franchises. It will also be implemented to increase the involvement of Bumiputera entrepreneurs in the retail business. Furthermore, Malaysian franchises will be encouraged to export their products and services in view of the anticipated increase in opportunities of global trade.

16.40 *Direct Selling.* The direct selling industry is expected to expand further during the Plan period. Direct selling companies will be encouraged to use more local content and local packaging to save foreign exchange and increase value added. These companies will be encouraged to maximize the benefit of contract manufacturing or be vertically integrated to produce raw materials, processing, packaging and market local products. In addition, direct selling companies will need to be competitive and look for opportunities to export locally manufactured products. With the view to deregulating the industry, the Government will review the Direct Selling Act 1993. In addition, a new legislation aimed at preventing pyramid schemes will be formulated. As a preventive measure, anti-pyramid scheme campaigns will be intensified to inform and educate the public on the dangers of such schemes.

16.41 *Factory Outlets and Electronic City.* An international standard factory outlet near KL International Airport (KLIA) will be launched during the Plan period. Its focus is on branded goods that are sold directly from factories at

competitive prices. The success of this factory outlet will serve as a model for it to be replicated in other states. The electronic city, which is a shopping area that specializes in the sale of electrical and electronic goods, will also be launched during the Plan period. It will provide the latest and widest possible range of goods at competitive prices to attract domestic and foreign shoppers. The establishment of factory outlets and the electronic city will not only spur the growth of the distributive trade sector but also promote tourism.

Expanding E-commerce

16.42 The positive developments in e-commerce coupled with the expected increase in online shopping presented opportunities to be tapped to enhance the growth of the wholesale and retail trade. Retailers will be encouraged to use both the store and the Internet to increase identity and sales as well as accommodate delivery, return of goods and after-sales service. At the same time, Internet start-up retailers without a physical store presence will be encouraged, as it can save costs in terms of office rental and wages. Online retailers will need to develop or upgrade Internet ordering and fulfillment systems to remain competitive. It is envisaged that online shopping that provides consumers with greater control in terms of customizing products and schedule times for home delivery will become popular and, therefore, need to be incorporated into the system. To gain the confidence of consumers, emphasis will be placed on security of e-commerce, particularly for online payment transactions. In this context, online retailers will be encouraged to be Secure Electronic Transaction (SET) compliant, which is a worldwide security standard, to protect both the trader and customer. In addition, the wholesale and retail trade will also be encouraged to take advantage of business-to-business transactions through the Internet to expand their business and source for products at the most competitive price.

Increasing Bumiputera Participation

16.43 During the Eighth Plan period, further efforts will be made to provide credit facilities, business premises, technical and advisory services as well as training to increase Bumiputera participation in the retail and wholesale trade. These efforts will be further enhanced with the implementation of the *Projek Usahawan Bumiputera Dalam Peruncitan* (PROSPER). In addition, programmes such as supplying products to hypermarkets, supermarkets and international

markets and Bumiputera equity participation programme in distributive trade companies will be intensified. Efforts will also be stepped up to ensure that Bumiputera entrepreneurs are able to secure business premises at strategic locations. Franchising and other modes of distribution will continue to be given priority as a means for Bumiputera to be involved in retail trade, particularly in new townships and growth centres. A strong network of Bumiputera entrepreneurs in wholesale trade will facilitate and enhance Bumiputera participation in retail trade. In this respect, initiatives will be made to expand Bumiputera participation in wholesale trade. Furthermore, the completion of the study to enhance the participation of Bumiputera in the distributive trade sector will provide the inputs for additional strategies to be implemented.

Strengthening Linkages with Other Sectors

16.44 During the Plan period, efforts will continue to focus on achieving higher linkage effects between the distributive trade and other sectors through an increase in economic activities, which results in a greater variety of goods and services produced locally. The linkages with the agriculture and manufacturing sectors will continue to be emphasized as the marketing and distribution activities account for a significant portion of the consumer price and make a major contribution to national employment and income. A more efficient and market-driven marketing and logistics chain will be developed to promote production and distribution based on consumer needs. Towards this end, the National Food Terminal with a network of distribution centres will be established to enhance the marketing of food produce and provide better returns to farmers. It will be linked with food production centres and agro-technology parks and complemented with the provision of integrated services such as transportation and professional advice to farmers. In addition, direct sourcing of products through contract manufacturing and farming will be encouraged to reduce demand and supply imbalances and generate greater domestic production.

