

Digitalization of Handicraft Entrepreneurship in Malaysia

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Abstract

Digital technologies are increasingly used in the craft sector. The impact of the COVID-19 pandemic has provided evidence that the conventional way of doing business is unsustainable and no longer relevant if a country wishes to move forward. This matter shows how technology has been used in many things in life throughout the spread of the COVID-19 epidemic. Not only because of the covid pandemic factor, the progress and modern way of life experienced by today's society make digital technology a growing necessity. This article aims to explain the challenges faced by handicraft entrepreneurs and the efforts implemented by them to digitalize the handicraft business with support from the Malaysian government through the Malaysian Handicraft Development Corporation. This study uses a qualitative method using data collection techniques through interviews with those directly involved with handicrafts, whether entrepreneurs, industry players, or government agencies involved. The study found that among the challenges craft entrepreneurs face are the lack of demand for goods, problems in promoting craft goods, and low wages due to the existence of 'middlemen.' The study also found that several digital entrepreneur platforms are provided to market craft products and support trade handicrafts. Among them are the smartphone application CraftOnTheGo, the e-commerce platform MyCraftShoppe and the Facebook group E-Kraf Bazar which effectively impact entrepreneurs and players in the craft industry.

Keywords: Handicraft, Digitalization, Entrepreneurship

Introduction

The world forces everything to move faster and more efficiently along with the times. Business management in the old way is seen as no longer able to face the challenges of the

modern world. The impact of the spread of COVID-19 has provided evidence that the conventional ways of management are no more sustainable and relevant to be used if a country wishes to move forward. The impact of the spread of COVID-19 has proven that conventional ways of management are no longer sustainable and relevant to use if a country wants to achieve advanced development.

The use of technology has been maximized in various aspects of the impact of the COVID-19 pandemic. For example, people are moving towards a world that uses platforms such as Google Meet, Zoom, and Telegram in education, and ordering food through applications Foodpanda, Grab, and so on needs technology as the main pillar. Internet usage increased by 11.9% to 85.2% in 2020, while the usage of computers increased by 7.3% to 62%, and form web presence, increased by 16.1% to 53.9%. It is also recorded that sectors related to Information and Communication, the Financial and Takaful (Insurance) sectors have fully utilized internet and computer usage in the same year (Department of Statistics Malaysia, 2021).

A large number of internet users in Malaysia greatly impacted businesses. The internet has proven beneficial to humankind around the world, especially entrepreneurs. The rapid growth of information technology made significant changes in the usage of electronics, whereby the usage of it has been used to the fullest. Among the products are e-businesses (e-niaga), e-government (e-kerajaan) and e-commerce (e-dagang) (Udi, 2016).

The COVID-19 pandemic has witnessed the rapid growth of e-commerce in Malaysia. According to the Ministry of Finance, e-commerce transactions online increased by 40% during the spread of the pandemic compared to its last years. While according to Commerce Asia Enterprise reported, till August 2022, e-commerce transactions increased by 1,380%. While Lazada Malaysia recorded 200% new sellers, most of whom are small business owners. Shopee, on the other hand, has recorded up to RM 200 million in profits from local sellers on the platform (Azli et al., 2022).

Digitization is the right term to describe today's situation. Digitization of services is a way to facilitate service delivery, even more so when the standard operating procedure (SOP) in curbing COVID-19 demands people reduce unnecessary face-to-face meetings. The spread of COVID-19 has also seen an increase in online purchases through online shopping platforms such as Lazada and Shopee. This situation has made people realize that such services can be delivered more efficiently through digitization while reducing management costs.

Digitalization of business could also be called 'electronic commerce' or e-commerce. It is defined as businesses manipulating information technology, especially high-tech telecommunication and the internet, to deal with potential customers. It is also defined as a business activity that uses the internet as its marketing instrument with wider selling potential globally without any geographic boundary (Zakaria, 2012).

The pandemic has also harmed most industries, including the country's handicraft manufacturing industry. So, like other industries, the sale of handicrafts was also affected during the pandemic period. This article will explain the challenges faced by handicraft entrepreneurs and the government's efforts through digitization to solve them.

Literature Review

According to Eva Faridah et al (2019), digitization in business management can be seen as a transformation of the transaction process involving customer management, buying and selling, offering services, and receiving feedback that is carried out completely digitally. According to Alia et al (2019), digitization can increase the organization's income. It is

because, through digitization, operating costs and operating costs of raw materials can be reduced. Digitization can also increase an organization's or business's flexibility because any job can be carried out across time, energy, and human resources. It can indirectly increase profits and facilitate business and organization management.

