

IDENTIFICATION AND EVALUATION OF KEY FACTORES INFLUENCING E-COMMERCE APPROACH BY SMES IN TIRANA DISTRICT

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Abstract: - E-commerce has enabled a competitive market, as a result many companies are thinking about changing the model of doing business, in order to be as competitive as possible in the market. Managers think that the use of e-commerce enables them to have a better relationship with customers and suppliers, improve the process of doing business, and in some cases even restructuring an entire industry.

The main instrument used for data collection was the questionnaire, standardized through “panel expert” on what extent the electronic commerce is applied by SMEs operating in Tirana district and the evaluation of the benefits earned by companies while using the application of E-commerce. The questionnaire was completed through direct interviewing of 124 SMEs Managers in the period of November 2021- March 2022. After data collection, their processing was done in SPSS and Chronbach alpha coefficients were used to see the internal consistency of the questionnaire.

At the end, this paper identified and evaluated the key factors influencing e-commerce approach by SMEs in Tirana district, which are: sales increase; efficiency; profits; business value; distribution costs; promotion costs; exchange of information; access to new markets; access to technological competencies; building consumer satisfaction.

Key-Words: - SME, E-Commerce, efficiency, distribution and promotion costs, exchange of information, consumer satisfaction, Chronbach alpha coefficients

1 Introduction

SMEs face increasing competitive pressure as a result of globalization and the opening of markets, stimulated by new technologies and innovations. SMEs play an important role in countries' economies.

Companies that are active users of e-commerce applications have the opportunity to create an advantage in the context of controlling business costs (minimizing costs). Companies that are

active users of e-commerce applications are more likely to achieve higher operational efficiency than companies that are passive users of e-commerce. Companies actively using e-commerce applications are more likely to achieve objectives such facilitating the exchange of information among business partners, with the external environment (customers, suppliers, banks, governments, community, etc.), to create access to managerial competencies or new opportunities for strategic alliances, etc. Efficiency in customer service is a statistically significant element in explaining the profitability of companies that are active users of e-commerce applications.

In overall, companies that have sufficient IT infrastructure to support e-commerce, competent employees to manage e-commerce application, e-commerce in line with marketing strategy, e-commerce [16] in line with business strategy, etc. have 3 times more chances of being active users of e-commerce applications.

2 Literature Review

Small and medium enterprises are actually important for the economies of all countries [1], and especially in developing countries [2] , and they are the engine of the development of any economy. While [3] and [4] have assessed them as the backbone of a country's economy. They also contribute to the provision of new jobs, or as suppliers of goods and services to large companies [3]; [5]. The importance of small and medium-sized companies becomes more significant for a country that develops industrially to realize the objectives of the new millennium [6]

According to [7] the evolution of e-commerce is classified into three main periods:

1. Innovation (1995-2000),
2. Consolidation (2001 – 2006)
3. Re-dimensioning (2006- future).

| Innovation (1995-2000) | Consolidation (2001-2006) | Ri-dimensioning (2006- e ardhme) |
|---|---|--|
| Technology – exerts pressure | Business exerts pressure | Audience, consumers and community – exert pressure |
| Impact on revenue growth | Impact on profit growth | Impact on audience and social network growth |
| Risk in Equity Funding | Traditional Funding | Small Equity Investments, Smallies leave due to new powerful online Players |
| Lack of government role Commercial businesses | Strong government regulations Large traditional firms | Strong government oversight Large Web-based companies |
| Innovation (1995-2000) | Consolidation (2001-2006) | Ri-dimensioning (2006- future) |
| Shortage of Intermediaries | Empowering Intermediaries | Profiling small online intermediaries taking care of business processes of large firms |
| Perfect market | Imperfect market, brand and internet effects | Imperfect online market continues, comfortable competition in some selected markets |
| Pure online strategies | Mix of online and offline market strategies | Return to pure online strategies in new markets, strengthening online and offline strategies in traditional retail markets |
| First mover advantage | Strong strategic followers | Pioneer advantage in new markets, and strengthening in existing markets |
| Low complexity of products in retail | High complexity of products in retail | Services |

Source: Evolution of E-commerce Laudon & Traver

They play an important role in long-term and sustainable growth, dynamism and employment [8] SMEs are considered as one of the most important elements in the economic development of a country, leading to the stimulation of private entrepreneurship and managerial skills [9]. In developed economies, SMEs [10] are often seen as the most realistic prospects for increasing employment and added value for products or services [11]. They usually employ most of the labor force and are important for income generation [3].

