

DIGITAL JOURNEY

The GAME, the RULE, the way
forward for businesses in
digital economy

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PREAMBLE



The Common Enemy, COVID-19, has united all SMEs and businesses in ways we could never have imagined.

The COVID-19 pandemic shows that national challenges can only be solved through united fraternity solutions. The impending economic downturn has underlined the critical need for solidarity as Malaysian businesses and Small & Medium Enterprises (SMEs) battle the economic upheavals through what we describe as a “common enemy”. The pandemic can jolt all businesses into working together more effectively in the future.

The world is facing a battle against an unknown and invisible enemy. Unfortunately, this enemy does not respect any border or hierarchy and has exposed the fragilities in our systems. To fight this common enemy, lockdown measures have been implemented since 18th March 2020. This has had a telling impact on our economy, which is also unfolding fast. In Malaysia, we realised quickly that this crisis is going to cause a business model shock for our economy. As the nation tackles such a complex scenario, we as entrepreneurs will need a new

approach that fosters cooperation and not isolation amongst all SMEs and businesses. In that context, I decided to take on the responsibility of sharing what I envisioned will help us sail through the storm. This is my calling to help SMEs and businesses which are struggling during the pandemic (and will most probably take years to recover to the pre-pandemic state) and suffering from the effects of the Movement Control Order (MCO). I sincerely hope all the chapters covered in the book will provide inspiration and motivation, if not insight, to help relieve the burden on all SMEs' shoulders.

I would like to share what my organisation did and how we successfully sailed through the pandemic (also with the blessings from all parties, including our beloved customers, and a bit of 'luck'). It is my hope that the information in the book will benefit SMEs, and together, we will share the responsibility and work together to revive the economy and the nation.

The Onslaught Begins

After the lockdown measures were implemented on 18th March 2020, I remember reading an article on 27th March 2020 about a survey (Recommend.my) saying that 68.9 percent of local SMEs had suffered plunges of more than 50 percent in their business within one week of the MCO.

The survey looked into SMEs' sentiments during the week before and the week after the MCO, and found that almost 100 percent of local businesses and SMEs had a negative outlook on the nation's economy for the rest of the year, with more than half having a negative outlook on their own businesses.

For Senheng, our sales revenue for March 2020 (half month) and April 2020 (full month) dropped more than 50% due to the MCO.

Despite the government's stimulus packages, I reckon that the effects of the MCO and pandemic on businesses have been too substantial, and that the governmental aids have just not been enough to absorb their adverse impacts. In order to take a more proactive stance instead of relying solely on governmental aids, we created "26 Tactics", which have helped Senheng overcome the adverse impacts and effects of the pandemic and the MCO. The tactics have worked for Senheng, and upon receiving invitations from the media to talk about them, I have gladly shared these tactics with SMEs at large to help them take immediate action and arrest their downward slide.

The **26 Tactics**, which I shared in The Star (in English) and Sin Chew Daily (in Mandarin) webinars are:

1. Online shop
2. Call centre, inbound & outbound
3. Big data
4. Telemarketers team converted from the floor salesman
5. Senheng App fully activated
6. Redemption reminder, birthday voucher, EZ credit, et cetera.
7. Cut purchase, cut PO
8. Activated e-Training platform
9. Rental deductions
10. Suppliers extended payment term
11. Extra bank facilities
12. Redeemed bonds and refinanced properties
13. e-Meeting

14. Work-From-Home
15. Sell the future from now
16. Increase digital marketing spending
17. Last-mile fulfilment focus
18. CSR to support hospitals
19. Human resources productivity
20. Telemarketing app development
21. Lightweight business model – iPet
22. New products; selling tour packages to the moon
23. Employees' confidence assurance, zero unpaid leave, zero pay cut
24. Slim down, slow down expansion and cut unnecessary expenses
25. Business partner special programs
26. More customer engagement programmes

(The detailed webinar can be retrieved from Senheng official Facebook page)

However, although I received numerous positive feedback from SMEs, I also found that many SMEs could not fully deploy the “26 Tactics” as they were unable to ‘reap’ the optimum benefits from them. After some in-depth analyses and putting ourselves in the shoes of the said SMEs, we found the ‘missing link’ – which is also the lynchpin to the successful deployment of the “26 Tactics”. The ‘missing link’ that we finally unraveled is the state and manner of the **‘Digital Transformation’** of businesses.

