

THE TRANSITION FROM OFFLINE-TO-ONLINE (O2O) BUSINESS AMONG
THE MALAYSIAN MICRO AND SMALL ENTERPRISES (MSEs)

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I/We declare that I/we have read this dissertation/report and in my opinion, this dissertation/report is sufficient in terms of scope and quality as a partial fulfilment of the requirements for the award of Bachelor Degree of Technology Management (Technopreneurship) with Honours

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This report is submitted in partial fulfilment of the requirements for Bachelor Degree
of Technology Management (Technopreneurship) with Honours

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DECLARATION

I hereby declared that this report entitle “The Transition from Offline-to-Online (O2O) Business among the Malaysian Micro and Small Enterprises (MSEs)” is based on my original work except for citation and quotations which have been duly acknowledged. I also declare that it has not been previously and currently submitted for any other degree or award at UTeM or other institutions

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DATE :

DEDICATION

This humble work is dedicated to:

My supportive family, for the limitless love and sacrifices;

My dearest supervisor, for the never ending words of encouragement;

My greatest friends, for being who they are;

And above all

To Allah SWT, the Almighty and;

Muhammad SAW, the best teacher and messenger

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Thank you.

ABSTRACT

Online business is a source of income to the individual and nation. The number of entrepreneurs that enter the online market increasing from year to year caused by the Industrial Revolution 4.0 that trigger the people to enter the online market and start their career as an entrepreneur. The online business helps the entrepreneur to expand its business wider than an offline business. The purpose of this research is to investigate the challenge that faced by the small and micro business when the transition from offline to online business, important of transition to online business and the effect of the integration to online business. Quantitative methods will be used to collect the data. The conceptual framework is been used in this study to identify the relationship between each independent variable and the dependent variable. The significance of the study is to know the importance of the transition to online business. The literature reviews have emphasized in detail the literature review on the challenge faced by small businesses when the transition to online business. Descriptive statistical analysis was conducted to describe the respondents besides Pearson Correlation analysis was used to determine the relationship among variables. The findings of this study showed that two of the three hypothesis has been accepted. It show that the challenges and effect of transition to online business is significant, but the important of transition to online business is not significant. Therefore, the researcher has concluded that there is a positive significant relationship between independent variables and the dependent variable and the recommendation for future research has been made to look at this study in detail.

Keywords: online business, challenge, offline business, transition, important, effect

ABSTRAK

Perniagaan dalam talian adalah sumber pendapatan kepada individu dan negara. Bilangan usahawan yang memasuki pasaran dalam talian meningkat dari tahun ke tahun disebabkan oleh Revolusi Perindustrian 4.0 yang mencetuskan orang ramai untuk memasuki pasaran dalam talian dan memulakan kerjaya mereka sebagai seorang usahawan. Perniagaan dalam talian membantu usahawan untuk mengembangkan perniagaannya lebih luas daripada perniagaan luar talian. Tujuan penyelidikan ini adalah untuk menyiasat cabaran yang dihadapi oleh perniagaan kecil dan mikro apabila peralihan dari luar talian ke perniagaan dalam talian, penting untuk peralihan kepada perniagaan dalam talian dan kesan penyepaduan kepada perniagaan dalam talian. Kaedah kuantitatif akan digunakan untuk mengumpul data. Rangka konseptual telah digunakan dalam kajian ini untuk mengenal pasti hubungan antara setiap pemboleh ubah bebas dan pemboleh ubah bergantung. Kepentingan kajian ini adalah untuk mengetahui pentingnya peralihan kepada perniagaan dalam talian. Tinjauan literatur memberi penekanan secara terperinci kajian literatur mengenai cabaran yang dihadapi oleh usaha kecil ketika peralihan ke bisnis online. Analisis statistik deskriptif telah dijalankan untuk menggambarkan responden selain analisis korelasi Pearson digunakan untuk menentukan hubungan antara pembolehubah. Hasil kajian menunjukkan dua daripada tiga hipotesis telah diterima. Ia menunjukkan bahawa cabaran dan kesan peralihan kepada perniagaan dalam talian adalah penting, tetapi penting peralihan kepada perniagaan dalam talian tidak penting. Oleh itu, penyelidik telah menyimpulkan bahawa terdapat hubungan yang signifikan antara pembolehubah bebas dan pembolehubah yang bergantung dan cadangan untuk kajian masa depan telah dibuat untuk melihat kajian ini secara terperinci

Kata kunci: perniagaan dalam talian, cabaran, perniagaan luar talian, peralihan, penting, kesan

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LIST OF ABBREVIATION

MSE	=	Micro and Small Enterprise
O2O	=	Offline to Online

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CHAPTER 1

INTRODUCTION

1.1 Introduction

Research background, relevant description of the problem currently faced, the objective is discussed in this chapter along with the research question for this thesis.