2.1 Measuring the benefits of using e-commerce

According to the model proposed by [13], the benefits from the use of electronic commerce can be measured through the impact they give on:

1. Operational efficiency that refers to a number of factors:

Facilitating the process of placing an order; Facilitates billing; Facilitates electronic auditing; Improves data control; Facilitates shipment tracking; Improves operational efficiency

2. Market expansion that refers to factors:

Enables access to new markets; Enables opportunities in niche markets; Increases consumer knowledge of the product/service; Provides better and more complete information to consumers about the product/service; Increase sales; Enables product/service differentiation; Enables more information for managerial decision making

3. Inventory management that is affected by these factors:

Assists in inventory systematization; It helps in the procurement process; Reduces product/service repackaging time; Reduces inventory costs

4. Cost reduction that is influenced by these factors:

Reduction of administrative costs; Reducing customer support costs; Reduction of marketing costs; Reduction of information process costs

5. Customer service:

It allows better interaction with customers; Ensures consumer privacy; Enables better understanding of consumers; It helps in retaining current customers.

Another model of benefit from electronic commerce is that proposed by [11], who provide the following benefits:

Product promotion: through direct and interactive information with consumers, electronic commerce enables product promotion. Electronic media also enable customization of ad content based on the consumer's profile. So e-commerce offers an opportunity for new promotion strategies by facilitating product branding

Cost reduction: By using digital infrastructure, e-commerce reduces the costs of transporting information to consumers, [15] which includes personnel, postage, telephone and printing costs.

Timely information: due to its immediate nature, the application of electronic commerce allows the reduction of the necessary time of production and distribution of information and service

Reducing the time of sending money: by means of EFT (electronic funds transfer) consumers send their money electronically to companies' banks. This arrangement eliminates the time necessary to make payments in other forms.

Continuous information: electronic commerce ensures consistency and accuracy of information through the dissemination of information and the use of electronic form of doing business.

Better customer service: the ability to provide online problem answers and 24/365 e-mail connectivity creates customer confidence and engagement.[15]

Better relations with consumers: e-commerce enables better recognition of consumer demands [16] for it records every moment when the consumer asks for information on the product, the purchase he makes, the service request, etc. Through this interaction, customer needs are identified and marketing efforts are amplified for the future.

Product customization: referring to the nature of the e-commerce process, it is possible to create a new product or modify an existing product exactly according to customer needs.

Competitive advantage: e-commerce enables the company to create a competitive advantage due to cost reduction, product differentiation, short response time to the market, focus on customers, building better relationships with them and better service.[17]

Ease of doing business: There is no limit in time and location to do business with interested parties. Information is sent to the manufacturer, supplier and distributor in real time.[18]

E-commerce adoption [19] has enabled a competitive market, and resultingly, many companies are thinking about changing the model of doing business, in order to be increase the market competitiveness.

SMEs face increasing competitive pressure as a result of globalization and the opening of markets, stimulated by new technologies and innovations. They must find efficient ways to follow the pace as they are dealing with long-term and growing challenges.[20] SMEs act as catalysts in terms of economic growth, as well as for the development of other areas such as arts and sports, human resources, manufacturing.

In today's economic downturn,[21] consumers are more focused on finding products at the best price. Consequently, companies using e-commerce strive to offer greater value at lower prices.[22]

The use of e-commerce applications creates a competitive advantage [23] and this is the reason why today many basic business processes are focused on increasing business results, productivity, production, etc., through the use of this application. [24]

3. Research methods

The purpose of this paper is identify and measure the factores which influence the adaption of e-commerce applications by the SMEs in Tirana, Albania, aiming at increasing their ability and competitive advantage, as a benefit from the use of technology.

3.1 Sample selection

Since the object of this study are only small and medium-sized enterprises operating in the Tirana district, the selection of the sample was based on the book "The Key - Practical Guide to the Capital". Data for the enterprises listed in the book are grouped according to economic activities and are easily accessible on the cited websites .