As digital technologies rapidly reshape industry after industry, many companies are pursuing large-scale changes to capitalise on these trends or keep up with competitors. Digital transformation integrates digital technology into all business areas, fundamentally changing how you operate and deliver the

business's value propositions to customers. There is also a cultural change that requires organisations to continually challenge the status quo, experiment, and get comfortable with failure. Digital transformation is imperative for all businesses in the New Retail environment, from the small to the enterprise.

Below is a collection of the digital transformation journey and evolution of Senheng that you can refer to as you embark on your New Retail Digitalisation program. The chapters are intended to provide insights into what **Senheng**, a retail organisation with over 30 years of experience, has learned from countless mistakes, and how Senheng eventually consummated its '**digitalisation**' journey. These chapters are written by the respective Senheng staff at the different sections of the digitalisation journey.



INTRODUCTION



The Impetus: COVID-19 Paved the Way for Digital Transformation

Heraclitus: "The only thing that does not change is Change itself."

If businesses subscribe to the ideology of 'survival of the fittest', then it is inevitable that all companies will need to constantly and rapidly adapt their business strategies to stay relevant to the rapidly changing consumer behaviour. During the Industrial Revolution, there was a transition towards using new manufacturing processes, such as steam power, replacing hand production methods in manufacturing products. We are currently in the 4th Industrial Revolution (also known as Industry 4.0), leveraging automation and data exchange with buzz words such as "Internet-of-Things" (IoT), cloud computing, Artificial Intelligence (AI) and modern cyber-related technologies and processes, which have become daily conversational phrases.

The world has transitioned from the 1st Industrial Revolution to the current 4th Industrial Revolution, and we can clearly see how businesses around the world have adapted to the circumstances. There is a Chinese saying that goes, “Big fish eat small fries.” However, another contemporary phrase says, “The most agile fish eat the slowpokes.” The point here is this – companies that are big in every business aspect are not guaranteed to survive the harsh business environment during the COVID-19 pandemic. On the other hand, companies that are responsive and adaptive to abrupt changes, especially by adopting digital transformation, are the ones that are best suited for surviving the challenging business environment. For some businesses, this means moving from a B2B business model to a direct-consumer model, or hosting virtual activities to replace physical meetings, conferences, and events. As businesses and entrepreneurs manage with the new measures, more productive ways of doing the same task are surfacing, which create a ripple effect on digital roadmaps.

The digitalising of operational processes has always been the goal for most businesses, especially the SMEs. However, business owners usually end up procrastinating by thinking “we’ll get there eventually.” SMEs would often talk about live chats or automating daily business routines and processes but in the end, would decide to drop the idea since they could not justify the enormous change and commitment to support them. SMEs are in dire need of new processes and technologies which can be readily adapted and adopted with relative ease, and with easy “Plug-and-Play” technology solutions to facilitate these changes.

The rapid development and evolution of Industry 4.0 and the painful COVID-19 has created a new mindset, focusing on the future with a readiness to try new technologies. The previous challenges and obstacles that obstruct businesses from adopting new and creative innovations have become the impetus to fundamentally change existing ways of doing things. In the new normal, businesses and SMEs have had to adapt to remote working and working-from-home. This has forced businesses to be more flexible, replacing the mindset that “things have always been this way and don’t need to change” with the “let’s try this and see if it works” mindset.

The Key to Survive Post-Pandemic: Business Processes Automation

Customer self-service has been a developing trend even before COVID-19 hit Malaysia. Still, the pandemic and MCO have accelerated its adoption, as business continuity remains the top priority for many SMEs.

Online applications can be a headache for many of us, especially since some processes are not entirely digitalised. This requires users to print, physically fill out forms, scan, and submit. With the pandemic still lurking in the dark, we have less freedom for manual interactions, which makes informative and user-friendly customer portals a must-have to stay relevant in the business.

Regarding Industry 4.0, ‘digitalisation’ is becoming less about website development and more about allocating more time, budget, and resources towards automating customer journeys, with the human element still there for back-end verification.

