

E-marketplace in Malaysia: Challenges and Solutions

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Abstract We are seeing dramatically growth of e-commerce websites in Malaysia. However, there are various challenges of the e-commerce that involved the buyers and sellers such as fake transaction and misuse of data. This paper investigates the challenges in e-commerce and mapped into solutions to make e-commerce more secure. Data were collected from observations in industry and literature review. As a result, this paper will propose guideline for both parties to the respective challenges.

Keywords: seller, buyer, consumer, law, act, legislation, e-commerce, e-marketplace, online business, internet.

1. INTRODUCTION

The growth of the Internet and its user has resulted in the creation of a new transactional environment known as e-commerce. E-commerce or e-marketplaces, such as online auction sites, are becoming popular and enable a large number of buyers and sellers to meet in virtual space and engage in business transactions. It is estimated that in the US, e-Commerce retail sales have reached \$204 billion. From 2000 to 2009, Internet usage has grown 400% and that in 2009, there are currently 1.8 billion Internet users worldwide (Group, 2010). It is expected that Internet usage will continue to grow and will contribute to the growth of e-Commerce. An important element of e-Commerce transaction is C2C (consumer to consumer) where consumers exchange goods and services directly with other consumers. Online auction sites have become one of the most popular methods of transaction in C2C. It is estimated that in 2007, there were \$109 billion worth of goods that were sold online and that a quarter of that come from online auctions (eBay, 2005; U.S. Census Bureau, 2006).

2. OVERVIEW OF E-COMMERCE AND E-MARKETPLACE

2.1 E-commerce

According to Turban, E. and King, e-commerce is the process of buying, selling or exchanging products, services and information via computer networks, mostly the Internet and Intranets. E-commerce can be done by anyone with a partner, across the boundary of time and location.

E-Commerce can be business-to-business (B2B) or Business-to-Consumer (B2C), but is currently heavily dominated by B2B in terms of revenue split. B2B e-Commerce can be open to all interested parties, including commodity exchange, or limited to specific qualified participants, such as private electronic markets. B2C e-Commerce, on the other hand, is conducted by establishments, such as Amazon.com, with any individual.

One of the most well-known examples of Malaysian e-Commerce success is that of AirAsia. AirAsia, a Malaysian born low cost carrier (LCC) airline was established in 2001, has managed to leverage e-Commerce as a main distribution channel and reach US\$0.789 billion revenue in 2008. A likely scenario for Malaysian e-Commerce until 2013 is that Malaysian e-Commerce spending will grow to reach US\$73.5 billion by 2013.

About the Malaysian e-Commerce landscape, while the Malaysian legal environment has long been e-Commerce friendly, the financial infrastructure has only in recent years begun to shape up to this task. Generally, Malaysia lags behind by about 3 to 5 years in e-Commerce development when compared to industries such as that of the US.

2.2 E-Marketplace

According to Turban, E. and King, e-marketplace is a virtual place where buyers and sellers meet and conduct

various types of transactions. E-Marketplace is also known as a virtual market where buyers and suppliers meet to exchange information about product and service offerings, and to negotiate and execute business transactions. Several kinds of interactions occur between the buyer and the seller, which include Storefronts, E-Market, and Virtual Community (Rodriguez, 2014).

Recent studies foresee a massive growth of e-commerce in the Asian region especially in Malaysia, Singapore, Hong Kong, Korea and Australia. Although e-Commerce has been around in Malaysia since the mid-nineties, the ecosystem is still far behind compared to those in developed countries such as Hong Kong and Korea. A recent McKinsey survey was indicated that about 10% of Malaysian Internet users have purchased products or services through the Internet during the past 3 months. The most popular items were airline tickets, books and music.

Governments and regulatory bodies throughout Asia have recognized the prospects of e-commerce and policies have been designed to amend the existing laws to deal with the emerging legal issues post by e-commerce transactions. To attract new online business opportunities and increase the competency of e-commerce in the Asian region, it is extremely crucial for international businessmen, entrepreneurs and their legal advisors to be familiar with the e-commerce laws, policies and regulations throughout Asia.

3. CHALLENGES IN E-MARKETPLACE

3.1 Product Originality

The genuinity of the product is one of the main concerns that always one consumer is wondering about. There are a number of cases reported that the products being sold is not original. This will raise doubts of the purchaser to the buyer. The fake product indirectly provides high impact to the trust of the purchaser to the seller and automatically causing traumatize to the consumer. It will cause more severe when they disseminate to the public about their bad experience.

