

# E-commerce Issues on Customer's Awareness in Malaysia

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**Abstract** Customer's awareness towards e-commerce transaction has been a major issue in Malaysia for these recent years. The main reason why most people still doubting about electronic commerce is because the customer's safety associated with electronic transaction over the Internet. The weaknesses of safety and lack of security are barriers in conducting any transactions including business online and banking transactions. This study is to focus on customer's awareness on E-Commerce in Malaysia. This finding will helps business companies to generate revenues and expand the business while for customers, it helps to save time during shopping, offers a greater product selection and allows for cost savings in terms of taxes.

**Keywords** E-commerce, Customer's Safety and Security, Awareness, Malaysia

## 1. Introduction

According to Investopedia (2016) stated that e-commerce can be defined as "Electronic commerce (ecommerce) is a type of business model, or segment of a larger business model, that enables a firm or individual to conduct business over an electronic network, typically the internet. Electronic commerce operates in all four of the major market segments: business to business, business to consumer, consumer to consumer and consumer to business. It can be thought of as a more advanced form of mail-order purchasing through a catalog. Almost any product or service can be offered via ecommerce, from books and music to financial services and plane tickets. In simple word e-commerce is fundamentally World Wide Web-based buying and selling of goods and services. Ferraro (1998) mentioned "The basics of e-commerce can already be found in Electronic Data Interchange (EDI) that many corporations already use in conducting transactions between many of their suppliers. Nevertheless, there are many fundamental differences between EDI and e-commerce. Traditional EDI networks, known as value-added networks (VANs), are virtual private networks (VPNs) run by major well-established corporations. The biggest providers, such as AT&T, GE Information Services, and IBM Global Services, are extremely careful about protecting information that flows across these networks. As these major providers and others offer more Internet-based services, the ability to protect this information may become more difficult. As businesses increasingly choose to conduct EDI transactions over the Internet and

develop e-commerce as well, the very nature of the Internet makes security and reliability real issues. With the use of substantially less secure transmission media, there will be many technical issues associated with security and reliability that will need resolution.

E-commerce become more well-known among consumers due to the rapid development of Internet. However, at the same time, the internet businesses have brought large security issues such as International Journal of Security and Its Applications and with the development of electronic commerce, these issues have obtained more and more attentions. Back then, in the traditional commerce, participant can face to face, so there may be little distrust. However, there is difference in electronic commerce. For example, in electronic commerce, the location of the business and the goods are unknown. More important, there is not personal contact between the seller and the buyer. In addition, there is lack of a clear legal framework in electronic commerce. Therefore, how to enhance mutual trust is an important issue especially when conducting an online transactions, (Revathi C, Shanthi K, Saranya A.R, 2015).

"Security is very important in online shopping sites. Now days, a huge amount is being purchased on the internet, because it is easier and more convenient. Almost anything can be bought such as music, toys clothing, cars, food and more. Even though some of these purchases are illegal we will be focusing on all the items you can buy legally on the internet. Some of the popular websites are eBay, iTunes, Amazon, HMV, Mercantile, dell, Best Buy and much more" (Revathi C, Shanthi K, Saranya A.R, 2015).

There is undeniable that the major problems in doing online transaction is the awareness and security issues of consumers towards E-commerce According to the Tenth Edition of *Merriam Webster Collegiate Dictionary* security mean the quality or state of being secure, measures taken to

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guard against espionage or sabotage, crime, attack, or escape. As mentioned by Ferraro (1998) found that “many websites do not post their policies governing privacy and only 43% posted privacy policies. Indeed, as of March 1998, they have only signed 75 sites that can display their “Trustmark”, well below their goal announced in June 1997, to have 750 Web sites signed on”. The customer’s awareness due to their security level towards e-commerce is the main problem in conducting online transaction until now. This is because, the consumers always make an assumption that their personal information is secure and not being disclosed to others.

This paper will study the security issue on consumer awareness pertaining to e-commerce among Malaysians. Survey Methodology will be applied to run this research and correlations between demographic and awareness will be revealed in the findings.

## 2. Literature Review

### E-Commerce

According to Pandey. D and Agarwal. V (2014), e-commerce is a means of electronic transformation and digital information processing technology in business transactions to generate, convert, and redefine relationships for value creation among the organizations, and between organizations and individuals. E-commerce basically defines buying or selling of products over the internet. E-commerce implies transactions over networks like internet and public computer networks. It has a vital role in business organizations in delivering complete and effective product information and services to achieve business goal. This mechanism is widely used in organization for easy management of products and services by using web based applications to implement business operations like logistics, payments, inventory management, etc. which provide 24 hour business operation, and to have greater impact on their intended consumers. Nevertheless, Malaysian community are still unable to bluntly accept a new technology without the existence of evidence or positive development from foreign countries on the success of the new technology adopted (Che Mohd. Zulkifly, 2014). In contrast, The Statistic Portal (Sept. 2016) reported that Malaysian revenue via e-commerce has reached to USD984 million. The security of information is another important issue in the entire course of e commerce transaction. Despite some security issues in Malaysia e-commerce, 73% out of 1020 respondents are comfortable to make transaction online via favourite online payment solution provider.

