

TRANSITIONING INVENTORY MANAGEMENT OF BUSINESS TO CONSUMER: CASE OF PRECIOUS LITTLE 1 SB



UNIVERSITI TEKNIKAL MALAYSIA MELAKA

I hereby acknowledge that this project paper has been accepted as part of fulfilment for the degree of Bachelor of Technology Management (Supply Chain Management And Logistic) With Honours

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TRANSITIONING INVENTORY MANAGEMENT OF BUSINESS TO CONSUMER: CASE OF PRECIOUS LITTLE 1 SB

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This thesis is submitted in partial fulfilment of the requirements for the award of Bachelor of Technology Management (Supply Chain Management and Logistic) with Honors



DECLARATION OF ORIGINAL WORK

I hereby declare that all the work of this thesis entitled "TRANSITIONING INVENTORY MANAGEMENT OF BUSINESS TO CONSUMER: CASE OF PRECIOUS LITTLE 1 SB" is original done by myself and no portion of the work encompassed in this research project proposal has been submitted in support of any application for any other degree or qualification of this or any other institute or university of learning.

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DEDICATION

I would like to appreciate the dedication of my beloved family members who educated me and motive me to learn until degree level. And also, I express a deep sense of gratitude to my lecturer whom also my supervisor for my final year project, Dr. Murzidah Binti Ahmad Murad and my fellow friends. They have provided me fully support and advice throughout this research. Without their blessing and encouragement, this research is impossible to complete within short period of time



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ABSTRACT

Many e-commerce platforms have evolved in Malaysia as a result of the country's fast economic development at home and abroad, the improvement of people's living standards, and the quick development of the internet. There are examples of B2C e-commerce company, such as Precious Little 1, that are encountering increased competition and hurdles. An e-commerce platform's efficient operation begins with meticulous inventory management. E-commerce platform administration is difficult owing to the huge range of inventory goods. Because overall operations are complex, it is critical to investigate inventory management issues in an e-commerce setting. As a backdrop for analysing corporate inventory management difficulties, this paper examines the transitioning the company from B2B to the B2c especially inventory management of a firm, Precious Little 1.



ABSTRAK

Banyak platform e-dagang telah berkembang di Malaysia hasil daripada pembangunan ekonomi negara yang pesat di dalam dan luar negara, peningkatan taraf hidup rakyat, dan perkembangan pesat internet. Terdapat contoh syarikat B2C e-dagang, seperti Precious Little 1, yang menghadapi peningkatan persaingan dan halangan. Operasi cekap platform e-dagang bermula dengan pengurusan inventori yang teliti. Pentadbiran platform e-dagang adalah sukar kerana rangkaian barangan inventori yang besar. Oleh kerana operasi keseluruhan adalah kompleks, adalah penting untuk menyiasat isu pengurusan inventori dalam tetapan e-dagang. Sebagai latar belakang untuk menganalisis kesukaran pengurusan inventori korporat, kertas kerja ini mengkaji peralihan syarikat daripada B2B kepada B2C terutamanya pengurusan inventori sebuah firma, Precious Little 1.



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LIST OF ABBREVIATIONS

ABBREVIATION	MEANING
AI	ARTIFICIAL INTELLIGENCE
AR	AUGMENTED REALITY
B2B	BUSINESS-TO-BUSINESS
B2C	BUSINESS-TO-CONSUMER
CRM	CUSTOMER RELATIONSHIP MANAGEMENT
ERP	ENTERPRISE RESOURCE PLANNING
IoT	INTERNET OF THINGS
JIT	JUST IN TIME
ML	MACHINE LEARNING
SKU	STOCK KEEPING UNITS
VR	VIRTUAL REALITY
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CHAPTER 1

INTRODUCTION

1.1 INTRODUCTION

After the industrial revolution, the internet was the most significant technical innovation. According to a recent survey on internet prevalence and usage in Malaysia, many Malaysians use the internet to pay bills, buy things online, and socialize on different social networks, in addition to routine surfing, reading emails, and socializing on various social networks. As the internet becomes more widely used and safe, this number is projected to rise. The development of the internet has given entrepreneurs new options and altered the e-commerce market.

