

Moving into cyberworld

Palm oil industry start-up breaks new ground

By S Jai Shankar

Malaysia, one of the world's leading palm oil producers, is also a leading proponent of new media technologies. This does say a lot about the country's dynamism in cultivating the new and the old economy. Unfortunately, the well-worn cliché of the old meeting the new has not quite happened in this case. The two industries almost reside on parallel worlds, each realising the other's existence but never quite meeting up.

But this is slowly changing, thanks to John Kuruvilla, a palm oil industry veteran who has taken a plunge into the world of ICT. The reason? He believes that the future of the industry will not only depend on its ability to develop new high-yielding seedlings but also new high-yielding methods to market the produce.

With over 28 years of experience in the plantation industry, Kuruvilla reasons that the Malaysian palm oil industry should transform itself into a more knowledge-based industry by taking advantage of the Internet revolution. 'By conducting all its business transactions electronically through the Internet, it would be able to significantly increase speed while reducing its cost of doing business and thus become more competitive in a global environment,' he says. Furthermore, he points out that

almost all palm oil companies globally only put emphasis on reducing production cost, which only constitutes 50% of the total cost.

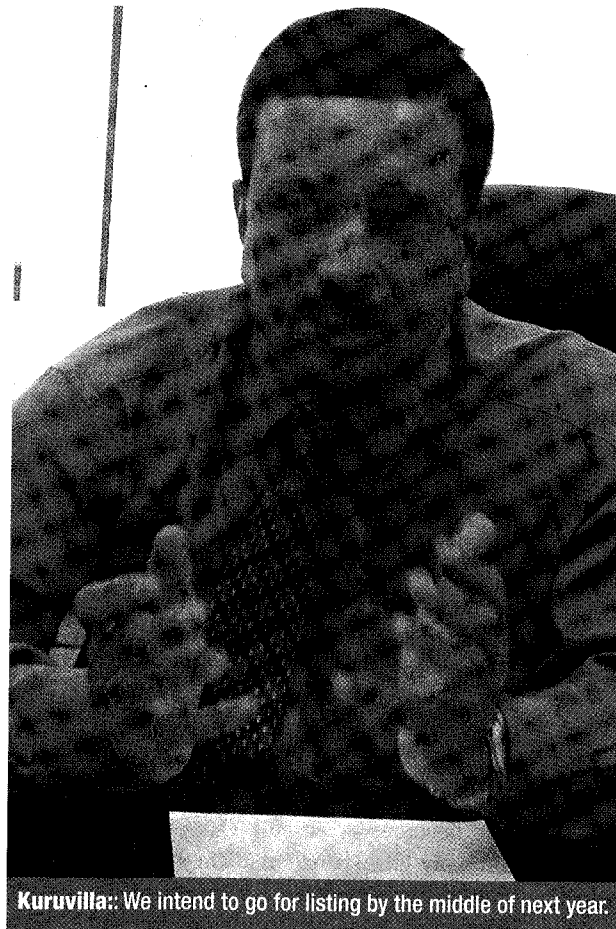
'More savings can be derived if technology can be leveraged to reduce the remaining 50% of the total cost which is related to operational matters,' he says. The idea manifested in the creation of *www.oilpalmworld.com* in November 2003.

Essentially the portal is a one-stop centre to automate various business processes within the palm oil industry. This encompasses a whole range of business activities, including trading, market intelligence, procurement and recruitment. The electronic marketplace portion helps Malaysian companies make further inroads in their marketing efforts in an efficient and transparent manner. 'They would

also be in a good position to plan and implement better business strategies taking advantage of their economies of scale and easy access to real time information,' says Kuruvilla.

Prior to working on this portal, Kuruvilla was the chief executive of a plantation group that owns 18,000 hectares of oil palm estates in Malaysia and Indonesia. After completing his last project, the 55-year-old wanted to pursue something more challenging. Driven by only a broad idea of what he wanted to do, Kuruvilla scoured the Internet for inspiration. In 2001 he found a semi-developed trading portal for sale and that gave him the needed spark. After conducting due diligence, he decided to purchase the portal instead of developing one from scratch.

