

CHAPTER I

INTRODUCTION

1.1 Background

The first positive case of Coronavirus (Covid-19) in Indonesia was in March 2nd, 2020 (WHO, 2020) and it spread fast throughout the country. The outbreak has forced many Indonesians to stay at home and create a new market for online shopping. This phenomenon has disrupted the customer behavior, both in offline as well as online stores (e.g e-commerce), especially in the health and wellness related category (Fernandes, 2020). The Covid-19 has been transforming the consumers' lives in a way that also forces everyone to adopt the technology that could have taken a decade for the development, and instead, they only have limited time – even days – to go digital to survive the pandemic so that their business can be sustainable. This increase in online shopping which has made a huge surge of online traffic has been a warm topic of discussion. Besides, according to Prospect Theory (Kahneman & Tversky, 1979), which has been a topic of interest to sociologists, economists and business psychologists, people in an unfavorable situation (e.g people who cannot mobilize as usual due to the threat of Covid-19) tend to look for alternatives that are not commonly considered. This surge of online traffic poses an opportunity for many businesses to compete in the digital market and benefit the pandemic situation. However, only few SMEs (7.3% or 4.8 million) have gone digital (KEMENKOPUKM, 2021). Previous studies indicated that Indonesian SMEs faced several challenges which resulted to the low rate of digital expansion, such as learning preference

styles (Healey & Jenkins, 2000), degree of internet proficiency (Nielsen, 2014), age factors (Czaja & Barr, 1989), languages (most of the users are non-English speakers) (Lee et al., 2006), and personal preferences (Alrousan & Jones, 2016). These challenges result to a huge loss in the digital market of Indonesia, as well as a huge opportunity for companies – like the e-commerce enablers – to fill in the gap and help the SMEs to go digital.

The e-commerce enablers can be defined as a service company that helps the business owners to establish their brand in a digital environment by providing a holistic service to start an e-commerce business. These services include store creation service in the e-commerce (registration, uploading images of products, image enhancement, and content writing), order processing service through an integrated order management system, customer handling services (live-chat response, in-platform message handling, and consumer complaint handling), marketing services through consulting and providing advises for marketing initiatives, and warehousing (supply chain management, order packing & fulfillment, and order dispatch). These works can be managed in one hub. In short, the e-commerce enabler companies help brands to sell their products online through established e-commerce platforms (i.e Tokopedia, Shopee, and Lazada), and other digital channels such as brand.com and social commerce.

The practice of e-commerce enablers is an important topic to discuss, considering the significance of online business during the Covid-19 pandemic combined with the known affiliation of enablers with the multinational companies and even Fortune 500 companies. The decision of these big companies to form a

partnership with the e-commerce enablers rather than developing an e-commerce team within their company raises an important question of how impactful the utilization of e-commerce enablers towards the firm performance is, what factors influencing the utilization are, and whether or not the same trend will exhibit in a much lower scale (i.e individual businesses and SMEs).

In this research, the term “e-commerce enabler” refers to one of the e-commerce enabler companies in Indonesia. Company XYZ was chosen as the research subject for several reasons: *First*, company XYZ is an Indonesian company which also only operates in Indonesia, thus it represents the perspectives of Indonesian organization accurately. *Second*, company XYZ is one of the few enablers that also focuses on individual business as well as SMEs, while most enablers focus on the big enterprises and multinational companies to generate revenue. Their strategic corporate action in 2020 and 2021 was able to acquire companies that shared the vision in nurturing entrepreneurs to go digital. *Third*, company XYZ is also one of the biggest enabler companies in Indonesia with almost \$100 million funding within the last 3 years of operation with more than 150,000 brands, 5,000 business owners, and 15 million customers served.

Empirically, the concept of e-commerce enablers arises from the business needs of cyber transformation in the landscape of e-commerce platforms. The companies want to be present and operate in a digital environment (Argyris & Schön, 1997; Buettner, 2017; Heinze et al., 2018; Lankshear & Knobel, 2008; Wigand et al., 2008). However, in accordance with Resource Dependency Theory, not all businesses have the resource, knowledge, and capabilities to be successful

in the online market (Soni, 2014). In the perspective of Agency Theory (Jensen & Meckling, 1976) a principal may delegate some of their responsibility to agents to make decisions in order to navigate and be successful in their business. Based on this theory, the brand owners are the principal and the e-commerce enablers are the agents who are ready to embark on digital market, such as e-commerce.