In order to obtain a selection of enterprises, a stratification is first made according to the size of the enterprise (based on the number of employees). Then stratification is done according to economic activity. In order to make the choice of companies to include in the study, first the main economic activities in which electronic commerce is mostly applied are identified. From the "yellow sheets" book, a list of enterprises was selected according to the activities in which they operate in the market. However, this list of enterprises does not contain information on the number of employees engaged in each of them. For this reason, the companies were first contacted by phone to identify the number of employees. The number of companies selected was 150, of which 124 agreed to participate in the study.

3.2. Research instrument

The main instrument used for data collection for the study is the questionnaire. The focus of the questionnaire was the information on what extent the electronic commerce is applied by SMS operating in Tirana district and the evaluation of the benefits earned by companies while using the application of electronic commerce.

The questionnaire was asked to be completed by the company manager, while the interviewing method was direct.

One way to appreciate it is the measurement of internal consistency by calculating Cronbach's alpha .[25]

For the validity of the questionnaire content, the method of the "panel of experts" was used. The questionnaire was consulted with several experts of statistical analysis to judge the variables and

the most appropriate type of statistical analysis. The experts were asked to evaluate the questionnaire and determine which questions is relevant, which questions should be modified and which should be removed from the questionnaire (unclear questions or not essentially related to the study). The evaluation of the questions of the questionnaire showed that in general the questions were of relevance to this questionnaire.

A pilot test was conducted in 10 companies to ensure that the questions were clear and easily understood by the individuals who were supposed to fill in this questionnaire.

Interviews with companies were conducted in the period November 2021- March 2022. After data collection, their processing was done in SPSS. Chronbach alpha coefficients were used to see the internal consistency of the questionnaire.

3.3 Factorial analysis

Factor analysis is used to study the patterns of relationships between multiple dependent variables in order to reveal the nature of the independent variables that influence them, even if the independent variables have not been directly measured.

In the factorial analysis, it is important to study the content of the variables that have a high weight in some factors in order to select that factor where there is more conceptual compatibility. For example, the variable "Reduces barriers between departments (of the company) and business partners" which is correlated with the first factor but also correlated with other factors, it is grouped under the first factor because it has higher conceptual compatibility and higher correlation with it.

In table 1 below, the factor weights are given for each variable on the rotated factors, and if weighting less than 0.40, the factor then is considered as the final limit. Each number represents the partial correlations between the original variable and the rotated factor. These correlations also help in formulating the interpretation of the factors.

The first factor that is indexed as "Company (overall) Performance" has higher correlation with variables such as improved operational effectiveness, operational efficiency, increases in sales, profits and benefits, radically improved business process, increased business value , etc.

The second factor indexed as "Operational efficiency" has a higher correlation with variables such as facilitating the exchange of information among business partners, with the external environment (customers, suppliers, banks, governments, transporters, the community in general, etc.) [26], [27]. Also, this factor correlates positively with variables such as access to managerial competencies, new opportunities for strategic alliances, increased coordination and cooperation within the firm, better opportunity to reach new suppliers, access to new markets, access to competencies, new technology as well as publishing general company information (company history, company contacts, physical location).

The third factor indexed as "Control of business costs" consists of nine variables, where the variable for reducing administrative costs has the greatest weight. Likewise, variables "reducing total staff costs", "achieving customer service standards", "reducing marketing costs", "increasing the speed of order delivery", "building customer relations", "consumer information about the product", "geographic growth" and "sales turnover" have high correlations with this factor.

The fourth factor indexed as "Efficiency in customer service" has a high correlation with the variables related to "accepting online payments", "the possibility of tracking their order", "easily and safely placing the order online" , responde immediately to orders and complaints, informe customers about products and prices, ways to search for the product, place, order and make payment is easy to navigate, and price flexibility in different market segments.