Nevertheless, digitalisation automatically runs processes, ensuring that users have all the necessary information throughout virtual outlets, information portals, or personalised FAQ sections, rather than relying heavily on a physical person for further assistance.

Digital solutions that enable businesses to take orders and answer enquiries are in high demand now. Although they are not new in the market, even the most digitalised companies did not see this as an integral part of their businesses until the MCO lockdown measures were implemented.

Technology has become the key to a 'fail-safe' measure, ensuring business continuity while unlocking the potentials of businesses during these times of uncertainty, and to reduce the recovery time needed to return to normality. The shift to focus on digital transformation during these trying times will set the foundation for reaping long-term benefits of customer engagement and loyalty, with digitally-transformed businesses taking a quantum leap ahead of others.



CHAPTER 1

eCommerce Solutions & Operations



Prelude to the chapter: SMEs' and businesses' pain points with eCommerce:

- *Difficulty with leveraging product content from different sources*
- *Difficulty & inconvenience with uploading new SKUs and prices daily*
- *Hassle with instant updates in multiple marketplaces*
- *Trouble with updating and synchronising eCommerce promotions*
- *Problems with analysing and gauging eCommerce performances daily*
- *Poor filtering and navigation options on eCommerce websites*
- *Outdated payment methods in eCommerce websites where digital wallets are not included*
- *Online transaction data are scattered around*
- *Difficulty handling the process of stock returns*

1.1 What is eCommerce?

eCommerce is any form of commercial transaction that is conducted through the internet. In the early years of eCommerce's emergence, it was mostly about buying things on a website that is either built by the business or via a marketplace (e.g. Amazon). Today, eCommerce has expanded its reach to other IoT products, such as mobile apps, social media, messaging platforms, or even voice-activated virtual assistants like Amazon Alexa. Soon, you might be able to order dinner through your car's entertainment system, while your fridge will be able to detect groceries that are running low and replenish them via automatic orders.

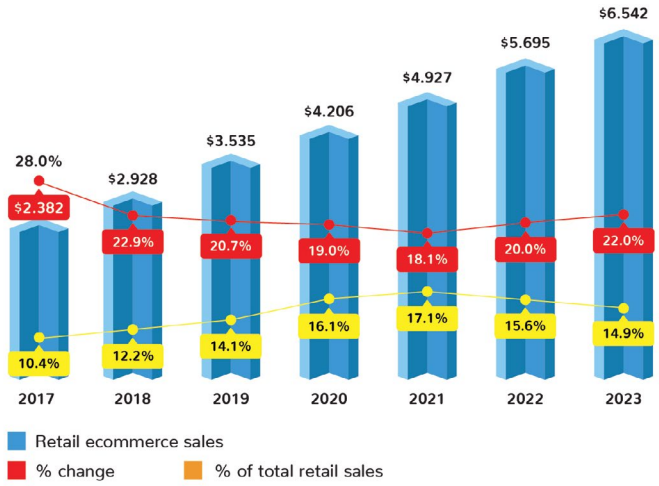
eCommerce has undoubtedly helped millions of sellers, especially SMEs, reach their customers in a way beyond any possible means of traditional brick-and-mortar business models. By utilising the internet and IoT properly, anyone can reach their target audience globally without geographical constraint. With the use of automation technology, an eCommerce seller can theoretically run their business 24/7 without constant human supervision. Almost anything can be sold or rented through e-commerce, from physical products to digital goods, coupons, and services. Furthermore, eCommerce is not limited to a single form of business. Besides the typical Business to Consumer (B2C) models adopted by companies such as Amazon and Lazada, there also are Business to Business (B2B) models that companies such as Alibaba use. In the used & second-hand market segment, we also see Consumer to Consumer (C2C) models like Mudah.my doing well, garnering millions of traffic visitors every month. Even the government is trying to utilise eCommerce technology to bring convenience to the public when performing certain transactions, such as renewing

your road tax online or paying parking fees to local councils via an app. We call this a Government to Consumer (G2C) model, which is getting more and more popular in Malaysia.