Any seller who placed fake products on the e-marketplace need to be identified and being banned from performing any selling in the future. It may initiated with imposing the legal action towards to any seller who has committed offense law in order to remain the integrity of the e-marketplace. There are some cases of the seller has prosecuted on charges of selling fake products. It might be in some cases, the product originality is not a big issue, but there are values in being able to distinguish genuine products from counterfeits. Such values may be continuity in quality, risk reduction and protection of brand and intellectual property.

Normally, the quality of the product is related with the originality. For example, there will be a big issue whenever to product is related to the body consumption or health product. According to the Malaysia's law, every health product must obtain the permission from the Ministry of Health (MoH) before being marketed to the public. These products will be tested first in a modern laboratory, equipped with advanced experimental equipment by trained pharmacists for ensuring that there

are no prohibited materials. Users are likely being fooled by purchasing fake products because of the packaging pattern that is almost 99% similar to the original product. This misleading issue may lead to the serious offence.

The risk of using a fake product is very high. It will do harm to the user. In fact, it can be fatal! Unfortunately, when any bad possibility happened, the seller will not be responsible. Whatever happens to consumer, the buyer will not take into account because of profit is everything to them. Even worse, to attract consumer attention, the product manufacturer will use hazardous chemical to get faster result so they will reap more profits with easy way.

The company who owned the brand of the products must take legal action towards the seller. That is a necessary action to ensure that consumers are more be careful so as not to be confused by purchasing of counterfeit products. Furthermore these measures will ensure the brand remains relevant on the market and at the same time shows that the company really cares about the safety of their product users.

Each e-marketplace is recommended to provide needed information of sellers in order to help buyers to make decision before they proceed to purchase any product from certain sellers. The transaction in the e-marketplace makes buyers uneasy because they interact with unknown sellers through the online facilities of a market. The e-marketplace must identify the authorized seller before they allow them to market their products on the website. These processes are required to gain customer trust, then their integrity will remain longer.

3.2 False Claimed Price

Regarding the item's price, each buyer has their own budget to buy the item. When the price is higher than the budget, they cannot afford to buy the item. There are a number of sellers set the price higher than market price to gain greater profit. However, they may not realize that the purchaser may perform some market research especially on the price prior buying a product in the e-marketplace.

There is a trend in the e-marketplace, the price mentioned to be after the certain amount of discount from the actual price. However, the price is actually placed higher than the market price. Whenever the purchaser realize about the price difference from the other e-marketplace or seller, and the actual price.

Unreasonable price may also indicate the seller is not a serious seller since he may get the product from unauthorized supplier. The price has been marked up to get certain amount of profit. The purchaser may want to avoid several layers of sellers since it may affect the price and also the handling of the product.

Major reasons for companies to use e-Marketplaces are to lower purchasing price or run more efficient purchasing operations (for purchasers) or establish new markets or reduce sales risks (for suppliers). The price of the product in e-marketplaces is expected to be lower than the product being sold at bricks and mortar. However, there is a reason why the purchased price may not be as expected which is the shipping cost may be incorporated inside the price. The seller may spell out the shipping cost in order to avoid the confusion to the purchaser and affect the decision making to purchase.

3.3 Cheated Images

From the business perspective, lack of personal contact and anonymity create uncertainties that lead to greater perceived risk and privacy concerns. As cyberspace adds an uncertainty and risk to a transaction, the largest concern for buyers and sellers is incomplete and distorted information and inappropriate behaviour in this unproved marketplace. However a market that is untrustworthy and characterized by cheating is likely to lead to market failure (Holger R. ,2014)

A few examples of the cheated images are the advertising use in the weight-loss product and also the condition of the used items. The images may have been altered with using image editing software and the images show the condition which not be true. As example of the weight loss product, the image of a model person after consumption of the product may have been smaller or slimmer as to show the significant effect of the product. However, this is not really the result of the product.

Some of the edited images can be seen have be transformed since certain parts of the image seems to be illogical. Such manipulation can affect the confidence of the buyer to the seller.

3.4 Fraud Transaction And Delivery

Online fraud is the main factor why people feel worry to buy goods through online. It is very important to authorize each seller is reliable through some of verifications. As well as being aware of verifying whether a company registered on e-marketplace is exists or not, it is equally important to be aware with the techniques that fraudsters use in order to do scam.

