

CHAPTER 1: INTRODUCTION

1.1 INTRODUCTION BUSINESS USE OF THE INTERNET

The emergence of the Internet as world wide commercial medium vehicle, provides an opportunity to conduct business in the cyberspace, organizations are finding it more and more important to have a presence in the Internet – to get more customers to increase public awareness of the companies and their product services, and to sell more of their products.

Many businesses, regardless of their size and sectors, ventured into Internet trying to obtain the benefits that Internet brings, the Internet is a cost effective medium for communicating with current and potential customers – local and abroad and for conducting daily business. Business can advertise in the Internet and anybody with a computer equipped with appropriate software can access the advertisement from anywhere in the world. Such convenience and marketing efficiency are making the web popular for marketing practise all over the world.

The Internet has evolved into a dynamic source of information as well as an extraordinary marketing tool that is able to reach nearly any user. The Internet phenomenon has become a source for gathering timely information and converting data into profitable results as a faster rate for many firms and individuals in this revolutionary era of the twentieth first century. Internet is the important tool that has happened in telecommunication since the telephone. It is going to become as fundamental to the operations of businesses as having a telephone. (James H.Clark, co-founder and chairman of Netscape Communications).

The use of Internet for business purpose in developed countries has become widespread over the past few years. In the USA, organization in the computer

manufacturing industry are beginning to use the Internet to link remote sites and business partners for collaborative development, software support and distribution and communications. Commercial Net, a consortium being built in Silicon Valley by Intel, Hewlett-Packard, IBM, Apple Computer and Enterprise Integration Technologies, reflects this trend. Commerce Net aims to commercialize usage of public computer networks such as Internet and to develop them as an electronic marketplace for business activities. It will address business concerns such as low-cost, high speed Internet access, using ISDN services and multimedia applications. In addition a varied range of services will be provided to assist small and medium sized firms to access public networks. (Maule, 1997). In Asia, the commercial use of Internet is a much more recent phenomenon. Following the commercialization of the Internet in the USA, many Asian countries have begun promoting the use of the Internet by setting up state run Internet service providers (ISPs) and implementing policies to encourage many firms to go online. (Asia magazine, 1996)

The potential for profitability is evident, however there are obstacles to overcome. Presently, security is one of the most challenging topics faced by companies which wish to go online. The risk of data theft, theft of service, corruption of data and viruses becomes a reality. The possibility of the fraud also increasing significantly with the Internet because of the difficulty for use of the service (Internet security survey results, 1997). " The risks of working and doing business in cyberspace are present because there is also a tremendous potential for reward. As long as we keep our eyes open, access the risks realistically, and take intelligent precautions, we can navigate cyberspace knowing that our own networks are safe from unwanted intrusion (Russell, 1998) .

Any company eager to take advantages of Internet must select a business model and develop strategies designed specifically for its Internet venture in order to be successfully. Towards this, the company must assess the impact to the existing business model and distribution channel, decide on how to identify the Internet audiences and their needs and to respond to the competition pressure.

1.2 SCOPE OF THE STUDY

The sample was confined to 30 unit trust companies from five major areas in the Klang Valley. The sample was chosen from five main areas ie, Damansara Heights, Shah Alam, Jalan Ampang, Jalan Raja Chulan and Jalan Sultan Ismail. It is targeted to unit trusts companies that are currently using Internet. The sample is targeted at 30 respondents in order to capture the responses.

The respondents was confined the senior management of the unit trust companies concerned which in the majority of case included the Managing Director/ Chief executive officer, marketing manager, IT manager, operation manager and executives. The samples contained 30 names of respondents from 30 different unit trusts companies. Results from the samples will be represented the whole population in the Malaysian unit trust industry. The list of the unit trust companies was shown below:

ORDINARY MEMBERS

1. Abrar Unit Trust Management Berhad
2. Amanah Property Trust Managers Berhad
3. Amanah Saham MIC-TPG BERHAD
4. Amanah Saham National Berhad
5. Apex Unit Trusts Berhad
6. Arab-Malaysian Property Trust Management Berhad
7. Arab-Malaysian Unit Trust Berhad
8. Asia Unit Trusts Berhad
9. ASM Mara Unit Trust Management Berhad
10. BBMB Unit Trust Management Berhad
11. BHLB Pacific Trust Management Berhad
12. BIBM Unit Trust Management Berhad
13. Commerce BT-Unit Trust Management Berhad
14. Hijrah Unit Trust Berhad