### Security

According to Niranjnamurthy. M and Chahar, (2013) security is one of the principal and continuing concerns that restrict customers and organizations engaging with ecommerce. Security in e-commerce transaction is extremely worried matter, among the organizations and individual. As both parties wants to safeguard their interest from

unauthorized access, uses, alteration and destruction. E-commerce security includes three major component data security, network security and privacy of the customers. E-commerce transaction includes banking industry payment system, which offers reliable transaction to occur. Some of the security measures have been taken in seriously to avoid risks and thus making a complete and efficient E-commerce system. E-commerce mechanism must keep the confidentiality of the data in all the phases of the transaction. However, the potential of e-commerce has not been fulfilled due to consumers’ perceptions of the risks involved in conducting business online (Muthaiyah, S. et. al., 2011). It covers the issues concerning security and privacy while doing online transactions. Muthaiyah and friends suggested that in order to increase the confidence among consumers about the perception on Internet security issues, consumers must educate themselves to protect their confidential information and consumer rights.

### Customer Safety

According to Cagaoan, Angelo K. A, et.al (2014) customer safety is a serious issue in electronic commerce, no matter what source on examines. Internet privacy concerns represent individuals’ perceptions of what happens with the information they provide via the Internet. One precondition for the growth of E-Commerce is that the consumers use online channels. These channels are chosen to each stage in the purchase process: requirements determination, vendor selection, and purchase and after-sales service. E-Commerce has become a dynamic force, changing all kind of business operations world-wide. E-commerce is conducted on global network internet which is entrusted. So, confidentiality is required during transmission and it must be kept secure against all type of threats. In several ways, information technology is essentially implicated in this relentless gathering of information. In the first place, computerized databases have provided for it the right kind of home. Information that is drawn from the physical world is harboured in electronic databases, which give these records the permanence, malleability and transportability that has become the trademark of information technology. Trust in business-to-consumer (B2C) E-Commerce is established very differently than in business-to-business (B2B) E-Commerce environments because relationships are often shorter in term and more transaction-oriented

## 3. Methodology

The current research that has been carried out was ‘E-commerce issue on customer’s awareness in Malaysia’. We want to investigate the issues on customer awareness pertaining to e-commerce as means of transactions among Malaysian consumers and reasons or factors that refrain them from not using e-commerce. This is because, e-commerce has become more and more popular among South-East Asian countries, as shown in previous surveys.

Via this survey, the researcher will examine data using empirical method. According Alina Bradford (2015), empirical data is an evidence that get information acquired by observation or experimentation. This data is recorded and analyzed by scientists and is a central process as part of the scientific method.

The method that the researchers applied in this paper is survey method. The survey method is used to obtain and examine respondents' feedback. We embark on "paper survey face to face" because we could easily administrate the survey in the city center of Kuala Lumpur, the home city we are living in. We targeted 500 respondents who shop around hyper malls in Kuala Lumpur.

The survey instruments are divided into two sections, section A is on demographic and section B consist of two main questions. Both sections are made simple and friendly to respondent. On section A, a respondent just make a tick (✓) on related items. The focus of this demographic is on age group and profession. The purpose of age group is to examine and study correlation on e-commerce awareness and age group. The main reason for surveying the profession is to examine the correlation between people with carrier and online transactions.

On section B, there are only two main questions. The first question ask whether respondent has done online transactions and some examples are given such as purchasing online tickets, paying utility bills online and purchasing goods. The next question ask whether respondent has confident in online transactions. The second questions is why respondent has not try an online transaction. Other question state the respondent does not trust the system, next question states the respondent dos not trust the seller and the last question has four sub-points. The sub-points of question are no credit card, does not know how to make online transaction, do not want to pay shipping fee; and want to touch and see the product before purchasing.

Feedback from the survey are analyzed using percentage. The first percentage is to segregate between question one and question two. From this data analysis, we will obtain the percentage of those who subscribe online transaction and those who do not subscribe online transaction. For those who do not subscribe online transaction, the researchers could identify four reasons for not utilizing the facility. The feedback could be use as our justifications in making our findings on Malaysian e-commerce awareness issues.

