

## Research Article

### Issues and Challenges on Venturing into Facebook Commerce

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**Abstract:** The study examines the challenges encountered by small entrepreneurs when venturing into Facebook commerce. Social media has revolutionized not only our daily lives, but also the business world. This study involved 50 small entrepreneurs and adopted mixed method of quantitative and qualitative designs to collect data. The study revealed that lack of IT knowledge and set of cost significantly affected the respondents' decision to venture into Facebook commerce. However, many small entrepreneurs are also found to be interested in Facebook commerce.

**Keywords:** Ecommerce, entrepreneurs, Facebook commerce

#### INTRODUCTION

In the past few years, social media has significantly revolutionized both our personal lives and business engagements, leading researchers to develop increasing interest in social media commerce. As the world changes, the world of business has also transformed their operations from a traditional method of business into online business. Social networking is considered a "social CRM," which stands for social customer relationship management (Lager, 2009). Among the social media networks, Facebook is the popular choice because it attracts a considerable number of populations across the globe. In Malaysia, Facebook users are between the ages 18 to 24 (34.5%) and 13 to 17 (16.35%) (Hui, 2011). These users devote one-third of their time online specifically to social networking websites (Nelson, 2012). These age groups are the future customers for potential online businesses. Social networks, such as Facebook, allow their customers to express their feelings by uploading their ratings and reviews on the products they purchase. As a result, enterprises can improve their products and the customers can gain additional information on new products (Myron, 2010). Many businesses have seized the opportunity to relate with their customers via Facebook, making this social networking site a powerful and influential platform for marketing.

**E-commerce and social media commerce:** Social media commerce is an extension of e-commerce and transaction processed on electronic payment through internet. Although e-commerce and social commerce are based on internet transactions, these two differ in terms of addressing chosen products and services. In e-commerce, customers enter into virtual store or blog to

choose and purchase the product. Only potential customers who intend to purchase the product visit the website. In social media, information on the product is provided, thereby creating opportunities for customer interactions and allowing the customer to share their experiences before and after the purchase. Social media networks allow companies to identify customers who visit their page as well as enable them to tailor their offering to their audience and stimulate sales. Many company websites also provide a chat online feature, which is still critical to the success of the company (Leeraito, 2007) defined social commerce as a trusted environment because it allows friends, family and acquaintances to contribute content actively to the referral and sale of goods and services by providing positive and negative feedback, reviews, ratings and testimonials on their past and present experiences. Figure 1 shows the relationship between Facebook commerce, Social media commerce and E-commerce.

**Facebook commerce:** Facebook is a popular social media network with more than 1 billion users worldwide. It provides information on the customers, including their preferences, friends and connections and personal profile, among others. Facebook provides entrepreneurs with abundant information to assist them in identifying their customers and promoting their products to the potential clients. Many entrepreneurs have taken the opportunities to communicate with their customers in recent years.

**Problem statement:** Among the social media networks, Facebook tops the record for having more than 1 billion users. It provides information on the customers, including their preferences, friends and connections and personal profile, among others. Thus,