There are several ways of operations the fraud sellers to cheat the purchaser as discussed previously. However, they may keep doing the fraud activities one after another. During the registration, details of the company or individual must be gathered and this can be made verification check. The documents needed can be the company registration number, identity card, company address and bank account statement.

There are several cases of fraud, when a purchaser made the payment to the bank account, they will never receive any news from the seller after the transaction. Upon investigation, the bank account number is not belong to the seller and the seller actually asked someone else to open a bank account with offering some token of money. The scammer might have the access to the account via the ATM card. This is the same method with the phone number used, it may belong to someone else. The scammer will do a variety of ways to ensure they will not be traced after the transaction.

Sometimes, the buyer may not be aware that the transaction is a fraud until they do not receive the product have been ordered. They only be aware that the transaction is a fraud once they try to contact the seller but unfortunately the number is already terminated. There is a case reported that the received item is not what they had ordered.

3.5 Privacy and Security

Every buyer wants to have privacy and security in the transaction. The personal data of the buyer such as name, address, phone number and also the transaction details of the buyer must not be disclosed to third parties.

There is also some activities of sharing the info to the third party which is illegal. Malaysia has implemented personal data act on 2010. The Personal Data Protection Act (PDPA) is an act enacted by the Malaysian government to protect individual's personal data in commercial transactions. The PDPA defines personal data as any information in respect of commercial transactions that relates directly or indirectly to an individual, who is identified or identifiable from that information or other information in possession of the individual. This includes name, address, IC number, passport number, email address and other contact details.

Commercial transactions mean any transaction of a commercial nature, regardless of whether it is contractual. This includes the collection of personal data of potential customers. Any distribution on disclosed of the data need to get the consent from the purchaser.

3.6 Warranty

E-commerce, despite its growth and popularity among Malaysians, still has a long way to go in Malaysia in order to be successful. A recent issue shows while online shopping is about warranty remain a warm discussion when purchasing products through online.

Basically, the products that bought online will come together with user guide. The customers need to register with them, keep any proof of purchasing, usually the products will be delivered with receipt or bill. Moreover, the website also have return or exchange policies posted.

The study found that the warranty claim process took more than one month to accomplish whereas almost half consumers claimed that the process of claiming warranty for a product online is normally completed within less than 2 weeks. The study notes that delays and denial of warranty is either due to the misunderstanding between service centres and respective brands as well as a lack of service centres in the buyer's location.

Lack of a formal bill from the seller was cited one of the main causes why customers were denied to claim warranty. In some other cases, warranty card were not stamped. Some of the products were old stocks and the warranty had already expired.

Based on studies carried out, in order to online commerce to be successful, it is vital that both stores and brands work together to solve their issues.

4. SOLUTION

According to the report published by United Nations Conference on Trade and Development (UNCTAD), "Review of E-commerce Legislation Harmonization in the Association of Southeast Asian Nations". This report allows us to understand more detail about e-commerce laws in ASEAN countries.

Malaysia declares a wide-ranging set of e-commerce regulations in place, based on a combination of the Electronic Commerce Act 2006 and the Electronic Government Activities Act 2007. With the outline of the Personal Data Protection Act in 2010, Malaysia also became the first South East Asia member country to authorize confidentiality legislation. The Government reflects that some contents in e-commerce legislation may need to be reviewed so that existing legislation can be adapted to any changes in technology and the existence of social networking and mobile applications.

According to reliable sources, Malaysia has a very huge number of mobile consumers per 100 populations (127 in 2011), and is also fortified with a medium level of fixed bandwidth connectivity. In general, in 2011 recorded that internet user among Malaysian stood at 61 percent of the population, one of the top rates in the Asia region..

Malaysia established an Internet Banking Task Force and the Malaysian Cyber Security Agency early on, in light of increasing security risks to boost consumer confidence in using e-Commerce. Malaysian e-Commerce transactions are legally recognized as contractual transactions by virtue of the e-Commerce Act 2006. While the Sale of Goods Act 1957 and the Contracts Act 1950 prescribe remedies in the event of disputes, the Consumer Protection Act 1999 has yet to include electronic transactions in its scope. The impending passage of the Personal Data Protection Act, aimed at providing measures for the security, privacy and handling of personal information, will regulate the collection, possession, processing and use of personal data. Some of the national laws which have been passed specifically for e-Commerce are the communications and Multimedia Act 1998, Digital Signature Act 1997, Computer Crimes Act 1997, Payment System Act 2003 and the Telemedicine Act 1997. About banking, The Malaysian Central Bank also mandated a shift to the EuroPay Master card-Visa standard for credit cards in 2005, and implemented minimum risk management requirements for all forms of electronic banking, including 'two-factor authorization'. On a broader perspective, Malaysia is participating in Asia Pacific Economic Cooperation's (APEC) to contribute in the efforts of introducing e-Commerce laws, policies and regulations to facilitate e-Commerce transactions internationally through the provision of guidelines for traders to systematically utilize e-Commerce and in tandem ensure protection for e-Commerce users. All these initiatives serve to create a better e-Commerce ecosystem in Malaysia, since one of the frequently cited barriers to e-Commerce adoption is security concerns. If the relevant Malaysian organizations continue to focus their efforts on bringing the Malaysian regulatory environment for e-Commerce on par with those of the US or other more developed e-Commerce destinations, then this would greatly aid Malaysian e-Commerce industry growth.