Norshuhada and Afiza (2021) also stated the same in a study on business digitization. Digitization facilitates any business process and can increase efficiency and productivity. Digitization is able to facilitate existing business affairs without having to change the structure. Some processes previously carried out manually by human labor can be carried out more efficiently and quickly through computer software and applications. According to him, digitization is very simple, only requiring a device and an internet network, allowing it to be implemented by almost anyone. A survey carried out by the National Entrepreneur and SME Development Council (MPUPK) (2021) found that digitization can bring about significant changes in a business. According to the survey, digitization reduces transaction costs by providing more efficient access to information flow between employees, suppliers, and networks. In addition, the digitization process is able to increase the integration opportunities of micro, small, and medium enterprises (PMKS) at the international level. Reduce logistics and transportation costs, thus significantly expanding the scope of business.

Increase access to financial resources, training, and government assistance services. Generate innovation and provide opportunities to generate data that can be used to analyze business operations more efficiently. According to the survey, PMKS that implements digitalization can help PMKS get the same number of customers as the larger number of competitors. Furthermore, PMKS implementing digitization efforts is seen to get greater business opportunities than those without.

Digitization can help entrepreneurs and the country increase income. As reported by the economy SEA 2021 Report, the country is facing post-pandemic norm changes through a shift in the digital economy. Malaysia's digital market growth increased by 47% from RM 59 billion in 2020 to RM 88 billion in 2021, supported by a 68% jump in e-commerce usage, and is projected to reach as much as RM 147 billion in 2025 (Majlis Pembangunan Usahawan dan PKS Kebangsaan (MPUPK), 2021).

According to the Department of Statistics, Malaysia (DOSM), Malaysia recorded an increase of 30% year-on-year in the first quarter of 2021, bringing RM 254.6 billion to this country's e-commerce income. As for 2020, Malaysia recorded RM 89.4 billion, a rise of 32.7% compared to 2019. E-commerce income is being looked at every quarter in the year 2020. The first quarter of the year recorded RM 195.9 billion; in the second quarter, it increased to RM 216.9 billion. The trend continued in the third quarter, registering RM 238.2 billion and RM 245.4 in the fourth quarter of 2020. This outstanding performance was driven by the new normal of COVID-19, which significantly boosted the digitalization of business among entrepreneurs (Department of Statistics Malaysia, 2021).

In 2021, Malaysia recorded e-commerce income as RM 279.0 billion, an increase of 17.1% compared to 2020 in the third quarter. For quarter-on-quarter comparison, it sustained a positive trend of 4.3%. For the records, Malaysia's e-commerce income received RM 801.2 billion, a 23.1% escalation year-on-year (Department of Statistics Malaysia, 2021). The high amount received by the e-commerce sector that has been recorded proves that digitalization works perfectly and can be used to expand one's business.

A study by Lundin (2020) in China found that the digital economy has an important role even before COVID-19 hit. It drives economic growth and social transformation significantly. Research conducted by Tencent Research Institute, also in China that involved 1638 digital-

oriented business owners during the pandemic, learned that most business owners agreed to increase their investment from 10% to 30% in digitalizing their businesses. The same research also found that digitalization helps in business marketing, expanding services and enhancing communication between businesses and potential buyers.

However, business digitization efforts need to be further increased. According to Eva Faridah et al (2019), for the most part, i.e., almost a third of small and medium business entrepreneurs (SMEs) are not interested in using digitization through e-commerce as a way to market their products. They are more comfortable doing business traditionally and feel digitization is unnecessary, especially SMEs in manufacturing and construction. An imperfect digitization process can also not increase a business's profit. According to the SME Annual Report (2018), there are SME entrepreneurs who use digital platforms such as social media to connect with customers as an online marketing strategy. Even so, they use less conducive and efficient ways to maximize the use of ICT that can enable higher profits. Both management and business digitization efforts have proven to increase efficiency in managing, increasing income, and expanding the existing business network. Handicraft entrepreneurs who belong to SMEs and PMKS should take advantage of this opportunity and take the opportunity to move towards digitization to maximize their profits.