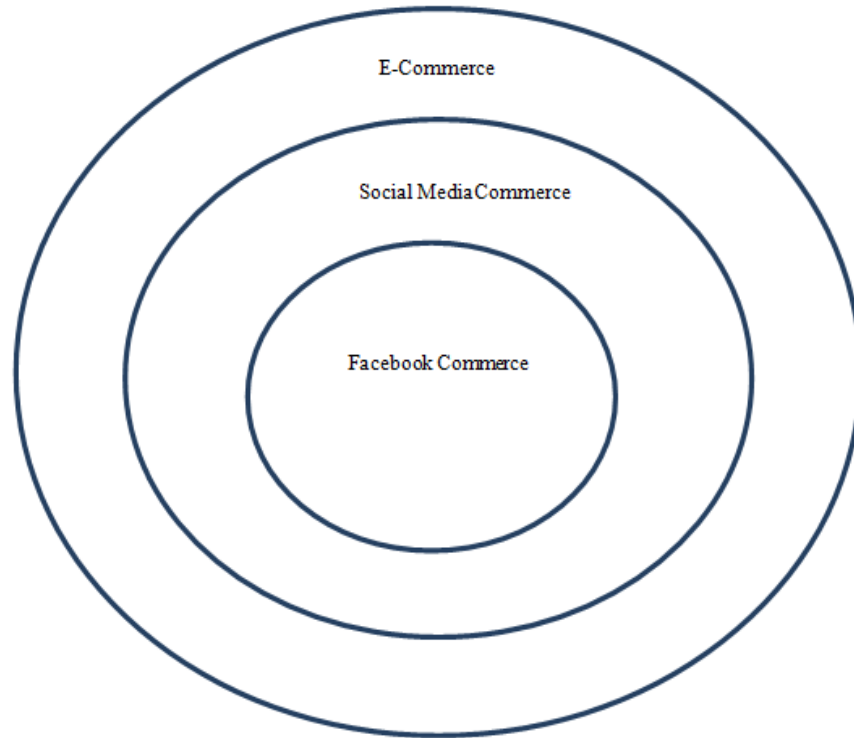


Fig. 1: Relationship between e-commerce, social commerce and Facebook commerce

Facebook has become an essential part of their daily routine. Given its global extent, many entrepreneurs have begun to venture into Facebook commerce. Facebook provides entrepreneurs with relevant information that enables them to identify their customers' preferences and an avenue to promote their products to potential clients. Yarrow and O'Donnell declared that by 2017, Gen Y, the future generation, would have more spending power than any other generation. They also stated that 65% of Generation Y included in their survey has shopped with higher passion as compared to 43% of those whose ages were over 30. As a result, Generation Y is viewed to have strong purchasing power in the future. The blog, Social Media Marketing Malaysia, posted (2014) that 90% of present generation purchasing decision by social media influences, online recommendations and recommendations from the people they know. Thus, purchase increases when people use social media as it has become a vehicle for promoting product awareness, especially when users share the features of the product in their Facebook accounts.

Several recent studies have focused on electronic commerce in Malaysia. The Malaysian government also offers soft loans to SMEs for up to RM 250,000 and organizes seminars to encourage SMEs to conduct online business. Recently, the government launched an initiative, "Get Malaysia Business Online" (GMBO) where SMEs are encouraged to build their online presence in addition to the traditional brick and mortar

business. The GMBO provides grants for SMEs to build their own websites or Facebook pages. Although numerous studies have explored the benefits of online trading through Facebook, such method remain in its infancy stage. The government also created the 1 Malaysia Internet Center in Rakyat Housing Program (PPR) to enhance further socio economic activities through broadband internet access between 2013 and 2015. Thus, the government has exerted considerable efforts to make internet access for the customers easy and efficient.

However, Wong (2014) found that 70% of the one million SMEs in Malaysia do not have websites, indicating their reluctance to venture into Facebook commerce. Another issue is that most studies focus on the customer's point of view and very few if any focus on the vendors' perspective. Therefore, the issues and concerns of entrepreneurs should be considered, especially their reasons for deciding to venture into Facebook commerce.

## LITERATURE REVIEW

Recent years, social media networks have gained prominence in the business world. In Malaysia, the internet penetration rate of households has increased significantly. Thus, 87.9% of Malaysians utilize the Internet access to Facebook. The number of Facebook users has increased exponentially. Goad and Mooney (2008) found that people in England preferred to use

social media networks for getting information about products.

Cost is a major factor that negatively affects the decisions of users to venture into Facebook commerce (Ernst and Young (commissioned by the National Office for the Information Economy (NOIE) of Australia), 2001). Moreover, implementation cost (Wang and Tsai, 2002; Seyal and Rahim, 2006) significantly affects the adoption of e-commerce. One of the barriers identified by McEachern (2011) is the lack of IT professionals in a company. Given the vast differences in the business platforms of social media and traditional media, companies employing Facebook require skilled digital writers and image creators for e-content. Companies also need to update their information frequently and thus, skilled technicians are necessary as they update and maintain the company's Facebook page. Saleh and Ndubisi (2006) found that the inevitable labor shortage also contributed to companies' venture into e-commerce. Subsequently, the cost of hiring these professionals is another factor that discourages many companies from adopting online business through Facebook. Ting (2004) identified several major challenges, including the lack of finances, limited human resources and lack of information on potential markets and customers. The adoption of Facebook commerce depends on entrepreneurs' technical knowledge, owners' familiarity with Facebook finance and available IT-skilled manpower. Based on the above studies, the lack of IT experts, cost and lack of IT knowledge on setting up an online business are identified as constructs that this study will investigate and are considered as barriers preventing SMEs from adopting e-commerce. Therefore, this study investigates the challenges of small entrepreneurs venturing into Facebook commerce.

**Research question:** What are issues preventing the small entrepreneurs to venture into Facebook commerce?

**Hypothesis:**

- H1:** The perceived lack of knowledge of IT positively affects entrepreneurs' decision to venture into Facebook commerce.
- H2:** The cost of setting up affects the respondents' decision to venturing into Facebook commerce.
- H3:** The availability of IT-skilled manpower significantly influences the decision to venture into Facebook commerce.

**RESEARCH METHODOLOGY**

The study investigates the issues that prevent small entrepreneurs from adopting Facebook commerce. It also aims to assess the relationship between IT

Table 1: Number of participants and their business

Business	No. people	(%)
Bridal	5	10
Cakes	16	32
Catering	2	4
Jewelry	11	22
Snacks	12	24
Tailoring	4	8

Table 2: Respondents' opinions on Facebook commerce

	No (%)	Yes (%)
Facebook account	18	82
Intend to have one for business	34	66
Believe in Facebook commerce	36	64
Believe Facebook is a platform for business	10	90
I am aware of government incentives	60	40
Have take effort to learn on Facebook commerce	81	9

knowledge, cost of setting up Facebook commerce and available IT-skilled manpower. Both primary and secondary data were utilized. Secondary data were collected from reports from SMEs and online sources. Qualitative and quantitative methods were adopted for data collection. First, subjective questions were asked to 20 participants concerning the issues on venturing into Facebook commerce. The questionnaire was constructed based on these issues. Data were collected through a survey among 50 small business entrepreneurs having 2 to 6 employees. In the quantitative method, questions were divided into two sections. The first part of the section comprised questions on demographic data, whereas the second section contained questions concerning implementation cost, IT knowledge and manpower.