15. HLB Unit Trust Management Berhad
16. Kuala Lumpur Mutual Fund Berhad
17. Mayban Management Berhad
18. MBF Unit Trust Management Berhad
19. Multi purpose Unit Trust Management Bhd
20. OSK-UOB Unit Trust Management Berhad
21. PAB Unit Trust Management Berhad
22. Pacific Mutual Fund Berhad
23. Pelaburan Hartanah Nasional Berhad
24. Permodalan BSN Bhd
25. Phileo Allied Unit Trust Management Bhd
26. PTB Unit Trust Bhd
27. RHB Unit Trust Management Berhad
28. SBB Unit Trust Management Bhd
29. TA Unit Trust Management Berhad
30. Tabung Amanah Saham Selangor Berhad

1.3 SIGNIFICANCE OF THE STUDY

Today's business environment is undergoing rapid changes due to the globalization of the business, technology innovations, social and political changes and increased awareness and demands from customers. These changes result in a competitive environment in which many organization cannot survive. The Internet is slowly gaining momentum and Malaysia is determined to enter the cyber age. The Internet offers certain advantage that cannot be matched by conventional methods.

Firstly, this research intends to extend the previous works done on the use of Internet for business. Business use of the Internet is generally considered new to the majority of the unit trust companies. This study intends to investigate whether Malaysia unit trust companies are ready to market their products on the web or they may provide mutual fund resources on the web. This study could also serve as a basis for future research on Internet.

Secondly, there is a current interest and strategic implications from the perspective of the Malaysian government and the local businesses. The government is trying to use Information technology to improve the competitiveness of the local business. This is evident with the establishment of ministry of multimedia – to draw up standard, rule and regulations for the use of Internet and Information technology , The Multimedia Super Corridor (MSC) –an initiative by Malaysian government to encourage the world best IT companies to come to Malaysia and set up their research and development center, with the hope to develop the local technology and IT applications. The Multimedia Super Corridor (MSC) has been a catalyst for the growth of a new information age in Malaysia and Telekom Malaysia, now in its second year as provider of telecommunications services for the MSC, is focusing on its information and online services.

Thirdly, the study explore how respondents from different unit trust companies differ in their perception of Internet: in relation to their perception on the usage, perception on the opportunities and barriers in Internet usage. This can be as indication to respondents and It also gives us an idea of how each unit trust company perceives and accepts doing business on the Internet. This is useful for unit trust company who wish to go for electronic commerce in future.

1.4 LIMITATION OF THE STUDY

The study is restricted in certain aspects due to the confidentiality of certain information. The highly competitive nature of the financial service industry do not allow the unit trusts companies from releasing certain information to safeguard its interests. Thus, a thorough evaluation on the use of Internet toward unit trust industry could not be done as data could not be obtained. The Malaysian unit trust companies could not provide much information as it is strictly private and confidential. The study concentrates only on the thirty Malaysian unit trust companies in the Klang Valley region. It is limited to organization only regardless of their organization size, paid up capital, annual sales turnover and the years of its established.

1.5 ORGANISATION OF THE STUDY

This study is organized into five chapters:

Chapter 1 introduces the business of the Internet, the purpose and significance of the study. The scope and limitation of the study are also discussed in this chapter.

Chapter 2 provides review of literature in relation to business use of Internet-characteristics and service offered, how Internet can be used as commercial medium for the business. The factors which motivate the business to adopt Internet and barriers which hinder the use of Internet for business were also discussed. It also discusses the unit trust industry in Malaysia - gives an overview of the related and relevant studies in this area mainly taken from the Malaysia and the west.

Chapter 3 focuses on research methodology. It looks at the research model, research hypothesis, the design measurement, sampling design and data collection procedure. A brief description of data analysis techniques is also included.

Chapter 4 focuses on research result. Analysis of the research result is discussed here. The hypotheses of the study developed in Chapter 3 are tested here. The research results are also presented in this chapter.

Chapter 5 focuses on the summary and conclusions. Further suggestion for additional research is recommended. The findings of the study are summarized and recommendations are made on the business Internet.

1.6 OBJECTIVES OF STUDY

Focused on unit trust companies in Malaysia, identifying the industry in which the Internet is being used for business, they provide information about their experience in terms of their use, perceptions and the problems encountered. Five issues were considered in this study, the main objective of this thesis project are as follows:

1. To evaluate the relationship between organizational characteristics - organization annual sales turnover and organization size to the current usage of Internet.
2. To assess the degree to which Internet is being used or will be used by the Malaysian unit trust companies for their business.
3. To look into the perception of Malaysian unit trust company on the usage of Internet.
4. To look into the perception of each unit trust company in using the Internet as a new business channel in Klang Valley, in relation to their perception on the opportunity and barriers in using Internet.
5. To examine whether the Malaysian unit trust companies are ready to take Internet challenge and market their products on the net in future.