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IMPLEMENTATION OF E-COMMERCE AMONG SMEs IN MELAKA THAT  
IMPACT ON SALES PERFORMANCE

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Project Paper Submitted in Partial Fulfilment of the Requirements for the Bachelor  
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## STUDENT'S DECLARATION

I hereby declare that the work in this thesis is my own except for quotations and summaries which have been duly acknowledged. The thesis has not been accepted for any degree and is not concurrently submitted for award of other degree.

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## DEDICATION

I would like to dedicate this work to my lovely parents who have given me various supports such as financial and moral support. They also encouraged me to accomplish the task even it is tough and taught me to done it one step at a time. It is also dedicated to my friends who have always encouraged and support me throughout the process of completing this study.

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## ABSTRACT

The emergence of the Internet among community has led many benefits to the business. E-commerce is a paradigm shift and a competitive tool for Small and Medium Enterprises (SMEs). E-commerce in a transaction not only as a medium of development but also as a point of reforms in exploring the broader marketing strategy. This paper aims to examine the effects of e-commerce implementation among SMEs against sales performance. The variables such as payment system, online advertising and customer service are expected to influence sales performance among SMEs. This study used quantitative methods to identify the effect of implementation of e-commerce in influencing sales performance. In order to accomplish the objectives of the study, questionnaire surveys have been distributed to the respondents in Melaka. A series of questionnaires will be distributed to respondents to identify their perceptions of the effectiveness of e-commerce implementation in the business. The analysis was conducted using the Statistical Package for Social Sciences (SPSS) with a total of 210 respondents. Data were analysed using descriptive analysis, correlation analysis and regression analysis. The findings show that payment system, online advertising and customer service has significant relationship with e-commerce implementation among SMEs.

## ABSTRAK

*Kemunculan Internet di kalangan masyarakat telah membawa banyak manfaat kepada perniagaan. E-dagang adalah satu anjakan paradigma dan alat yang kompetitif untuk Perbadanan Perusahaan Kecil dan Sederhana (PKS). E-dagang dalam urusniaga bukan sahaja sebagai medium pembangunan tetapi juga sebagai titik pembaharuan dalam meneroka strategi pemasaran yang lebih luas. Kertas kerja ini bertujuan untuk mengkaji kesan pelaksanaan e-dagang di kalangan PKS terhadap prestasi jualan. Pembolehubah seperti sistem pembayaran, pengiklanan dalam talian dan perkhidmatan pelanggan dijangka mempengaruhi prestasi jualan di kalangan PKS. Kajian ini menggunakan kaedah kuantitatif untuk mengenal pasti kesan pelaksanaan e-dagang dalam mempengaruhi prestasi jualan. Dalam usaha untuk mencapai objektif kajian, kajian soal selidik telah diedarkan kepada responden di Melaka. Satu siri soal selidik akan diedarkan kepada responden untuk mengenal pasti persepsi mereka terhadap keberkesanan pelaksanaan e-dagang dalam perniagaan. Analisis ini dijalankan dengan menggunakan Statistical Package for Social Sciences (SPSS) dengan sejumlah 210 responden. Data dianalisa dengan menggunakan analisis deskriptif, analisis korelasi dan analisis regresi. Hasil kajian menunjukkan bahawa sistem pembayaran, pengiklanan dalam talian dan perkhidmatan pelanggan mempunyai hubungan yang signifikan dengan pelaksanaan e-dagang di kalangan PKS.*

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## LIST OF ABBREVIATIONS

SMEs	=	Small and Medium Enterprises
CEO	=	Chief Executive Officer
B2B	=	Business to business
B2C	=	Business to consumer
C2C	=	Consumer to consumer
GDP	=	Gross Domestic Product
ICT	=	Information and Communications Technology
SPSS	=	Statistical Package for the Social Science



**LIST OF SYMBOL**

%	=	Percentage
$\emptyset$	=	Null
R	=	Point of estimate
R <sup>2</sup>	=	Point of estimate Square
P	=	Value
B	=	Beta

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## CHAPTER 1

### INTRODUCTION

#### 1.1 Background of Study

The world has evolved. Technological achievement is seen at excellent level. In this era, the use of the internet is increasingly widely applied in developed countries, including in Malaysia. The Internet links are computer networks all over the world so that users can share resources and communicate with each other. The popular name for the Internet is the information superhighway. It is because various of information can be accessed even at home with the use of internet.

The Internet is a powerful tool that can make your business more effective and business online like e-commerce has widely used by SMEs companies in the developing country. The rapid rise of the Internet has made the potential of e-commerce more promising. According to Shadia Binti Suhaimi et al. (2015), through the use of internet, life becomes easier because with just a few clicks of a button we can shop on e-commerce.

According to the Turban, King, Mckay, Marshall, Lee, & Viehland (2008) e-commerce define as the process of buying, selling, transferring, or exchanging products, services, and information via computer networks including the Internet. According to the Gregory, Karavdi, & Zou (2007), e-commerce is more than just buying and selling goods electronically. E-commerce is defined as an environment to communicate, trade, distribution, service to the customer, collaborate with partners and conduct transactions using electronic technology.