4.1 Electronic Transactions Law

The primary source of electronic commerce directory for the private sector is the Electronic Commerce Act 2006. It is improved by the Electronic Government Activities Act 2007, which concerns similar rules to the government sector. The Electronic Commerce Act 2006 is not a new act, it is almost similar to the United Nations Electronic Communications Conventions.

The Digital Signature Act 1997 has enacted to protect digital signatures. The content of the current act was strengthened to support upcoming use, as the result of the Digital Signature (Amendment) Act 2011. Furthermore, the Electronic Commerce Act 2006 emphasizes broad (technology-neutral) necessities on electronic signatures.

4.2 Consumer Protection

The Consumer Protection Act is also known as Malaysia's general consumer legislation guarantees consumers right against a variety of repression practices and implements minimum product standards. It was found that alterations have been made to the Act – in 2007 to widen its scope to shield e-commerce transactions and in 2010 to introduce a new approach on standard safety condition for services and the security to consumers from one-sided terms in a regular form contract.

Consumer Protection (Electronic Trade Transactions) Regulations 2012 has also been introduced to be implemented in 2013. In order to build consumer's confidence to shop and do online transaction, these guidelines have carried out certain requirements on online merchants and online marketplace operators, which will give positive impact to the growth of e-commerce in the country.

4.3 Privacy And Data Protection

The Personal Data Protection Act 2010 covers the private sector only – government agencies are exempt. The Personal Data Protection Act 2010 closely mirrors the principles in the European Union directive, with some variations that appear to adopt parts of the APEC Privacy Framework. However, the Act does not contain any European Union style registration requirements.

A new government department has been established to facilitate the implementation of Malaysia's Personal Data Protection Act – the Personal Data Protection Department. The Act came into full force on 1 January 2013.

4.4 Online Content Regulation

The Communications and Multimedia Act 1998 established the Malaysian Communications and Multimedia Commission (MCMC), which is empowered

to regulate the information technology and communications industries. The Act empowers the Commission with broad authority to regulate online speech, providing that “no content applications service provider, or other person using a content applications service, shall provide content which is indecent, obscene, false, menacing, or offensive in character with intent to annoy, abuse, threaten or harass any person”. Publishers of media content in violation of this provision may face criminal penalties.

The Act also enabled the establishment of the Communications and Multimedia Content Forum of Malaysia, which formulates and implements the Content Code – voluntary guidelines for content providers concerning the handling of content deemed offensive or indecent.

In practice, the Malaysian Government has pledged not to censor the Internet. There is no evidence of technological Internet filtering in Malaysia. However, state controls on traditional media spill over to the Internet at times, leading to self-censorship and occasional investigation of bloggers and online commentators.

4.5 Cybercrime and cybersecurity

The Computer Crimes Act 1997 prohibits 4 categories of activities related to unauthorized entry into computer systems, which are:

- Section 3: acts committed with intent to secure unauthorized access to programs or data stored in any computer;
- Section 4: acts committed with intent to secure unauthorized access to programs or data stored in any computer in order to commit an offence involving fraud or dishonesty;
- Section 5: acts committed with the knowledge that the act will cause unauthorized modification of the contents of any computer;
- Section 6: wrongful communication of any password, code or means of access to a computer to any person who is not authorized to receive the same.

These provisions are more aligned with computer crimes, rather than cybercrimes. However, provisions contained in e-commerce laws and copyright laws (updated and amended in 2012) complement Malaysia's cybercrime legislation and make it more compatible with international standards.

4.6 Online Dispute Resolution And Domain-Name Regulation

Three sections have been incorporated into Malaysia's Communication and Multimedia Act to deal with the regulation of domain names.