The fifth factor indexed as "Building relationships with customers" is related to characteristics such as strengthening customer relationships, customer loyalty, and increasing customer satisfaction [28].

| Table 1: Factor weights for rotated factors | | | | | | | | |
|---|-------------|------------------------|-----------------------|-----------------------------|-----------------------------|-------------|-------|-------------|
| | Performance | Operational Efficiency | Business cost control | Customer service efficiency | Building customer relations | Komunalitet | | |
| Reduces marketing costs (Print, advertising, mail) | 0,575 | | | | | | 0,575 | 0,709 |
| It allows customers to contact us 24 hours a day | 0,575 | | | | | | 0,575 | 0,417 0,668 |
| It increases the competitive advantage of our firm | 0,569 | | | | | | 0,569 | 0,484 |
| Reduces barriers between departments and business partners | 0,508 | | | | | 0,444 | 0,508 | 0,715 |
| Competitors have difficulty copying our e-commerce strategy | 0,494 | | | | | | 0,494 | 0,727 |
| Our financial performance is better compared to competitors | 0,441 | | | | | | 0,441 | 0,744 |
| Increase competence for information regarding promotion or packaging | | | | | | | | 0,770 |
| Facilitates the exchange of information between business partners | | | | | | | 0,790 | 0,699 |
| Facilitates the exchange of information with the external environment (customers, suppliers, banks, government, transporters, business partners, the community, etc.) | | | | | | | 0,714 | 0,756 |
| Provides access to managerial competencies | | | | | | | 0,703 | 0,565 |
| Enables new opportunities for strategic alliances | | | | | | | 0,645 | 0,639 |
| Increases coordination and cooperation within the company | | | | | | | 0,640 | 0,667 |
| Facilitates better opportunities to reach new suppliers | | | | | | | 0,619 | 0,661 |
| Provides access to new markets | | | | | | | 0,617 | 0,412 0,758 |
| Improves the operational effectivity | 0,790 | | | | 0,648 | | | |
| Improves operational efficiency | 0,786 | | | | 0,685 | | | |
| Increases sales | 0,717 | | | | 0,774 | | | |
| Improves the overall performance of the business | 0,705 | | | | 0,666 | | | |
| Increases the profits | 0,694 | | | | 0,707 | | | |
| Enables profits' increase | 0,686 | | | | 0,707 | | | |
| Improves radically the business process | 0,666 | | | | 0,655 | | | |
| It represents a great value for business performance | 0,662 | | | | 0,772 | | | |
| Reduces distribution costs | 0,588 | | | | 0,706 | | | |

| | | | | | | | | | | |
|--|-------|-------|-------|--|--|--------|--------|--------|--------|-------|
| Publication of general company information (company history, contact information, physical location) | | | | Allows customers to easily track their order movement | | 0,770 | 0,744 | | | |
| | 0,602 | 0,410 | 0,788 | Allows customers to securely complete their orders online | | 0,763 | 0,818 | | | |
| Enhances professional image | 0,421 | 0,541 | 0,457 | 0,631 | Allows customers to easily place online orders | 0,690 | 0,812 | | | |
| Provides better opportunities to reach new customers | | 0,465 | 0,781 | Responds promptly to orders | | 0,620 | 0,662 | | | |
| Is easy to navigate | | 0,538 | 0,643 | Allows customers to search for products and prices | 0,497 | 0,520 | 0,731 | | | |
| Impact of using e-commerce on Administrative Costs | | 0,802 | 0,244 | Shows how to search for the product, place, order, and payment is easy to navigate | 0,431 | 0,482 | 0,774 | | | |
| Impact of using e-commerce on Total Staff Costs | | 0,728 | 0,838 | Allows different pricing in different market segments | | 0,459 | 0,744 | | | |
| Impact of using e-commerce on Achieving Standards for Customer Services | | 0,674 | 0,791 | Responds promptly to complaints | 0,421 | 0,433 | 0,743 | | | |
| Impact of using e-commerce on Marketing Costs | | 0,665 | 0,689 | Empowers the consumer relationship | 0,449 | 0,665 | 0,525 | | | |
| Impact of using E-commerce on the Efficiency (speed) of order delivery | | 0,656 | 0,424 | Strengthens consumer loyalty | 0,480 | 0,438 | 0,535 | | | |
| Impact of using e-commerce on Building relationships with consumers | | 0,635 | 0,606 | Increases consumer satisfaction | 0,466 | 0,506 | 0,535 | | | |
| Impact of using e-commerce on Informing consumers about the product | | 0,627 | 0,421 | 0,603 | Eigen Values | 9,308 | 7,879 | 6,751 | 6,632 | 3,163 |
| Impact of using e-commerce on Geographic expansion | | 0,578 | 0,439 | 0,732 | Percentage of Variance | 18,996 | 16,079 | 13,778 | 13,535 | 6,456 |
| Impact of using e-commerce on Sales circulation | 0,421 | 0,568 | 0,728 | | | | | | | |
| Accepts online payments | | 0,773 | 0,770 | | | | | | | |