Kuruvilla got in touch with a software company in India to fine tune the portal to the local palm oil industry's



Kuruvilla: We intend to go for listing by the middle of next year.



agencies, 6 banks, 36 suppliers and 35 millers/refiners. Slightly more than 40% are foreign companies. 'We have attracted more than 1.8 million hits to our website to date. The average daily hits are 10,000,' he says.

He believes that there is a clear difference between *www.oilpalmworld.com* and other e-commerce start-ups. 'Firstly, it is Malaysia's first comprehensive palm oil e-marketplace,' he says.

It is also the first to offer e-commerce features that covers wide-ranging aspects in the palm oil value chain, not only for those at the downstream but also for the upstream players, Kuruvilla adds.

requirements. The team started work in early 2001 and completed the portal in March 2004. A procurement module and a market intelligence module were also developed during this phase.

The *OPW@Procure* is a procurement workflow automation application, which connects all principal nodes in purchasing process from requisitions to good receipts and with online catalogue manager. The *OPW@Market Intelligence*, meanwhile, is a resource centre that includes ODJ Vegoil Reports, Bernama Business Briefing, MDEX Advantage, and MPOB Statistics. All the subscribers will also get access to the *OPW@Business Management* feature, which is a database of various industry-relevant information

The total cost of developing the website was RM4 million, of which RM2.78 million was funded by the Demonstrator Application Grant Scheme (DAGS) under the Ministry of Science, Technology and Environment and managed by Mimos Bhd. Cosville Holdings Sdn Bhd, a company owned by Kuruvilla, funded the balance of RM1.22 million.

Incidentally, Kuruvilla's sibling Dr K J John, the ex-vice president of Mimos, was involved in the DAGS project when Kuruvilla made the application.

Kuruvilla, however, says that John had declared his interest in the matter and did not attend a single meeting in relation to the application.

The principal revenue sources include annual membership fee, monthly fee, and per transaction fee. All users are required to be a member. The membership fee is RM1,000 or US\$270 per year per company, with multiple users allowed. The monthly fee depends on the packages that are taken up. Subscription to *OPW@Market Intelligence* ranges from RM160 to RM500.

The transaction fee is based on the nature of the trade plus its value. Domestic trade incurs a charge of 90 sen per tonne to seller. An international trade will cost the seller 50 US cents per tonne. Subscribers who use procurement services will be charged 0.8% of the purchase order value. The portal also derives revenue from website advertisement deals. Sales have just started trickling in after a free trial period. 'As to date we have sold our advertisement banners and market intelligence packages,' says Kuruvilla.

However, the trickle can turn into a veritable deluge if Kuruvilla's marketing plan becomes successful. Currently the company has 410 clients. They include 168 traders/brokers, 127 plantation companies, 11 associations/government

The portal is the only exchange that is tailored to the palm oil industry requirements and covers all aspect of the supply chain. The technology platform used is recognised by IBM, and collaboration with IBM to further enhance the technology capabilities is in the pipeline. The platform possesses all the qualities and assets to facilitate palm oil industry with third party integrations, technology devices and applications.

Not resting on its laurels, the company has outlined phase two enhancement plans for the portal. This includes standardisation of formats for Electronic Document Interchange (EDI), online settlement of financial transactions, online quote/purchase of logistics, online quote/purchase of insurance, online training, online recruitment and integration of wireless technologies (for all modules).

Malaysian palm oil industry players should perhaps learn a lesson or two from the experience of other commodity industries such as rubber and coffee. Non-producer countries that are essentially buyers now control these markets because of superior market intelligence and trading capabilities. The Malaysian palm oil industry must not suffer the same fate. It won't, if Kuruvilla's plan works. **mb**