## 4. Findings

The findings on customer awareness on e-commerce in Malaysia indicates a vast progress and Malaysian was ranked among the world most avid online shoppers according to Nielson Global Survey. Malaysian legal environment has long been e-commerce friendly (Mukhtar *et. al.*, 2016) and has contributed positively toward customer awareness especially after the amendments made on Consumer

Protection Act in 2007. In year 2010, Malaysian government has widen the scope of Consumer Protection Act to cover electronic commerce transactions to ensure general safety and protection from unfair terms in a standard form contract. Malaysia has also introduced Consumer Protection (Electronic Trade Transactions) Regulation 2012 that was being enforced in year 2013. These Regulations impose certain obligations on online traders and online marketplace operators. Among the objectives is to increase the consumers' confidence to make online transactions, shop and trade online. The regulations are expected to encourage Malaysian to utilise e-commerce hence will further spur the growth of e-commerce in Malaysia.

Although this paper does not examine any correlation between Malaysian legal environment and e-commerce awareness on Malaysian e-commerce users, indirectly the security supported by Malaysian Law, Acts and Regulations influence the confidence and enhance safety awareness among Malaysian to pursue online transactions. Besides, Global Internet Maps reveals that 67% of Malaysian subscribe internet and the percentage is equivalent to 21.2 million Malaysians have internet access. The increment pattern of online transactions, according to the findings of this research, 91% of internet users execute online transactions. This data is based on 500 respondents and all the respondents are assessable to internet via digital devices such as smart hand phones, tablets, laptops and PCs.

To examine Malaysian awareness on e-commerce, table below shows percentage of respondents who execute online transactions table 1.

Based on the survey, high percentage of respondents which is 91%, answered that they make online transaction because they trust the system provided by the sellers such as purchasing tickets online, paying utility bills online and purchasing goods online. Respondents trust on the systems indicates their confidence to pursue online transactions although the survey does not ask them on their knowledge pertaining to Law, Acts and Regulations that cover their transaction's security and safety. Therefore, the correlation between transaction online and percentage of users is based on respondents' confidence, by which, the awareness is also measured by respondents' confidence in using online system to make online transactions.

9% out of 500 respondents, which is 45 respondents do not make any online transaction due to few factors. 17 respondents were not confident of the online system, 15 respondent were not confident on the seller and the service of the seller and 13 respondents do not execute online transaction because of no credit cards, do not know how to execute online transaction or technology knowhow, do not want to pay shipping fee and a few said that the want to touch and see the products before making any purchase. Another interesting findings is on respondent's age who subscribe online transactions and correlation between age group and online transaction are as shown in the table 2.

**Table 1**

No. of Respondents	Trust Online Transaction	Distrust Online Transaction	9% Breakdown of Distrust Users		
500	91%	9%	37.7% on Security	33.3% on Sellers	29% Other Factors

**Table 2**

< 21	21 – 25	26 – 30	31 – 35	36 – 40	41 – 45	46 – 50	> 50	Total
22 = 4.8%	83 = 18.2%	125 = 27.5%	92 = 20.2%	57 = 12.5%	36 = 7.9%	17 = 3.7%	23 = 5.2%	455 = 100%

We could see clearly that the age group between 21 to 35 years are the highest age group that used e-commerce for their convenience in making transactions. Therefore, we could disclose that age group between 21 to 35 years has higher correlation in online transactions as compared to other age group.

area and have sampling from various locations to focus the study on factors influencing consumer awareness on e-commerce covering urban, suburb, small towns, villagers and rural areas. The wider the location is the better feedback could be obtained pertaining to e-commerce awareness in Malaysia.

## 5. Conclusions

This study has provided some data on percentage of internet users and its correlations with their confidence in using e-commerce for making their transactions. The data also reveals positive progress in using online transactions among Malaysian consumers. The data will be helpful for local retail and service businesses to further examine consumer behaviours and trends toward e-commerce hence divert their business from conventional to e-commerce.

The findings of this study supports recent researches and surveys on Malaysian habits on online transactions by Mukhtar et. al. (2016), Fathil Asri (2015) and Nelson Global Survey (2014) some important remarks are 6 in 10 Malaysians purchased air tickets online, 58% Malaysian purchased movie and performance tickets online, half of Malaysian respondents buy online at least monthly (out of 500 respondents) and only 7% respondents have never shopped online; and nearly three quarters of Malaysian respondents use social media to access promotional offerings while shopping.

Nevertheless, the survey only used survey method that covers 500 respondents around Kuala Lumpur shopping centres whereby most of the respondents are ladies. The respondents are randomly selected based on own willingness and the survey does not ask whether the respondents subscribe online transactions because of their knowledge and awareness on legal issues. The survey only ask respondents whether they are confident with e-commerce and therefore they prefer online transactions.

Another limitation is that the survey does not examine other factors that may influence respondents in making online transaction such as flexible time frame and convenience or online promotion attraction. The study does not also examine factors and reasons for choosing or not choosing online transactions other than items stated in the survey.

It is hoped that future research or survey could cover wider

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