Note: Weights smaller than 0.40 are not taken into consideration

Table 2 Factors influencing the adoption of e-commerce

| | Factors | | | |
|---|------------------|------|-----------------|------------------|
| | Internal Factors | Cost | Risk Perception | External Factors |
| Adequate IT infrastructure to support e-commerce | 0,90 | | | 0,71 |
| Competent employees to manage e-commerce application | 0,79 | | | 0,74 |
| Adoption of e-commerce aligns with marketing strategy | 0,77 | | | 0,71 |
| Adoption of e-commerce aligns with business strategy | 0,75 | | | 0,69 |
| | 0, | | | |
| The company keeps up with the latest technological developments | 0,70 | 46 | | 0,78 |
| Sufficient funds for the implementation of e-commerce | 0,67 | 1 | | 0,75 |
| Readiness for external expertise in e-commerce | 0,67 | | | 0,53 |
| | 0, | | | |
| The company has a tradition of using new technologies | 0,66 | 40 | | 0,73 |
| | 0, | | | |
| Reliable internet connection | 0,47 | 72 | | 0,68 |
| | 1 | 6 | | 0 |
| | | 0, | | |
| Good internet connection speed | 0,45 | 69 | | 0,57 |
| | 8 | 4 | | 3 |
| | | 0, | | |
| Low initial installation costs for e-commerce | | 67 | | 0,88 |
| | | 6 | | 3 |
| | | 0, | | |
| Internet service providers are willing | 0,49 | 64 | | 0,74 |
| | 1 | 2 | | 3 |
| | | 0, | | |
| E-commerce has low connectivity costs | | 62 | 0,5 | 0,77 |
| | | 1 | 0,6 | 1 |
| | | 0, | | |
| E-commerce has low maintenance costs | | 56 | 0,5 | 0,78 |
| | | 7 | 5,5 | 2 |
| | | | 0,8 | |
| Computer viruses pose a significant risk to the company | | | 0,2 | 0,61 |
| | | | 0,8 | 6 |
| Online payments are exposed to the risk of insecurity | | | 0,0 | 0,72 |
| | | | 0,6 | 7 |
| | | | 2,0 | 0,55 |
| Competitors | | | | 7 |

| | | | | |
|---|------|-----|-----|------|
| E-commerce increases the risk of unauthorized access | | 0,6 | | 0,31 |
| | | 0,2 | | 9 |
| | | | 0,6 | 0,52 |
| Government | | | 3,8 | 4 |
| The existence of companies offering training for e-commerce | 0,53 | | 0,5 | 0,47 |
| | 9 | | 6,3 | 6 |
| | | | 0,5 | 0,64 |
| Customers | | | 4,9 | 9 |
| | | | 0,4 | 0,62 |
| Suppliers | | | 4,8 | 2 |
| Government support for the use of e-commerce is high | | | | 0,33 |
| | | | | 4 |
| | | 3, | | |
| | 6,06 | 72 | 3,3 | 1,7 |
| Vlerat Eigen | 6 | 3 | 89 | 46 |
| | | 16 | | |
| Përqindja e variancës | 26,3 | 1 | 14, | 7,5 |
| | 73 | 85 | 736 | 93 |

Note: Weights smaller than 0.40 are not taken into consideration
Extraction method: Principal Axis Factoring. Rotation method is Varimax with Kaiser Normalization.

In table 2, factor weights are given for each variable on the rotated factors, if weighting less than 0.40, the factor then is considered as the final limit. Each number represents the partial correlations between the original variable and the rotated factor.

The first factor called "Internal factors" has a higher correlation with variables such as "Sufficient IT infrastructure to support e-commerce", "Competent employees to manage e-commerce application", "E-commerce adoption is in line with the marketing strategy", "The adoption of e-commerce is in line with the business strategy", "The company moves alongside the latest technological developments", "Sufficient funds for the implementation of e-commerce", "External expertise for e-commerce is ready", "The company has a tradition of using new technologies".