Research Methodology

A qualitative approach was used in this study. It is in line with the aim of the study to explain the need for digitization of handicraft management in Malaysia. The study also uses a case study technique that meets the study's needs, which is to look at the digitization process more systematically. This corresponds to the view presented by Burn (1997); Yin (1994); Merriem (1988), who are of the view that case study techniques are suitable for studies related to events, cultures, and human groups.

Primary data was collected by using the interview method together with those directly involved in the handicraft manufacturing industry. Among them are songket weavers in Kampung Gemuruh, Terengganu, who work on songket weaving on a small scale. Also interviewed were the parties involved with the management of Yayasan Tuanku Nur Zahirah (YTNZ), which is responsible for cultivating Terengganu native songket weaving in Manir, Terengganu. In addition, this study also considers the views of government officials who have authority in matters related to handicrafts in Malaysia, namely officials from the Malaysian Handicraft Development Corporation (Kraftangan Malaysia). Besides that, secondary data were taken from previous studies, newspaper reports, and written documents related to this research, and the data were then analyzed using Nvivo computer software.

Result

Digitization is one of the alternatives that help entrepreneurs and craft makers market their products. In this study, some entrepreneurs and craft makers admit that they need new methods to sell their goods, especially after facing a long pandemic. In looking at this digitization issue, several circumstances factor into the importance of upgrading the way of marketing and selling craft goods. The results have identified several factors driving the need for digitization in the marketing and sale of craft products, as shown in figure 1 below.

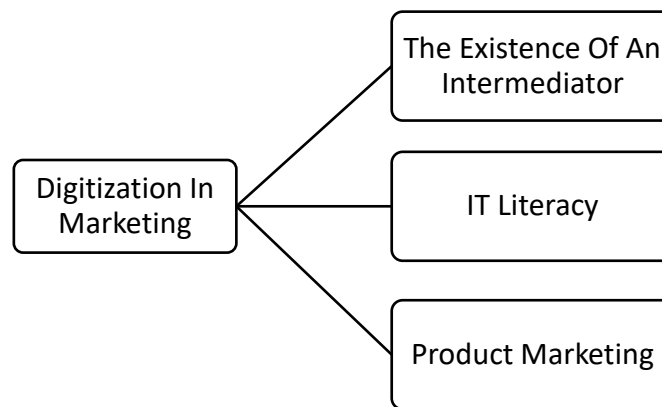


Figure 1

Driving Factors of Digitization in Marketing

The study found that several factors push the importance of digitization in today's product marketing aspect. Among them is the situation faced by handicraft entrepreneurs who deal with intermediaries to sell their handicrafts. It will lead to the issue of unreasonable wage rates. According to the informants, the wage rate is low compared to the workload they have to face. This situation happened to one of the informants who took wages as a Songket weaver in Terengganu.

" I received a wage of RM1000 to produce this songket. This wage has been the same since the last 20 years, and it's never increased. Other employees also got a salary increase. But me and my friends who take wages to weave this songket, the wages never change. If I ask for a wage increase, they will refuse because there is a problem with sales. So they cannot raise wages".

(I3, T1)

According to the informant, the wage rate received is low and has never been increased since 2002. It is because the wage given depends on the Songket market. Intermediaries find it challenging to raise wage rates since the costs and risks of sales are borne entirely. In other words, the risk of unsold goods makes intermediaries unable to offer higher wage rates. This problem occurs due to the existence of a 'middle man' in selling and purchasing the Songket. The informant believes that the sale price of Songket will be able to reach the market price, which is at least almost five thousand Ringgit for one piece of Songket. However, the informants admit that they are unable to sell their goods due to time constraints, and there is no facility to sell them directly to customers.

Therefore, in dealing with this issue, the digitization of handicraft products, including Songket weaving, is also able to provide opportunities for craft entrepreneurs to market their goods according to market prices. Customers also have optimal purchasing power when they can compare the prices offered by sellers more easily and widely. Craft entrepreneurs can expand the marketing and sales of their products to new markets through this method. The government takes digitization seriously in the craft industry. There is an effort made through the Malaysian Craft Development Corporation (Kraftangan Malaysia), which takes the initiative to empower the digital program in Malaysia's craft industry development plan. The

developed initiative prioritizes the needs and convenience of entrepreneurs and considers the comfort and interests of buyers and local craft enthusiasts.

According to informants, most craft entrepreneurs need help managing and finding markets for their craft products. Craft entrepreneurs must focus on marketing strategies to compete with many other industrial products. Therefore, skills and knowledge of basic knowledge of information technology are seen as very important.