Therefore, there are two business in Malaysia that do the e-commerce which is business-to-business (B2B) and business-to-consumer (B2C) but in this research is more focus to business-to-consumer (B2C) business. B2C business has revolutionized the retail industry in my nation, bringing substantial changes in business and management processes as well as ushering in the era of big data. There are several advantages to e-commerce. A large market share and growth prospects many of businesses have begun gradually. Putting up their own e-commerce platform integrating is beneficial to present businesses. Integrating information and ideas into all elements of the business may increase operational efficiency, staff productivity, and cost savings. Workforce and other factors, and can help the sector flourish more broadly. As well as international technologies.

Thus, B2C e-commerce is a complicated procedure that necessitates close coordination between various parties. Consumers want a supply chain that is error-free, which raises the pressure on retailers to manage demand and supply while incorporating reduced inventory methods and lowering total costs.

1.2 BACKGROUND OF STUDY

Background of time: Since Malaysia's accession to the World Trade Organization (WTO), the country's macro restructuring and timely adjustment of business industrial structure has resulted in stable Malaysian domestic market circumstances. Malaysia has proposed numerous methods to re-energize the economy. By the way, in our day and age, e-commerce has emerged as a highly appealing and swiftly increasing emergent business.

Market context: Malaysia's Internet penetration rate is now quite high, and e-commerce enterprises provide more goods and services to clients. According to one research, as much as 88.7 percent of Malaysian Internet users would be online by 2020. At the same time, more than half of people will purchase online, and the Internet has become an almost indispensable aspect of everyone's life. To ensure the continual stability of the whole process, there is a time interval throughout the entire process from the consumer placing an order on the website to buying items on the e-commerce platform, and then sending the information back to the warehouse for order fulfilment. Enterprises must have a high-standard inventory management plan, and they now require the assistance of information technology.

Background in the sector: B2C business has been a revolution in my country's company industry, bringing significant changes in business and management processes as well as ushering in the era of big data. E-commerce has a large market share and promising growth potential. Many businesses are progressively establishing their own e-commerce platforms. Integrating outstanding information concepts and techniques into all elements of the organization may increase operational efficiency, employee work efficiency, labor costs, and other factors, as well as boost the general development of the industry and global technology.

Precious Little 1 SB is one of Malaysia's e-commerce enterprises, however it has had several difficulties in its development because before this Precious Little 1 SB was B2B business and the change to the B2C e-commerce. Supply chain management and inventory management are critical components of every business. It has a direct impact on the enterprise's costs and overall service quality. Excellent integration of information concepts and techniques into all elements of the firm may increase the company's operational efficiency, employee work efficiency, labor costs, and other factors, as well as boost global industry and technology development. In this evaluation, researcher will concentrate on Precious Little 1's recent

successes and efforts in inventory information management. Researcher performed a thorough investigation on Precious Little 1.

1.3 PROBLEM STATEMENT

Almost all B2C ecommerce professionals believe that B2C must have a high gross profit margin. Therefore, Precious Little 1 took steps to transform its business from B2B to B2C. This is also a faucet, according to (Deacon, S., 2021). B2C sales bring thanks to better profit margins. In B2B, customers can lower prices to get better profits for themselves. If they buy 1,000 units, they will get better deals, but in B2C sales, the customer will set the price. Therefore, the company can decide how much you sell and will likely earn a higher profit for each individual sale.

In addition, according to another (Deacon, S., 2021), the transition to B2C will bring more freedom, With B2B sales, a product through another business, it shifts from and is associated with any brand that markets and sells it. However, with the change from B2B to B2C, Precious Little 1 faces some problems in inventory management. This is due to supply chain and inventory management being an important part of the enterprise, which directly affects the overall cost and service quality of the enterprise. With that, there are three problem statements presented by Precious Little 1 firstly, the reason why a company choose B2C. Apart from that, the difference in inventory management between B2B and B2C for Precious Little 1 SB. Besides, the challenge that Precious Little 1 face when transitioning from a B2B to a B2C business. Lastly, investigate benefit of B2C in inventory management for Precious Little 1.