1.2 Background of the Study

Offline business or brick and mortar defining as the conventional way of doing business, where a company starts in a specific place where people come, see or browse through goods and purchase products or services as per their need and want. Offline business always involved as a public seller, face to face seller and stall keeper. The type of offline business divided into six types which is networking, speaking engagement, print publication, cold call, print advertisement, and association and trade show.

Online business refers to any kind of company or business transaction involving the exchange of information on the Internet. Trade is the exchange of products and services between companies, groups and individuals and can be seen as one of any company's important activities. The online business uses online transaction such as online banking, e-wallet, and boost. The type of online business divide into e-commerce, web design and social media platforms.

Nowadays, much offline businesses realises the importance of online business and they had started using the online application to market their products but still continue the offline way. Hahn and Kim (2009) analyzed the impact of consumer confidence and perceived internet confidence on consumer clothing shopping intention via the internet or a multi-channel retailer online. It shows online business expand very fast from year to year and there are many entrepreneurs enter the online market to sell their product. Many people also more prefer online purchasing than offline purchasing because easy and need a lack of time to purchase it. They also don't need to go to the shop or store to purchase the product.

Devaraj et.al (2006) objectively examined an online channel preference analysis empirical study in the United States. He analyzed the behavioral and economic characteristics that contribute to the happiness of online customers and his online channel choice. This show that nowadays the consumer very familiar with online purchasing because it only on the fingertip and easy to access by using a smartphone. They also more prefer purchasing online because of the connection toward the internet is very abroad. They can access the internet every time and everywhere.

In this Industrial Revolution 4.0, many business use both tools for marketing which is an offline and online tool to make sure they can reach the customer easily. By combination of both tool, they can improve their revenue and make sure they follow the technology expanded.

1.3 Problem statement

Nowadays, there are many entrepreneur that participate in online business and this increase from year to year. During the introduction of industry 4.0 revolution, the online business increase abruptly from business toward the local market to the foreign market.

The problem that faced by offline business when they want to change to online business is the lack of knowledge about using an online platform such as social commerce and e-commerce platform. They no expose to use the online platform, so they took a lot of time themselves to familiarise to use that platform. They also need to spend a fund to learn how to manage an online platform. When they experts using the online platform, they easily to penetrate the market and reach to the audience (C. E. Franco and R. S. Bulomine, 2016).

Another problem that faced by an entrepreneur is the competition with their competitors. When they want to enter the online market, there were many competitors that they need to compete. There also have powerful competitors that monopoly the market and not easy to compete with them (Wan Ab. Rahman, 2017). This situation makes them need to think about how to sustain themselves in the market for a long time.

The next problem facing to the entrepreneur is the cost to create the marketing tools is expensive. As we know, the cost to create their own website is very expensive and they need to spend a lot of money to create all of the marketing tools (R. Rahayu and J. Day, 2010). They need that tool to reach to the customer easily with a short time. This is very important to do work more effective and efficient besides saving a lot of time.

The entrepreneur also has the problem sustain in the market for a long time. They need to compete with the other competitors in the market that had a long time participating in online business (A. Sultana,2017). They need to make sure their product has a competitive advantage over the other product by creating the adding value to their product. They also cannot challenge the price but they need to make sure the customers satisfied with the product with the money that they had spent on purchasing.

1.4 Research Question

1. Why it is important for offline business transition from offline business to online business?
2. What is challenge that faced by the business when transition from offline business to online business?
3. What is effect that will get by the business when transition from offline business to online business?

1.5 Research Objective

The research discussed wants to identify the challenge that faced by offline businesses when the change to online businesses. The aim of this research we want to know the main problem that will face them especially when they change the type of their businesses. The main objective of this study is:

1.3.1 To identify the importance for offline business transition from offline business to online business

1.3.2 To evaluate the challenges that facing to the offline business when transition to online business.

1.3.3 To determine the effect of the transition from offline business to online business

1.6 Scope and Limitation of study

The scope of this research is to investigate the challenge of the entrepreneur when changes from offline business to online business. This investigation conduct in Batu Berendam, Melaka to identify the process and challenges faced by the entrepreneur when they change their business from offline to online type of business. I was conducting the research in Melaka because they are many student and entrepreneur that come from a different state and participate in offline and online business as their career.

The respondent was collected from the entrepreneur in Melaka that have own business. The respondent divided into two types of respondent which is a student and entrepreneur. The age of the respondent is between 20 to 50 years old that has the own business either own product or other product. The respondent includes to the wholesaler, retailer, agent and dropship that active to run their business.

This study is not without limitation. Firstly, this research is done in Melaka in specific location selection to identify the process and challenges faced by the student and entrepreneur when they change their business from offline to online type of business. Secondly, the researcher assumes the respondent to answer the business well and the right situation that faced them during changing the business.