"One more thing, our entrepreneurs who live in the rural area are not IT literate, that's was a challenge for us, the product needs to be exposed for people to know, so that it can be marketed. There are a few who did not know what Facebook is, so we have to teach them the basics before introducing them to digitalizing the marketing of their products "

(14, T1)

The digitization of handicraft products will facilitate the transaction process where handicraft entrepreneurs can find customers easily. The handicraft market will also expand with the help of Malaysian Handicrafts through an online platform provided free to entrepreneurs registered under Handicrafts Malaysia. The Malaysian Crafts Department offers free digitization of handicraft products through MyCraftShoppe and E-Kraf Bazar platforms.

"We will teach how to shoot photos, to enter information in the system, our staff will enter, make the advertisement interesting. They just need to make sure the goods are there and ready to be posted to the customer"

(15, T1)

The digitization of handicraft products and businesses by Malaysian Craftsmen is more than just marketing them on social media platforms. The government's earnestness in ensuring that the digital marketing strategy is implemented well becomes an opportunity for a surge in digital culture in the craft industry as well as helping many craft entrepreneurs.

"The promotion unit makes, the entrepreneur's product is not sloppy, we don't tell the entrepreneur to take the picture, if the picture meets the standard, we have our own studio where we can use lighting to help with this, the product is more interesting."

(11, T1)

Malaysian Craftsmen fully guide the digitization process of the handicraft product business. Among these are assistance in product photography sessions so that products look attractive, the process of entering product data into the e-commerce platform owned by Kraftangan Malaysia, and system maintenance controlled by experts. Handicraft product entrepreneurs only need to ensure that their goods are available and can only send their craft products to the customer.

This facility can provide space for handicraft product operators to focus on producing quality work. Entrepreneurs are now burdened with the problem of finding a broad market because their manufactured products can reach the global market very easily. A special platform for Malaysian-made handicrafts supervised by the government is seen as important as a preserver of the quality of original Malaysian-made handicraft products. To some extent, the

dumping of factory-made craft products on other e-commerce platforms gives a bad image to locally made products due to their low quality, even though they can be bought at a low price. The existence of a platform like this is also able to educate the public indirectly about Malaysian handicrafts in addition to emphasizing to them the importance of supporting locally made goods that are guaranteed to be authentic.

CraftOnTheGo

CraftOnTheGo or Craft Entrepreneurs Geospatial is one of the efforts to digitize services in the form of smartphone applications provided to the community to maximize the accessibility of information related to handicraft businesses and related information throughout Malaysia. Information regarding entrepreneurs and handicraft businesses is provided in the form of a directory containing entrepreneur profiles, product-related descriptions, product images, social media information, and the location of their businesses. This application allows users to connect directly with entrepreneurs without the intervention of middlemen or intermediaries who may be able to take advantage of the product's price. Interested users can also go directly to the store error business lot or the entrepreneur's workshop more easily.

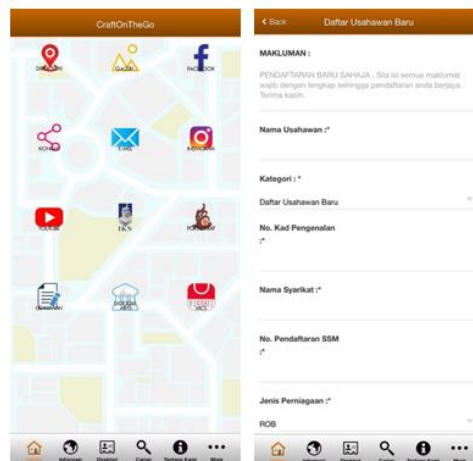


Figure 2
The Start Screen of The CraftOnTheGo Application

When the user finishes downloading this application, the user will be able to directly access the CraftOnTheGo application's home screen, as shown in the figure above. This application provides a list of entrepreneurs and other features such as a directory of the Malaysian Crafts department, email information, and social media platforms promoting the craft. It also includes Kraftangan portal Malaysia and the National Craft Institute (IKN) and direct access to MyCraftShoppe, which sells handicraft products online in an e-commerce platform.