Section 179 of the Act specifies that the MCMC is responsible for the planning, control and administration

of electronic addresses (i.e., domain names). Section 180 gives the MCMC the power to develop a numbering and electronic addressing plan, which among other things sets out the rules for assigning and transferring electronic addresses.

The functions contained in sections 179–181 appear to be delegated to MYNIC, the registrar of Malaysia's country code top-level domain (ccTLD). In addition to acting as registrar, MYNIC is the registry and administrator of the .my domain.

During the workshop in Cebu, delegates mentioned that the government faces some challenges with the coordination of law and policy in this field, as they have four different agencies with a role in the promotion of e-commerce.

4.7 Customer Service

Most people think of shopping online as a smart way to cut costs. E-commerce stores relieve customers of travel time, and retailers of storefront expenses. But people seldom consider the costs that online shopping add to their transaction. The physical distance between the buyer and seller adds risks to the customer's plate. If you're part of an E-commerce business, the takeaway is this: online shoppers face an added burden at every stage of the buying process, and your customer support should be there to ease their research workload every step of the way.

Why do bargain-hunting web shoppers say they're willing to part with more cash for great customer service? This is the question researchers from Purdue set out to answer in a 2003 study. They found that for potential customers, being unable to examine the product in person leads to a host of problems: clothing may not fit, software may be incompatible, or a purchase may be damaged during shipping. Shoppers must measure themselves and study a sizing chart instead of simply entering a dressing room, or gather system requirements information instead of just asking a sales representative. Existing customers must diagnose problems by themselves, navigate self-help websites, or wait for a support rep to take them off hold.

In light of this, any service an e-commerce retailer can provide to ease the cognitive costs of shopping online increases the customer's perceived value of the product.

5.0 DISCUSSION

As explained in the previous chapter, we have explained and gathered the challenges and Malaysia law towards e-marketplace. We then decided to map all the challenges with the respective solutions.

Table 1: Proposal of Mapping of Challenges and Solutions

Challenges	Solutions
<ul style="list-style-type: none">Product OriginalityWarranty	Consumer Protection Act 2007.
<ul style="list-style-type: none">Cheated ImagesFalse Claimed Price	Communications and Multimedia Act 1998
<ul style="list-style-type: none">Fraud transaction and delivery	Electronic Commerce Act 2006
<ul style="list-style-type: none">Privacy and security	Personal Data Protection Act 2010

5. CONCLUSION

In general, today's businesses must always strive to create the next best thing that consumers will want because consumers continue to desire their products, services etc. to continuously be better, faster, and cheaper. In this world of new technology, businesses need to accommodate to the new types of consumer needs and trends because it will prove to be vital to their business' success and survival.

The future of e-commerce in Malaysia and the Asia region is bright. Governments and regulatory bodies are collaborating on a wider platform to ensure e-commerce law, policy and regulations are enforced to provide a guideline for traders to systematically utilize e-commerce and in tandem ensure protection for e-commerce users. We believe e-commerce in Malaysia is continuously progressing and is becoming more and more important to businesses as technology continues to advance and is something that should be taken advantage of and implemented.

Several precautions mentioned in this technical paper contribute to the trust and prevent misconduct of transaction such as false claim, cheating and fake product. The steps taken will benefit the consumer and the merchant of the online business community in term of security, awareness, and both parties will realize that they were protected by Malaysia's laws, acts and regulations. They must realize that their actions are being observed by the Malaysia authorities.

On top of that, consumers should never hesitate to make a report if they found any misconduct or fraud during the transaction. The report must be made within 24 hours after the fraud has been identified. While the merchants must ensure that if both parties have agreed with the price offered, the online transaction has successfully been made and the delivery process must be done immediately as promised. Reduce their anxiety by ensuring that goods have been ordered arrived safely in their hands as soon as possible.

Technology that consists of network, network devices, hardware and application are some of the main enabler of e-Commerce. They should provide certain level of protection that would ensure information security of e-Commerce. In essence, those security products need to be verified whether they are trustworthy and being tested and verified by an independent and trusted party. Cyber Security Malaysia spearheads the Malaysian Common Criteria Scheme (MyCC) that aims at increasing Malaysian competitiveness in quality assurance of information security using the Common Criteria (CC) standard and to build consumer confidence in Malaysian information security product and systems. The testing laboratory is now accredited with MS ISO 17025 and ready to perform CC evaluation to local information security products.

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