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## Sustainability of Local E-Marketplace: Alleviating Reluctance among Malaysian Consumers

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### Abstract

With numerous value-added deals available to clients, the popularity of online marketplaces is undeniably rising. In Malaysia, foreign-owned e-marketplaces predominate in the online marketplace. Due to intense pricing rivalry, local producers and distributors have disadvantages while using foreign e-marketplaces. In an effort to support regional producers and distributors, a local e-marketplace has also been made available to Malaysian potential customers to facilitate trading activities in local online platform. However, those domestically run and controlled are still lagging behind in terms of appeal to Malaysian consumers. Thus, the objectives of the study are: (i) To identify factors that contribute to e-marketplace popularity and (ii) To determine the causes of the local e-marketplace users' reluctance. Qualitative research method will be applied by distributing structured questionnaires to respondents. The study's findings will help local web designers and mobile app creators optimise their work so that it appeals to Malaysian users. Further research is required to validate the factors identified to fill the gap in previous studies.

**Keywords:** E-Marketplace, Consumer's Acceptance, Local Online Platform, Malaysia

### Introduction

A buyer-seller relationship can be established and transactions between them can be made more easily with the use of an online marketplace, or e-marketplace. To shop online, consumers must have access to and understanding of the Internet and current technologies. Once they and the necessary infrastructures are ready, they can have convenience shopping experience which are available seven days a week, anytime and anywhere. As a result of the Covid-19 outbreak, most of the world was put on lockdown, which caused an enormous increase in online transactions. Nowadays, a lot of buyers choose making their purchases online rather than offline. On one hand, instead of visiting a physical store, shoppers can save a significant amount of time by purchasing online. On the other hand, merchants can also save some time while still making money from online purchases.

The popularity of e-marketplace is undeniably increasing with abundance value added package offered to customers such as convenience and cost effective (Naseri *et al.*, 2021; Delafrooz *et al.*, 2011). Over the years, Malaysia's e-marketplace sites have made

considerable advancements. Both the value of sales and the number of online shoppers is growing. In the third quarter of 2021, businesses in Malaysia reported RM279.0 billion in e-commerce revenue, an increase of 17.1% year over year. With 4.3 percent, it continued to expand positively from quarter to quarter. E-commerce revenue reached RM801.2 billion from January to September, up 23.1% from the same period last year, (Department of Statistic, Malaysia, 2021). The data offer chances for online businesses to expand and make greater contributions to the national Gross Domestic Product (GDP), where at present e-commerce transactions account for 11.5% of GDP.

Aside from the thriving online commercial transactions, it is regrettable that local users find foreign e-marketplaces to be more appealing. This is demonstrated by statistics from Muller (2022), which shows that Shopee (foreign base e-marketplace platform) was the most popular e-commerce site in Malaysia in the second quarter of 2021, followed by Lazada. Shopee topped the country's e-commerce industry. Shopee was the most popular online shopping site not just in Malaysia but also in the whole of Southeast Asia, with almost 54 million clicks.

Therefore, it is important to pinpoint the elements that boost e-marketplace appeal as well as the root causes of Malaysian residents' unwillingness to utilise them. Thus, the study aims to:

- Identify factors that contribute to e-marketplace popularity and
- Determine the causes of the local e-marketplace users' reluctance in Malaysia.

The later sections will discuss on the problem statement, literature review, and conclusion.

### **Problem Statement**

There are numerous online stores today that serve Malaysian customers. Foreign firms are the owners of the majority of well-known e-commerce sites that engage in business to consumers (B2C) and customer to customer (C2C) transactions, such as Shopee and Lazada which is most popular among Malaysian customers (Muller, 2021). These online marketplaces unavoidably consist of foreign vendors or merchants who have an advantage over Malaysian merchants. Foreign retailers offered a lower price than domestic competitors, which hurt domestic vendors, particularly small firms. Even though PG Mall, Mudah.My and Lelong as Malaysian owned e-marketplace is gaining popularity but still lacking behind Shopee and Lazada. It is important to understand the factor that influence Malaysian customers use e-marketplace for their shopping choice. This is crucial to support government initiatives under Budget 2021 to encourage local sellers to switch from brick-and-mortar stores to online e-marketplace platforms in order to boost sales and subsequently benefit both Malaysian consumers and sellers.