E-commerce evolved in various means of relationship within the business processes. It can be in the form of electronic advertising, electronic payment system, electronic marketing, electronic customer support service and electronic order and delivery. (AA Jahanshahi, 2011)

Website is a basic element of doing business online. It is a page that resides on a server that is connected to the World Wide Web. E-commerce system operates like a website to serve as a communication channel for bidirectional information transfer, a platform for conducting transactions, an interface for providing customer service and allows conduct of marketing. Therefore, organizational uses of the website are focused on increasing the visibility of their Internet exposure to their existing and potential customers, communicating the company's image, increase brand awareness and support their customers to use the products or services provided by the firm. (Ghandour, Benwell, and Deans, 2008)

## **1.2 Problem Statement**

According to Husnayati Hussin and Rafidah Mohamad Noor (2005), knowledge about e-commerce technology amongst Malaysian SMEs owners are still generally low. Commitment of the CEO or top management towards IT will affect the use of e-commerce in SMEs. This is because the CEO has the most power of decision making in the company. A manager who has knowledge in e-commerce must be able to operate successfully in e-commerce.

A barrier to the use of e-commerce technology in business is a firm lack of confidence towards the benefits of e-commerce. SME owners believe that their traditional customers are many and will remain loyal to them. It makes the firm does not need to try to use e-commerce. Another factors such as the lack of trained staff, lack of capital and significant failure after a short period of experimenting become barriers to using e-commerce. Besides that, other barriers are the lack of resources and knowledge, the skill level of workers, safety concerns, and the willingness of small businesses. (Saif-Ur-Rehman and Rizwan Alam, 2016)

The government must play an important role in the development of e-commerce in SMEs. This is because involvement SMEs in e-commerce is relatively low. SMEs still continues to depend heavily on government incentives with the hope that sufficient infrastructure will be provided for them to start a business electronically. The provisions of sufficient infrastructure enabling it operate efficiently. (Norudin Mansor and Ahmad Faisal Amri Abidin, 2010)

Even though the government seriously address the issue, but the involvement of SMEs about the knowledge and management regarding e-commerce is still not satisfactory. According to En. Zaky Moh (2015) only 19.6% of SMEs are involved in doing business online and 80.4% did not sell products or services online.

Hence, this study is going to examine the implementation of e-commerce and expected results of this study can provide knowledge of SMEs entrepreneurs on the impact of implementation e-commerce (Payment system, online advertising and customer service) against their sales performance.

### **1.3 Research Objectives**

The objective of this study was to measure the effectiveness of implementation e-commerce in SMEs Melaka. The objective of this study is as below.

- 1) To investigate the extent of e-commerce implementation (Payment system, online adverting and customer service) among SMEs.
- 2) To investigate the impact of e-commerce (Payment system, online adverting and customer service) on sales performance of SMEs.

### **1.4 Research Questions**

The research question is related to the problems that facing by SMEs in implement e-commerce. There are several research questions as below:

- 1) What is the extent of e-commerce implementation (Payment system, online adverting and customer service) among SMEs?
- 2) What is the impact of e-commerce (Payment system, online adverting and customer service) on sales performance of SMEs?

### **1.5 Scope of Research**

In this study, the focus is to identify factors of implementation of e-commerce which will affect the sales performance of SMEs in Melaka. Factors implementation of e-commerce will be seen in terms of payment system, online advertising and customer service. This research will use quantitative methods to a survey questionnaire to collect data. The survey questionnaire will be distributed at some SMEs in Melaka. To complete the data collection for this study, about 210 respondents was targeted to answer the questionnaire. The researcher assumes the respondents are honest in answering the questionnaire and can get full cooperation from the respondents.

## **1.6 Limitations**

In the process of completing this study, the researcher has met some limitations. The researcher is new in this field, so the researcher is lack of experience on how to conduct the questionnaire and collect the data. It is hard for the researcher to conduct the research with the lacking experience. The researcher also found out the information to complete this study is hard to find. Most of the information is from the internet sources such as articles and journals which are done by previous researcher. But some of the information is not accessible or need to pay, researcher also realize only a few previous study has been done that is related to this study. Besides that, the researcher is a student so the researcher has not much cost to conduct this research. The survey is only conduct at the nearby place in Melaka due to the limit of cost.

## **1.7 Summary**

SMEs response is the ultimate test of whether the implementations of e-commerce in their business are succeed. Data from SMEs that already use e-commerce helps other SMEs that still do not use to define the need and identify threats and opportunities.

## CHAPTER 2

### LITERATURE RIVIEW

#### 2.1 Introduction

According to Boote, D.N. & Beile, P. (2005), literature reviews involves a lot of activities such as the study on the current issue, analyse journal or article that related with the project and other. A literature review is an evaluative report of studies found in the literature related to selected area. The review should describe, summarize, evaluate and clarify this literature. It should give a theoretical basis for the research and help to determine the nature of research.

This research examines the impact of e-commerce implementation toward the sales performance among SMEs. This study seeks the three element of implementation of e-commerce that affects sales performance. This literature review demonstrates the importance of e-commerce in this era. The information from literature reviews are used to identify the factor of e-commerce implementation that influences sales performance. Moreover, this chapter discusses the overview, theory and concept of e-commerce. The outline of e-commerce implementation as well as the factor that influence the sales performance in the SMEs in Melaka and several of previous studies that are related to the study is viewed.