1.4 RESEARCH QUESTIONS 1.4 RESEARCH QUESTIONS

The following research questions have been developed for the purposes of this study:

- i. What the reason why Precious Little 1 choose B2C?
- ii. Is there a distinction between B2B and B2C inventory management for Precious Little
- iii. What challenges that faces by Precious Little 1 when doing B2C?
- iv. What benefit of B2C in inventory management for Precious Little 1?

1.5 RESEARCH OBJECTIVES

The following are the study's objectives:

- i. To determine the reason why Precious Little 1 choose B2C
- ii. To identify the difference between B2B and B2C in inventory management for Precious Little 1.
- iii. To determine the challenge that faces by Precious Little 1 when doing B2C.
- iv. To know the benefit of B2C in inventory management for Precious Little 1.

1.6 SCOPE OF RESEARCH

Conduct inventory management study for Precious Little 1, a B2C firm. Inventory management is a part of supply chain and logistics management that falls under management. With the ongoing expansion of the social economy and the advancement of science and technology, the degree of worldwide application of e-commerce is increasing. Aside from that, businesses are beginning to enter the e-commerce market. In industrial e-commerce, the B2C model caters to the majority of customer groups. It is critical for e-commerce firm managers to increase the efficiency of collaborative work, secure sensitive data, and dive deep into business data. The primary research topic of this project is the B2C inventory management e-commerce model and is have difference with B2B inventory management and the reason why the company choose B2C.

1.7 RESEARCH SIGNIFICANCE

With today's rapid growth of information technology and severe market rivalry, labour expenses have risen dramatically. To properly manage inventory, businesses must stay up with the changes and adopt current technologies. Precious Little 1 has achieved remarkable growth as one of the e-commerce enterprises. Although Precious Little One was once a B2B firm that transitioned to a B2C e-commerce, there are obstacles and problems that this company must overcome, including inventory management for B2B that is incompatible with inventory management for B2C. By assessing challenges faced by Precious Little1 throughout its operations and analyzing solutions, it highlights Precious Little 1's advanced concepts and technologies in inventory management, and gives advice and referrals for other B2C companies to control inventory.

1.8 CONCLUSION

The conclusion for chapter 1 is to understand the situation and scenario for this case study which is the case study of precious little one company which is a company that runs B2C e-commerce where how does this company manage their inventory if doing B2C e-commerce does the company have difficulty in managing inventory if compared to B2B e-commerce that has become a habit for the Precious Little 1. Therefore, with the study conducted I was able to observe and understand the inventory management for B2C e-commerce as it is conducted by this company.



CHAPTER 2

LITERATURE REVIEW

2.1 INTRODUCTION

A literature review is a paper published by someone to consider the important elements of current knowledge, such as substantive results and theoretical and methodological contributions to a certain area. Aside from that, the literature study uses secondary sources and does not include any fresh or original experimental work. It can be taken as a summary of an abstract achievement. This chapter will go over the literature study for inventory management on Precious Little 1. It allows the researcher to demonstrate inventory management, which aids in the comprehension of the title.

2.2 INVENTORY

The stock of goods and supplies that a business or organisation has on hand is referred to as inventory. This can contain unfinished items that aren't quite ready for sale as well as raw resources. Since it is required for both production and sales, inventory is a crucial part of a business' operations. Companies employ a range of methods and systems to manage inventories efficiently. Among these are methods for predicting product demand in the future, just-in-time inventory management systems for reducing the quantity of stock on hand, and inventory optimization algorithms for figuring out the best quantities of inventory to hold.