### **Literature Reviews**

#### **Consumers' Trust**

Electronic commerce and online marketplaces have rapidly become critical transaction channels. Following the successful development of B2B e-marketplaces, such as Alibaba.com, E-Bay, Lazada and Shopee, e-marketplaces have gradually and continually become key e-procurement channels especially since Covid-19 pandemic invaded almost all countries in the world in 2020. But this market in the nation still faces difficulties. One of the major obstacles

is online payment fraud which is a problem that Malaysian e-commerce platforms have to cope with which closely related to consumers' trust.

Numerous earlier research has revealed that consumers' intentions to make online transactions are largely influenced by their level of trust, (Akter et al., 2020; Chang et al., 2020; Muda et al., 2016; San et al., 2015; Ling et al., 2011). Akter et. al (2020) emphasis that customer experience will contribute to build trust of customer on e-marketplace. With regards commodity information, Chang et al (2020) indicated that procurement personnel's trust in both intermediaries and sellers significantly and positively influenced their trust in commodity information. Additionally, seller trust was strongly and favourably influenced by intermediary trust. This demonstrates that buyers are more reliant on middlemen or intermediaries to find, browse, and search for commodity information in B2B e-marketplaces. The purchasing staff will only work with sellers on B2B e-marketplaces if they have created a favourable perception of value for the commodity information. Oh & Kim (2011); Liu & Tang (2018) also agree that trust is contributing factors to attract new customers and retain the existing.

In the context of e-marketplace owners, since e-marketplace reputation can replace trust in the e-seller to promote consumer repurchase intentions, Liu & Tang (2018) demonstrate the significance of offering guidelines and implementing policies to improve perceived usefulness of institution-based mechanisms (PUIBM). Liu & Tang (2018) further agree by working with other parties to create a robust and efficient institutional environment for shopping, the owner of the online marketplace can have an impact on the PUIBM of its users. By creating a reliable online marketplace, the owner aids e-sellers in resource conservation by acquiring personal consumer trust, which lowers possible expenses for e-sellers. These advantages can ensure the loyalty of current e-sellers to the industry and draw in more e-sellers. The e-marketplace can draw in more clients and enterprises and become more prosperous with more e-sellers offering a wide range of goods. This can foster a trustworthy atmosphere that makes it simpler to keep clients without spending much time fostering customer confidence. Promotes customer confidence in the e-seller and allays their worries about doing business with it, increasing the likelihood that they will make additional purchases from it.

In order to keep the buyer's intention to make an online transaction, trust must also be maintained. Choi & Nazareth (2014) analysed the crucial function of trust in electronic platforms with the goal of restoring customer trust and discovered that the amount of reconciliation required will vary based on the seriousness of the violations. Strong reconciliation strategies will always succeed in regaining customers after a breach, indicating that confidence can be rebuilt. In all situations, excepting the most serious transgressions, a little reconciliation attempt is sufficient. The delayed rate of recovery, though, raises some doubt because it may encourage these clients to shop at competing businesses. Last but not least, despite the seriousness of the offence, modest reconciliation efforts do not win back clients. Furthermore, they assert that it is possible that lower security standards will result in more cases of trust violations due to the anticipated expansion, fierce economic competition, and tighter profit margins in the e-commerce sector.

### **Website Features**

In e-marketplace business, website is the platform for business to introduce their products and services other than social media and other platforms. Not only attractive, but the website must also be convenient and informative enough to attract buyers. According to Li et al (2015); Fan et al (2013); Chong et al (2011), the quality of a website was one of the variables

influencing a customer's decision to do an online transaction. In a comparison of the Korean and Chinese markets, Fan et al (2013) discovered that convenience and website content were more important to Koreans than aesthetics and content were to Chinese consumers. The most important elements that affected satisfaction also varied, with interactivity in China and contents in Korea.