Through this application, new entrepreneurs who want to register with Malaysian Crafts can do so very easily. This registration is important to ensure that handicraft entrepreneurs get all the information regarding the initiatives implemented by Malaysian Crafts. This registration will also help to facilitate the digitization process of their handicraft business through the e-commerce platform owned by Kraftangan Malaysia. Through this application, users can also access information on entrepreneurs and the types of handicrafts they work on according to the state zone in Malaysia. When the user has finished selecting the directory zone they want to visit, the display will change to the state of the state in that zone. Users can find the desired craft more easily. After the user selects the state they want, the application

will open a new view, which is the view of the handicraft field they want to find. This type of handicraft is divided according to different handicraft fields. For example, in the field of textiles, there are crafts such as songket weaving and batik.

After selecting the desired handicraft field, the application will display general information related to the company's name, the type of craft offered, and the company's phone number. Users can see a complete display of information about the authorized entrepreneur. Next, users can see more clearly the craft products produced through the product gallery provided. If the user still does not find the desired handicraft, the user can press the search button at the bottom once to perform a more specific search. This CraftOnTheGo application makes it easier for users to find the craft products they want and promotes craft items more systematically and efficiently.

MyCraftShoppe

Like other e-commerce platforms, MyCraftShoppe offers a convenient and fast buying and selling experience with just the touch of a fingertip. The difference is that MyCraftShoppe is dedicated to selling handicraft products made in Malaysia that are exclusive and have a high aesthetic value.

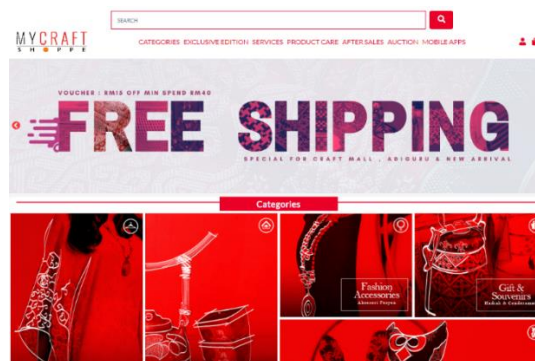


Figure 3
View of the MyCraftShoppe Website

Users can select the desired products by categories such as gifts and souvenirs, fashion accessories, clothing, home, garden equipment, hobbies, and lifestyle. Users can also set the average price of the craft products they want to buy to match the allocated budget. The fully online payment method also makes it easier for users.

E-Craft Bazaar

E-Kraf Bazar is an effort introduced by Kraftangan Malaysia. This online bazaar uses social media, namely Facebook Group, which makes it easy for people of all ages to access. This initiative was taken to facilitate the online marketing of craft products, which started on 8 April 2020, when the country was under the Movement Control Order (MCO) until today.



Figure 4
Display of E-Kraf Bazar on the Facebook Website

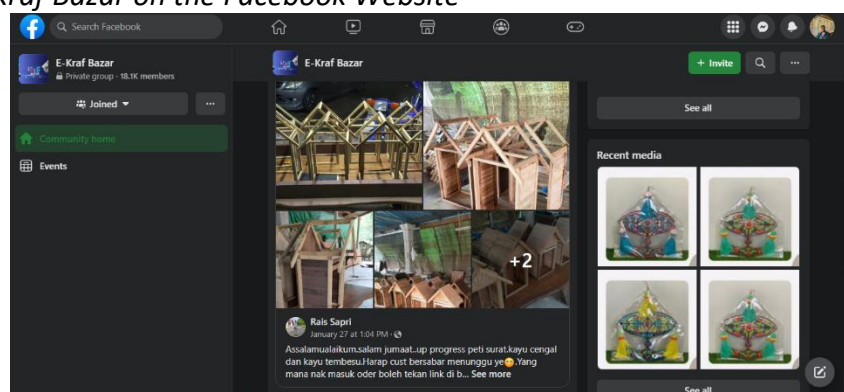


Figure 5
A Craft Entrepreneur Displays His Handcraft Products

E-Kraf Bazar has already been joined by more than 18,000 members of craft entrepreneurs, buyers, and handcraft enthusiasts. This effort opens up opportunities for Facebook users to market and buy various craft products, interact, and watch craft-making activities live while getting updates related to the latest information on the Malaysian craft industry.

The use of social media platforms such as Facebook provides an alternative to people who are more comfortable dealing with buying and selling on the platform. In this way, handcraft entrepreneurs can further expand their target customers.

Conclusion

Digitization can increase results and profits and provide added value to whoever implements it through increased knowledge of the growing technology. Digitization greatly benefits craft entrepreneurs as it can increase the market by promoting the products. It also reduces the role of intermediaries and empowers local handicrafts. All parties should welcome this effort towards digitization for mutual benefit.

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