The incorporation of artificial intelligence (AI) and machine learning (ML) into inventory management systems is one of the most recent developments in the field. One illustration of this is the use of predictive models to estimate product demand, which may assist businesses in making more precise decisions on the quantity and timing of their inventory orders. Another illustration is the analysis of massive volumes of data using AI-powered inventory optimization algorithms to decide on inventory levels. Although it is still a relatively recent invention, the use of AI and ML in inventory management is anticipated to grow in popularity as businesses explore for methods to increase productivity and save costs.

2.3 INVENTORY MANAGEMENT

Inventory management is one of the three elements of B2C e-commerce enterprises. It is also known as inventory control. Supplier management and procurement management are the other two dimensions. Inventory management is separated into two categories aspects which is inventory control and warehouse management. The term warehouse management relates to inventory control the systematic storing of commodities in warehouses to prevent corporate losses highlights firms that handle adequate inventory volumes while remaining economically viable. Inventory levels may be maintained with minimum commitment and expenditure. Inventory is a significant drain on business capital. Many businesses improve their inventory management using a variety of approaches. Because inventory consumes a significant amount of dollars, even little improvements will have a significant impact. Maintaining a balanced inventory turnover is an indication of great corporate inventory management since it is dynamic and appropriate.

In the article "What is Inventory Management? Benefits, Types, & Techniques", (Jenkins, A. 2022) state that Inventory management helps companies identify which and how much stock to order at what time, it tracks inventory from purchase to the sale of goods and the practice identifies and responds to trends to ensure there's always enough stock to fulfill customer orders and proper warning of a shortage. Thus, inventory management can help the companies to handle their products especially e-commerce companies.

2.4 BUSINESS-TO-BUSINESS (B2B) AND BUSINESS-TO-CUSTOMER (B2C)

According to (Chen, J.2020), business-to-business (B2B) is a type of transaction between firms, such as between manufacturers and distributors or wholesalers and retailers. Business to business refers to transactions between corporations rather than transactions between firms and individual customers. (Jensen, K. 2019) claims that meanwhile, business-to-business ties are being formed and maintained, and the sales process takes longer than that of business-to-consumer partnerships. B2B decision making can occur at several stages. For example, the salesman meets with the department manager, who must then obtain clearance from the firm owner before the transaction can be completed.

(Kenton, W. 2022) defines business to consumer (B2C) as the process of selling items and services directly between a firm and the end user of its product or service. The majority of

businesses that sell directly to customers are classified as B2C. B2C, or business to consumer, is a sort of commercial transaction in which a firm sells a product or service directly to a consumer (Uzialko, A. 2021). He also claim that might relate to people buying for clothes at the mall, eaters dining out, or those who chose to receive pay-per-view TV at home. However, more recently, the word B2C refers to the sale of items online, often known as e-tailing, in which manufacturers or merchants sell their products to customers over the internet.



2.5 REASON COMPANY CHOOSE BUSINESS-TO-CONSUMER

2.5.1 Consumer Want Digital

Consumers are increasingly using digital channels to accomplish their goals in the modern era, and while the growth rate of e-commerce has slowed with the reopening of physical stores, the rise of online shopping has permanently altered consumer purchasing behavior. According to Brock, A. (2022), 78 percent of respondents claim to have made more online purchases since the epidemic, and 86 percent of them plan to do so in the post-pandemic environment. According to Brock, A. (2022), businesses have more reasons to invest in this B2C market as the network of clients comfortable with online buying has expanded. New and uncommon users increased their activity by 169 percent during a pandemic. She asserts once more that the expected firm is no longer required to take the digital experience into account. Although they still require services that are responsive to their unique settings, B2B audiences are becoming more informed and affected by their interactions with leaders in the B2C area.

Other than that, the convenience aspect is one of the key reasons why customers are using digital platforms for their buying requirements. For instance, online marketplaces and e-commerce websites let customers shop whenever they want, day or night, without having to worry about store hours or crowds of other customers. Customers who lead hectic lives or reside in remote places may find this to be very enticing.