Amazon and eBay are considered the pioneers of eCommerce and today, they remain the world's top eCommerce players. Since their debut in the '90s, they have helped transform the way people shop and how they do business. These eCommerce companies have been providing a low entry barrier for anyone to start their own business without worrying about the extra cost and workforce required by a physical business. This has created an influx of both sellers and buyers on the internet, resulting in the exponential growth of retail sales through the internet. The share of eCommerce sales, as compared to total sales, is increasing from year to year. According to eMarketer.com, global eCommerce sales will increase to 16% of all sales in 2020. With the COVID-19 pandemic, the real figure might be even higher due to self-quarantines and social distancing practised throughout the world. In Malaysia, the growth in 2020 is expected to be up to 30%, according to E-commerce Malaysia Chapter chairman Ganesh Kumar Bangah.

Retail Ecommerce Sales Worldwide, 2017-2023

trillions, % change and % of total retail sales



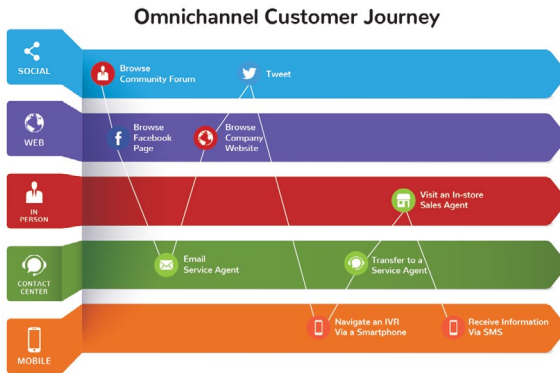
Note: Includes products or services ordered using the internet via any device, regardless of the method of payment or fulfillment; excludes travel and event tickets, payments such as bill pay, taxes or money transfers, food services and drinking place sales, gambling and other vice good sales
 Source: eMarketer, May 2019

(Source: <https://www.smartinsights.com/digital-marketing-strategy/online-retail-sales-growth/>)

The changes in people’s lifestyle & shopping behaviour always come with a revolution in the retail industry. Like how shopping complexes & chain stores threaten the livelihood of smaller mom-and-pop stores, the rise of eCommerce has brought challenges to traditional brick-and-mortar stores. For example, many major retailers that we know of such as Forever21, Toys“R”Us, and Radioshack, have filed for bankruptcy over the past few years. Who would have thought that market leaders like them would be beaten by unknown online stores or groups of social media influencers? The tables seem to have turned; small sellers can adapt to the latest eCommerce

trends and technologies with ease, whereas big retailers are either too big to manoeuvre their business models or are simply unaware of the challenges they are facing. That being said, it is not always sunshine and roses for the eCommerce industry. While eCommerce is generally gaining a larger market share over time, its low entry barrier also means that many people are fighting for the same slice of cake. Many eCommerce sellers feel the pressure from their fellow competitors – mostly in terms of price, product variety, and convenience. Moreover, some eCommerce businesses are often too stubborn, deciding on exclusively selling on their websites and cannot be bothered with branding and marketing, are unwilling to share their profits with other platforms, or invest in the latest technologies. These eCommerce businesses might soon find themselves in the same boat with traditional businesses that failed to adapt.

Jack Ma, the founder of Alibaba Group, said, “eCommerce is rapidly evolving into the New Retail. The boundary between offline and online commerce disappears as we focus on fulfilling the personalised needs of each customer”. These words could not be more accurate, evidenced by both online and offline retailers exploring the Omnichannel commerce technology, aiming to create a seamless shopping experience for consumers across various online and offline channels. The arrival of the New Retail era has given traditional retailers a fighting chance against pure eCommerce players if they are ready to go through the required digital and business process transformation. One of the very first steps traditional retailers should take is having an online presence. There is a saying, *“If you can't beat them, join them,”* which means that to survive the battle with other eCommerce players, you must have an eCommerce presence.



(Source: <https://blog.magestore.com/omnichannel-customer-experience/>)

1.2 Why eCommerce?

Humans are the most adaptable species on earth. Every time our surrounding environment changes, be it from mother nature or our own doings, we always find a way to improve, adapt, and overcome. Even when we are not facing life-threatening conditions, our lifestyle is continuously changing due to technology and cultural changes. Technology changes the way we obtain information, how we communicate with each other, and the way we live. As a result, a customer's buying behaviour has changed, being heavily reliant on the internet. The main reason why any retailer must have an eCommerce presence is straightforward – the internet is the most accessible place for you to reach your target audience and is abundant with information. It is the means for people all over the world to communicate with one another, and the internet provides facilities to conduct commercial transactions conveniently.