There have been several successful stories of enablers growing their principal an online business from zero to billions in a couple months through their services and gaining a significant growth, such as the success of huge multinational brands like Unilever, L'Oreal, KAO, Reckitt Benckiser, Levi's, Adidas, Abbott, Samsung, Nescafe, Pedigree, Oppo, Sari Ayu, Shiseido Group, and many other brands whose online ventures are managed partially or fully by the e-commerce enablers (CNN Indonesia, 2019a). However, there is still a surprising lack of formal studies analyzing the antecedents of enabler service utilization, as well as its impact on overall firm advantage and firm performance, not to mention during this pandemic situation and in the landscape of Indonesian SMEs. Therefore, this study aims to highlight this research gap and provide a deeper understanding on the antecedents of e-commerce enabler utilization, as well as the statistical analysis of the effectiveness of the enabling services in strengthening the relationship between e-commerce implementation towards the firm advantage and firm performance.

1.2 Research Problem

During the spread of Covid-19 across the globe, the world economy has been going through massive changes and consumer behavior has also taken a massive shift. Consumers' mindset, especially in daily shopping, has changed from physical or offline store into contactless and digital or online store (Deloitte, 2020). In the psychological context of decision making, one is expected to hinder choices that poses a higher risk and switch to the ones involving a lower risk (Kahneman & Tversky, 1979; Lund & Rundmo, 2009; Simonsohn, 2009). The perceived high health risk of shopping in the offline stores during the pandemic can positively affect the customers' tendency to do online shopping, which is perceived as a safer way to shop since it involves less, or even no physical contact to the vendor at all.

Further, during the recent pandemic situation, the businesses may benefit from the shift of consumer behavior that prefer online shopping compared to other means of shopping. However, the individual behavior towards the adoption of new technologies – such as ecommerce - has been the most difficult issue to resolve in the digital landscape. In order to motivate the Indonesian SME business owners to expand digitally, the understanding of some key factors that influence the technology adoption is essential. Based on previous researches on the technology adoption, it was found that there were inconsistencies in the determining factors of technological adoption.

Several researches stated that performance expectancy (PE) and effort expectancy have a significant influence on the technology adoption (Gefen &

Straub, 2000; Harrison et al., 1997; Venkatesh & Davis, 2000). However, more recent researches in small businesses found that PE and subjective norms did not have any significant influence on the technology adoption (Riemenschneider et al., 2003; Riemenschneider & McKinney, 2002), while other researchers found that the attitude towards expansion did not have any significant influence on China's SMEs (Kabanda & Brown, 2017; Nasco et al., 2008). Hence, it poses inconsistencies of research findings.

Furthermore, although several studies have confirmed the affiliation and achievement of e-commerce enablers with the multinational brands and Fortune 500 companies, there are very few studies regarding the antecedents of e-commerce enabler utilization. Previous studies mostly connect the factors of effort expectancy, performance expectancy (as part of Technology Acceptance Model (TAM)), attitude on expansion, and subjective norms towards technological adoption in the view of TAM and Theory of Planned Behavior (TPB). There are also limited studies concerning the impact of e-commerce enabler utilization towards the e-commerce implementation, and the moderating effect of enabling service capabilities towards the relationship between e-commerce implementation and firm advantage as well as firm performance.

In this study, the enabling service capability is used as a moderating variable due to a practical gap observed in relation to the e-commerce implementation. Although many researches have confirmed that the service capabilities and competencies were essential to the firm performance (Pérez-López & Alegre, 2012), knowledge management (López & Cimadevilla,

2013), and commercial success (Fernández-Mesa et al., 2014; Subramaniam & Nizam, 2019), many Indonesian companies, especially the SMEs, do not have the experience to start an online shop that can generate a huge revenue through their online stores. This study provides a deeper analysis on the factors influencing the intention and decision making based on the Theory of Planned Behavior (TPB) and Theory of Reasoned Action (TRA) (Khalifa & Ning Shen, 2008; Pavlou & Fygenon, 2006) and an analysis of the impact of e-commerce service capabilities towards firm advantages and performance. The results of this study are expected to bring a significant impact to help the SME owners to utilize the e-commerce enablers to grow their online business. The research questions that can be proposed are as follow:

1. Does Performance Expectancy of Technology have influence on Technology Adoption & E-commerce Enabler Utilization?
2. Does Effort expectancy of E-commerce have influence on Technology Adoption & E-commerce Enabler Utilization?
3. What effect do Attitude towards expansion have influence on Technology Adoption & E-commerce Enabler Utilization?
4. Does Subjective Norms have influence on Technology Adoption & E-commerce Enabler Utilization?
5. Does Technology Adoption have influence on E-commerce Implementation?
6. Does E-commerce Enabler Utilization have influence on E-commerce Implementation?
7. Does E-commerce Implementation have influence on Firm Advantages?