Access to a broad choice of goods and services online is another factor driving customer preference for digital platforms. When compared to conventional storefronts, online marketplaces and e-commerce websites frequently provide a far wider range of items, and customers can quickly compare prices and read reviews before making a purchase. Customers can locate the greatest offers and make better educated shopping decisions thanks to this.

Companies may reach a wider spectrum of customers by using digital channels, especially younger and more tech-savvy ones. These customers are more likely to favour online buying, and businesses that can satisfy this need will likely succeed in the current digital economy.

2.5.2 Competitors have Already Surpassed the Company

With such promising consumer demand, it is understandable that businesses are acting quickly to expand and enhance their online products. According to Brock, A. (2022), between 2019 and 2024, e-commerce sales growth rates are predicted to outpace those of physical stores by nearly 900 percent. Even before the epidemic, the majority of retailers had planned to invest in advanced Internet of Things (IoT) and Artificial Intelligence (AI) technology to support their online offerings. Furthermore, the push for innovation and optimization to claim this position as a digital leader raises the bar for what users should expect from e-commerce platforms and the interactions they facilitate. Therefore, according to Brock, A. (2022), only brands that are at the forefront of digital technology will be able to deliver B2C sites with the strong attraction factor needed to increase engagement, conversions, and repeat visits. Today's consumer expectations are driven by the best interactions they experience from across the web.

Moreover, the ability to access a larger spectrum of consumers is one of the key reasons businesses may decide to switch to a B2C model in reaction to competition. Businesses can circumvent the conventional distribution channels and contact customers directly by selling straight to consumers. They may be able to strengthen their bonds with customers and foster more brand loyalty as a result. Businesses may decide to switch to a B2C model for another reason: it enables them to provide more convenient and individualised buying experiences. For instance, businesses may utilise data and analytics to customise their goods and services to meet the unique requirements and preferences of each client. To make buying more convenient and accessible, they can also employ digital channels like e-commerce websites and smartphone applications.

By switching to a B2C model, businesses can also attempt to take advantage of the newest technologies, such as Artificial Intelligence, Machine Learning, and big data, to gain insights into their customers' preferences, behaviours, and needs. These insights can then be used to help them decide more wisely about their products and services, as well as to enhance their marketing strategies.

2.5.3 Larger Market

Since the consumer market is often far larger than the commercial market, there is a higher chance that sales and revenues will increase. The size of the worldwide B2C e-commerce market was estimated at USD 3.9 trillion in 2020, and it is projected to increase at a CAGR of 14.6% from 2021 to 2028, according to a study by ResearchAndMarkets.com.

There are various reasons for the greater market size. First of all, as the world's population rises, so do the potential clients for B2C businesses. Additionally, it is now simpler for businesses to connect with potential clients regardless of geography because to the development of digital natives and the growing popularity of e-commerce. As more individuals resort to internet platforms to buy products and services, this has also caused a change in consumer behaviour.

Additionally, the bigger market size enables B2C businesses to benefit from economies of scale. B2C enterprises can profit from decreased manufacturing costs by creating items in greater numbers, which can then be distributed to the customer in the form of cheaper prices. By doing this, B2C businesses may maintain their competitiveness and grow their market share.

As a result, the bigger market size is a significant benefit for B2C businesses as it enables them to expand their potential for sales and income, connect with a broader audience, and benefit from economies of scale.

2.5.4 Easier Sales Process

Considering that there are fewer decision-makers and fewer complex negotiations required when selling directly to consumers than when selling to businesses, the process is frequently simpler.

Due to the involvement of multiple decision-makers in the purchasing process and the complexity of the negotiations in a B2B model, the sales process may be longer and more complicated. For a business, this could be time- and resource-consuming. In contrast, B2C businesses may engage potential consumers through a variety of marketing channels, including social media and email marketing, and turn them into paying customers. B2C businesses can also use digital marketing strategies to reach potential customers, such as search engine optimization