Picture this: A retailer who opens his shop in a shopping mall is only able to serve his customers during opening hours. His customer base only consists of people who visit the shopping mall. Even with excellent products and services, and customers rushing into his shop, he is only able to serve as many as the capacity of his workforce or space of his venue. Contrary to eCommerce sellers, their customers can conveniently buy from them anytime and anywhere. Moreover, they are able to virtually handle hundreds of transactions simultaneously, such as during festive seasons. For the past few years, Taobao has announced record-breaking sales every 11th of November, which is the company's biggest sales event of the year. The sales figures that Taobao has achieved on that day alone would usually be impossible for any brick-and-mortar retailer, even if all their outlets' sales are combined. Now, this is the power of eCommerce.



(Source: <https://www.alizila.com/alibabas-newest-11-11-gmv-record-us38-4b/>)

Besides the convenience and capability of scaling, the eCommerce business is easy to set up, as compared with brick-and-mortar stores due to the low starting costs. In Malaysia, there are many ways to

start your eCommerce store for free such as selling your products via Facebook Marketplace, Carousell, or even WhatsApp. Even for a medium-sized enterprise, the cost of running an eCommerce business is lower due to less dependency on human capital and location. You can run your business from the outskirts or more secluded townships, resulting in more economical rentals, and staff and operating costs. Additionally, an eCommerce website can display virtually unlimited products, while physical space constrains brick-and-mortar stores. This advantage helps eCommerce sellers to be seemingly more established and reliable with the sheer number of products it sells, resulting in better branding. Besides that, eCommerce sellers require less space to keep their stock than physical stores, as physical stores require more space for proper product displays. The reduced cost can be channelled towards lowering product prices, which is why many products sold online are cheaper than those sold in brick-and-mortar stores. Consumers will go for more affordable and more convenient options, so there is no surprise as to why the eCommerce industry is doing better.

The eCommerce business is cheaper to run, and by utilising digital marketing, eCommerce businesses can potentially reach anyone anywhere as long as they are connected to the internet. Digital marketing – enabled by search engines, social media, millions of websites, and online marketing channels – has allowed eCommerce sellers to get in touch with their target audience easily, with a cost that suits their budget. Not only that, with big data analytics and AI technology provided by search engines, social media, and marketing solutions providers, eCommerce sellers can learn more about their customers' preferences and behaviour. When an eCommerce website is integrated with a data collection script such as Google Analytics or Facebook Pixel, it leverages the capability of those platforms to optimise digital marketing campaigns, which

allows for even bigger sales. The same cannot be said about brick-and-mortar stores. Additionally, if a physical store's retailer utilises digital marketing to attract customers, its effectiveness will not be seen as clearly as an eCommerce's digital marketing efforts due to data being untraceable in physical spaces and not analysable by digital marketing service providers. As a result, physical outlet retailers may run their digital marketing at higher costs and have higher risks of targeting the wrong audience, resulting in wastage.

On top of all these advantages, the recent COVID-19 pandemic has forced many traditional brick-and-mortar stores to close down and thus, eCommerce has turned into the main shopping destinations for consumers. This pandemic has served as a wakeup call for many orthodox businesses and SMEs – forcing them to realise that eCommerce is essential for survival in the future as they will have to compete with pure eCommerce sellers who have had the upper hand in the digital realm. Having said that, absolute eCommerce sellers do not necessarily perform better than retailers with physical stores. Physical outlets have their own advantages as well. If they venture into the New Retail omnichannel's technology, they will go on to become retail leaders in the imminent future, as predicted by Jack Ma. Of course, this is easier said than done, as many companies have tried to employ their versions of omnichannel strategies into their retail businesses. We at Senheng have spent years building our omnichannel eCommerce solutions and have managed to survive the changing tide in retail, emerging as one of the top leaders in the country. There are many pain points at different stages of implementing an omnichannel eCommerce solution, from setting up an eCommerce website, to selling on online marketplaces, and handling orders, logistics and after-sales.