8. Does E-commerce Implementation have influence on Firm Performance?
9. Can Enabling Service Capabilities strengthen the relationship between e-commerce implementation and Firm Advantages?
10. Can Enabling Service Capabilities strengthen the relationship between e-commerce implementation and Firm Performance?

1.3 Objectives

This study aims to offer alternatives to answer the research problems and develop a new concept of e-commerce enabler by examining the correlation between variables such as: performance expectancy, effort expectancy of e-commerce, attitude towards expansion, and subjective norms towards SME general technology adoption and e-commerce enabler utilization. Furthermore, this study also highlights the impact of technology adoption and e-commerce enabler utilization towards the e-commerce implementation, and ultimately towards the firm advantage and firm performance. This study focuses on SMEs in Indonesia and uses the enabling service capabilities as the moderating variable. This study specifically aims to:

1. To analyze and test the relationship between Performance expectancy and Technology Adoption & E-commerce Enabler Utilization
2. To analyze and test the relationship between Effort expectancy and Technology Adoption & E-commerce Enabler Utilization
3. To analyze and test the relationship between Attitude towards expansion and Technology Adoption & E-commerce Enabler Utilization

4. To analyze and test the relationship between Subjective Norms and Technology Adoption & E-commerce Enabler Utilization
5. To analyze and test the relationship between Technology Adoption and E-commerce Implementation
6. To analyze and test the relationship between E-commerce Enabler Utilization and E-commerce Implementation
7. To analyze and test the relationship between E-commerce Implementation and Firm Advantages
8. To analyze and test the relationship between E-commerce Implementation and Firm Performance
9. To analyze and test the moderating effect of Enabling Service Capabilities towards the relationship between E-commerce Implementation and Firm Advantages
10. To analyze and test the moderating effect of Enabling Service Capabilities towards the relationship between E-commerce Implementation and Firm Performance

1.4 Scope of Study

This study uses several variables, such as performance expectancy, effort expectancy of e-commerce, attitude towards expansion, subjective norms, performance expectancy adoption, e-commerce enabler utilization, e-commerce implementation, firm advantages, and firm performance in the context of SMEs in

Indonesia, which are exposed to the practice of e-commerce enablers, and have an operating online store in until September 2021.

Based on the purposes of this study, the SME is classified as the one which belongs to an individual or a legal entity, does not belong to any subsidiary of large enterprises, and has a total annual revenue of less than IDR 50 billion. The objects of this study are the SME owners, directors, or managers who understand about the practice of e-commerce enablers and have an active online store up to September 2021.

1.5 Significance of the Study

In facing the pandemic situation, specifically the Covid-19 pandemic, a firm need to have a clear understanding of the consumer demands and behavior. For the SME owners, this study is expected to provide them with data and understanding (especially for those who are still reluctant to partner with the enablers due to a high cost, lack of demonstrable outcome, or lack of confident to commit to partnership, and etc) to make a better decision, either to expand to the digital market or to use the enablers as a catalyst to grow their business.

In addition, this study is also expected to contribute to the literature by filling the research gaps and complementing the body of knowledge with one new concept of e-commerce enabler synthesized based on the concept of cyber transformation (Argyris & Schön, 1997; Buettner, 2017; Heinze et al., 2018; Lankshear & Knobel, 2008; Wigand et al., 2008), Dependency Theory (Soni, 2014) and the Agency Theory (Jensen & Meckling, 1976). This study is expected

to provide the understanding about the correlation between e-commerce enabler utilization and SME e-commerce implementation, and the impact of a high degree of e-commerce implementation toward the firm advantage and firm performance with the enabling service capability as the moderating variable. Previous studies emphasize on the consumer perspective and focus to consumer-driven variables, such as consumers' switching behavior, repurchase intention, and e-loyalty (Eskandarikhoee, 2010; García Gómez et al., 2012; E. Hansen & Jonsson, 2013; Khare & Rakesh, 2011; Wohl, 2018; Yen, 2010).

Lastly, this study is also expected to contribute to Indonesian digital economic. The pandemic situation, specifically the Covid-19 pandemic, has made the country's economy decreases due to the declining of consumer spending. If it is not resolved seriously, it is possible that it would collapse (Ganong & Noel, 2019; Manasseh et al., 2018). By publishing the information regarding the e-commerce enablers, it is expected that more Indonesians are becoming more aware of the potential of digital market, gaining more confidence to expand to the digital market to keep the economy moving, and ultimately increasing the digital productivity of SMEs in Indonesia as well as Indonesian digital adoption.