**RESULT ANALYSIS**

Data were collected from 50 small entrepreneurs in Selangor and Klang Valley. Table 1 shows type of small entrepreneurs participated in the study. Among these small enterprises, 10% were bridal, 32% were baking, 4% were catering, 22% were selling fashion accessories, 24% were selling snacks and 8% were from the tailoring business.

Table 2 described the opinion of the respondents. Among the 50 participants, 82% had Facebook accounts, 66% intend to have one for business, 64% believed they should engage in Facebook commerce and 90% believed that Facebook is a platform for business. Many participants (60%) were unaware of government incentives and 81% of them did not exert any efforts to upgrade their technological capabilities.

Multiple regressions were employed to determine if the dependent variable, venturing into Facebook commerce, can be predicted from the independent variables, namely, cost, IT knowledge and manpower. Table 3 shows the multiple correlations (R) between venturing into Facebook commerce and the three predictor variables (0.746). The combination of

Table 3: Multiple correlations

Model	R	R <sup>2</sup>	Adjusted R <sup>2</sup>	S.S.E.
1	0.746 <sup>a</sup>	0.556	0.527	0.68286

S.S.E.: Standard error of the estimate

Table 4: Coefficient results of knowledge, cost and manpower

Model	Un-standardized coefficients		Standardized coefficients		Sig.
	B	S.E.	$\beta$	t	
Knowledge of IT	0.259	0.104	0.173	2.091	0.004
Cost	0.972	0.132	0.787	7.364	0.000
Manpower	0.113	0.146	0.079	0.771	0.444

S.E.: Standard error

Table 5: Result of data analysis

H1	Perceived lack of IT knowledge affects entrepreneurs' decision to venture into Facebook commerce.	Supported
H2	The cost of setting up significantly affects the respondents' decision to venture into Facebook commerce.	Supported
H3	Availability of IT-skilled manpower significantly affects Facebook commerce.	Not supported

variations in the tendency to venture into Facebook commerce is ( $R^2 = 0.556$ ) 56%.

Table 4 shows the findings of the study on in venturing into Facebook commerce. Lack of IT knowledge ( $p < 0.05$ ) and cost of setting up the business ( $p < 0.04$ ) had a significant influence on the decision of small entrepreneurs to venture into Facebook commerce. IT manpower was found to have insignificant influence on the decision of small entrepreneurs to venture into Facebook commerce. Table 5 shows the summary of the data analysis.

## DISCUSSION

Many SMEs are unaware of the government's incentives for adopting online business. Therefore, this study reveals that the extent of lack of knowledge and implementation cost in engaging in online business both have a significant influence on the decision of entrepreneurs to venture into Facebook commerce. Although Small entrepreneurs aware of the benefits of Facebook commerce, they are not convinced that investing in to Facebook commerce.

Based on interviews with 10 small entrepreneurs, setting up cost, lack of IT knowledge and IT-skilled employees are the most common issues they encounter when attempting to venture into Facebook commerce. The interviews highlighted that although creating a page is easy and does not have any costs, other issues continue to be a challenge, including the maintenance of the website. Many entrepreneurs agreed they did not possess sufficient knowledge on how to upload images and update information in their company's Facebook pages. Thus, they require IT-skilled employees to maintain their Facebook page. However, such additional manpower would likely increase costs. The entrepreneurs also expressed that additional manpower would only make them too dependent on their IT-skilled employees. Moreover, they were not confident on electronic payment and are unaware of the procedures. A number of the entrepreneurs stated that they did not want to depend on their IT employees and that they were also reluctant to learn IT skills.

Moreover, 60% of the entrepreneurs said they were unaware of the government incentives plan and training for small businesses. The results further indicated that 90% of the participants are aware that Facebook is a strategic platform for commerce and 64% believe in Facebook commerce. Therefore, although many entrepreneurs are aware of Facebook commerce, many of them also lack sufficient knowledge about it.

## CONCLUSION

Social media has brought remarkable changes to people's lives. Through social media, entrepreneurs are able to learn of what customers think of their products or services. This in turn, aids enterprises in identifying customers and promoting products especially when entrepreneurs upload photos and videos to reach potential clients. Facebook in particular, has become a huge platform with 61% of Malaysian population as users. Therefore, small entrepreneurs are encouraged to utilize government incentives and training programs and become part of social commerce to develop their business.

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