The variables related to the second factor are "Internet connection is reliable", "Internet connection speed is good", "E-commerce has low initial costs", "Internet service providers are supportive", "Electronic commerce has low connection costs" and "Electronic commerce has low maintenance costs". All these variables are mainly related to the reduction of costs and from the factorial analysis they result as factors that have high correlations with this factor which were named "Cost reduction".

The third factor "Perception of risk" has high correlations with variables "Computer viruses present great risk to the company", "Online payments are exposed to the risk", "Competitors" and "Electronic commerce" increases the risk of unauthorized connections".

The fourth factor indexed as "External factors" is related to elements "Existence of companies that provide training for e-commerce", "Customers", "Suppliers" and "Government support for the use of e-commerce is considerable".

Companies that are active users of e-commerce applications have the opportunity to create an advantage in the context of controlling business costs (minimizing costs). As per results of the logistic model, it is clear that companies which are active users of e-commerce applications have 2.8 times more chances than companies that are passive users in controlling their business costs.

Companies that are active users of e-commerce applications are more likely to achieve higher operational efficiency than companies that are passive users of e-commerce. Thus, the ratio of probabilities for the operational efficiency variable shows that companies actively using e-commerce applications have a probability of 1.752 times higher than passive users in facilitating the exchange of information among business partners, with the external environment (customers, suppliers, banks, governments, community, etc.), to create access to managerial competencies or new opportunities for strategic alliances, etc.

Efficiency in customer service is a statistically significant element in explaining the profitability of companies that are active users of e-commerce applications. Companies actively using e-commerce applications are 1.64 times more likely to achieve high efficiency in customer service compared to companies that are passively using e-commerce applications.

The variables "Creating value and image" and "Building relationships with customers" included in the logistic model as explanatory variables seemed to be statistically insignificant.

In overall, companies that have sufficient IT infrastructure to support e-commerce, competent employees to manage e-commerce application, e-commerce in line with marketing strategy, e-commerce in line with business strategy, etc. have 3 times more chances of being active users of e-commerce applications.

While other factors promoting the adoption of e-commerce applications such as Cost, Risk Perception and External Factors do not have any statistically significant relationship with the active use of e-commerce by companies.

4 Conclusions

From the analyses of influencing factors that affect in the adoption of e-commerce, we can conclude:

The first factor called "Internal factors" has a higher correlation with variables such as "Sufficient IT infrastructure to support e-commerce", "Competent employees to manage e-commerce application", "E-commerce adoption is in in line with the marketing strategy", "The adoption of e-commerce is in line with the business strategy", "The company moves alongside the latest technological developments", "Sufficient funds for the implementation of e-commerce", "External expertise for e-commerce is ready", "The company has a tradition of using new technologies".

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Efficiency in customer service is a statistically significant element in explaining the profitability of companies that are active users of e-commerce applications. Companies actively using e-commerce applications are 1.64 times more likely to achieve high efficiency in customer service compared to companies that are passively using e-commerce applications.

The variables "Creating value and image" and "Building relationships with customers" included in the logistic model as explanatory variables seemed to be statistically insignificant.

The factors "Company Performance", "Operational efficiency", "Control of business costs", "Building relationships with customers" and "Efficiency in customer service" have higher correlation with variables such as improved operational effectiveness, operational efficiency, increases in sales, profits and benefits, facilitating the exchange of information among business partners, with the external environment (customers, suppliers, banks, governments, transporters, the community in general, etc.), reducing administrative costs, strengthening customer relationships, customer loyalty, and increasing customer satisfaction.

In overall, companies that have sufficient IT infrastructure to support e-commerce, competent employees to manage e-commerce application, e-commerce in line with marketing strategy, e-commerce in line with business strategy, etc. have 3 times more chances of being active users of e-commerce applications.

While other factors promoting the adoption of e-commerce applications such as Cost, Risk Perception and External Factors do not have any statistically significant relationship with the active use of e-commerce by companies.

The benefits of adapting e-commerce to SMEs has been the focus of attention for various governments and researchers due to the importance of this sector in the country's economy.

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The authors equally contributed in the present research, at all stages from the formulation of the problem to the final findings and solution.