Furthermore, the results of Li et al (2015) investigation into the connection between website quality and sales performance show that web site quality improves sales performance. The transaction platform should offer vendors straightforward, user-friendly tools that improve the website's customer appeal and intuitively present correct product information. In addition to this, merchants must always improve the web site's aesthetic appeal and creatively deploy platform features to make sure it is as high quality as feasible.

Furthermore, with limited resources available, an e-seller should put more effort and resources into building an attractive and informative web page and at the same time providing accurate and comprehensive information on the website (Liu & Tang, 2018).

### **Price**

Because there are so many competitors online, it is obvious that shopping online is less expensive than going to a physical store. The pricing strategy is important to ensure the business remain competitive in e-marketplace platform. Arora & Aggarwal (2018) concluded that a decision to shop online is influenced by pricing in their study of women intention to buy online. In addition Delafrooz et al (2011) also found that wide pricing variety may influence buyer intention to purchase.

### **Sellers' Ratings**

Customer acceptability in e-marketplace business is significantly influenced by a positive reputation acquired through overall rating, mean detailed seller rating, and percentage of positive comments (Li et al., 2015). They found that reputation index can boost sales performance created by e-marketplace. The results aid sellers in formulating their investment plans for reputation indexes. The findings show that overall rating has the greatest impact on sales performance, followed by mean detailed seller rating and Percentage of positive feedback. As a result, sellers might launch some rapid promotions to boost their overall rating, then devote strict attention to one particular component of their reputation (such as product quality, distribution, or service) to increase performance at a reduced cost. Cheong et al., (2020) in the study also found that younger generation will have intention to buy based on the customers' review on their purchase experience with the sellers. More customers will be drawn in by positive reviews, whereas unfavourable reviews would deter potential consumers.

### **Warranty and Service Quality**

In addition to the variables already mentioned, warranties and return policies may also influence customers to purchase particular products or services. Customers still pick the online marketplace even though the retail price is cheaper than the price offers there since the pricing there is greater owing to the influence of the return policy. The quantity of manufacturers' revenues in the marketplace and reseller channel are impacted by offering return policies in web-store channels (Alaei et al., 2020). According to Li et al (2015), warranty has the greatest and most important impact on market sales performance, followed by overall rating, mean detailed seller rating, percentage of positives ratings, and website quality. In

order to improve sales performance, a seller with high-quality products but a limited budget can heavily rely on this type of signal. Additionally, they recommend that these merchants sign up for warranty programmes like money-back guarantees and reimbursement for fake products display this warranty information on the website.

Service Guarantee (SG) is an additional type of warranty that vendors provide. According to Zheng et al (2015), proactive or high ability-ranking providers frequently enrol to the SG programme. According to the study, SG affects business performance differently for low- and mid-success suppliers. SC is not a good option for promotion for high-success suppliers. Additionally, it marginally enhanced service quality, which was to SG's advantage. The SG programme, however, only started working for specific transaction categories or SG suppliers. For instance, the SG programme had little impact on transactions of the Bidding type. It makes sense because in bid transactions, the price has the highest priority for judgments. Manufacturers who provide a return policy through their online store channels do so because they think it to be a competitive advantage that will help them draw in more customers. Customers will find this strategy to be very helpful, especially given the variety and prevalence of counterfeit goods nowadays.

### **Conclusion**

There are concerns that despite government initiatives to promote adoption of electronic commerce, some SMEs still fail to realise e-commerce related benefits (Stockdale & Standing, 2004) despite of some might experience the benefits (Hashim & Abdullah, 2014). Thus, it is worth the costs to put more efforts to identify the possible success factors for e-marketplace in Malaysia especially for the local SMEs. The concerns under consideration should be revealed by extensive research that includes additional variables and moderating factors that affect customer behaviour.

It is hoped that our study could offer future research direction in offering more attractive features in their online business platform. Thus, the result later may contribute input and new body of knowledge to local e-marketplace players to formulate strategies in attracting local consumers to buy from local platform and at the same time reduce the level of buyers' reluctance. The study also may fill the gap of existing literatures which investigated the e-marketplace platform more generally, regardless of whether it is based abroad or locally. Additionally, the outcome indirectly will assist in both short-term and long-term realisation of the Malaysian government program to boost local e-marketplace participation.

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