16.45 Support services such as transport, storage and communications will be further strengthened to serve as efficiency-enhancing inputs aimed at minimizing the cost of distribution from the producer to the consumer within the country as well as for exports. Further investments in infrastructure development will be made to contribute towards the cost-effective and efficient multimodal transport system for passengers and cargo. In addition, the continuous efforts to promote Port Klang and Port of Tanjung Pelepas as cargo transshipment centres as well as KLIA as an aviation hub will facilitate the expansion of the distributive trade sector.

16.46 Efforts will also be intensified to forge closer linkages between tourism and distributive trade sectors. The concerted measures that will be undertaken to boost the tourism industry, particularly efforts to promote Malaysia as a shopping paradise including the organization of three month-long Mega Sales Carnivals, will further enhance the distributive trade sector. In addition, the emphasis on an integrated transport system and pedestrianization projects, which provide easy and convenient access to shopping centres, will also further contribute to the growth of distributive trade.

Ensuring Price Stability

16.47 Price stability will remain a major policy concern during the Plan period. As the sources of price pressures are both demand- and supply-related, a combination of policies involving both demand- and supply-related elements will be implemented in a flexible, coordinated and pragmatic manner. Prudent monetary and fiscal policies will continue to be adopted to address demand-related issues. To safeguard the interest of all Malaysians, particularly the low-income group, adequate supplies of essential goods will continue to be ensured to prevent undue price pressures. At the same time, micro-measures will be implemented to address infrastructure and distribution bottlenecks. Such measures will lower production costs and, therefore, increase the competitiveness of the products. In addition, a price analysis and monitoring system with built-in trigger mechanism will be developed to serve as an early-warning system for supply-side actions to be taken to maintain price stability. The Government will also introduce a legislation to curb excessive and unwarranted price increases.

Consumer Education and Protection

16.48 Consumer education will continue to be a means of increasing awareness on consumer rights to safeguard their interests during the Eighth Plan period. The increased awareness among consumers will act as a deterrent against unethical trade practices. The traders will be encouraged to offer quality goods at competitive prices, provide warranties and after-sales service as well as have a clear return of goods policy. Other measures that will continue to be implemented include the enforcement of the provisions of the Consumer Protection Act 1999 as well as provide greater publicity for the Consumer Claims Tribunal so that more consumers will be aware and avail of the facility. As part of the efforts to promote consumer

education to the public, the establishment of consumer clubs in *Rukun Tetangga* sectors and schools will be encouraged. In the quest for total consumer protection, a study to formulate a consumer master plan will be undertaken during the Plan period. It will provide a comprehensive analysis of the status, issues and directions of consumer education and protection in the light of globalization and liberalization. Action will be taken to protect consumer interests in e-commerce transactions. Areas covered by the Consumer Protection Act 1999 will be extended to include e-commerce.

IV. ALLOCATION

16.49 The Eighth Plan allocation for distributive trade is RM763.2 million, as shown in *Table 16-2*. This allocation will be utilized to provide loans and financing for small- and medium-scale enterprises in the distributive trade sector, support the purchase of business premises in strategic locations, modernization and development of distributive trade as well as for training and consultancy services.

V. CONCLUSION

16.50 The distributive trade sector is well placed to make a larger contribution

Programme	7MP		8MP
	Allocation	Expenditure	Allocation
Funds for Distributive Trade	200.0	200.0	243.0
Upgrading and Modernization of Trade Services	22.6	20.9	40.0
Business Premises	438.1	257.5	440.2
Training and Consultancy	18.8	16.2	40.0
Total	679.5	494.6	763.2

to the economy during the Eighth Plan period. This is underpinned by the anticipated strong economic growth, the increase in consumer demand and the concerted efforts to further strengthen the sector. The policy thrust is to enhance competitiveness and achieve sustainable growth in distributive trade. Towards this end, the collaborative efforts of both the public and private sectors in implementing the strategies are critical to achieve the growth target and increase consumer welfare.