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RESEARCH ARTICLE

PHILIPPINE ENTERPRISES SALES CHANNEL EXTENSION

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Abstract

In the advancement of every after generation, people today are constant in using high-technology gadgets in almost all sort of activities. Embracing digital intervention to gain demand from the market is considered as one of the sales channels that helps to sustain the business' growing profit in the market. Yearly, the projected income of the e-commerce industry is continuously growing. Shopping via online has been a trend among modern Filipino customers due to a number of factors such as convenience, low price, easy access to variety of products, and several online promotions. Yang et.al (2011) extended these studies highlighting the effect of customer's channel extension behavior to the shift of perception of an organization towards the online channel. With this, the study is conducted to determine the perception of the business owners in extending their business sales channel and discuss the business performance from offline to online store. This research applies the research model presented by Yang et. al (2011) and uses data collected from MSME owners in Robinsons Place Novaliches. Perceived service quality, perceived entitativity, and self-efficacy for change of MSME owners are measured according to the model to understand their perception on business sales channel extension. In turn, results gathered indicated that the respondents have the willingness to extend their sales channel but has lingering doubts about it. Theoretical and statistical treatment are discussed throughout the study.

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Introduction:-

According to DTI Philippines, Republic Act 6977, as amended by RA 8289 and further amended by RA 9501 in 2008 - Micro, Small and Medium Enterprises (MSMEs) as Beneficiaries. — MSMEs shall be defined as any business activity or enterprise engaged in industry, agribusiness and/or services, whether single proprietorship, cooperative, partnership or corporation whose total assets, inclusive of those arising from loans but exclusive of the land on which the particular business entity's office, plant and equipment are situated, must have value falling under the following categories: Micro - not more than P3 000 000, small - P3 000 001 to P15 000 000, medium P15 000 001 to P100 000 000.

The 2018 List of Establishments of the Philippine Statistics Authority (PSA) recorded a total of 1,003,111 business enterprises operating in the country. Of these, 998,342 (99.52%) are MSMEs and 4,769 (0.48%) are large

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enterprises. Micro enterprises constitute 88.45% (887,272) of total MSME establishments, followed by small enterprises at 10.58% (106,175) and medium enterprises at 0.49% (4,895)

The top five (5) industry sectors according to the number of MSMEs in 2018 were: (1) Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles (461,765); (2) Accommodation and Food Service Activities (144,535); (3) Manufacturing (116,335); (4) Other Service Activities (66,162); and (5) Financial and Insurance Activities (46,033). These industries accounted for about 83.62% of the total number of MSME establishments (Distribution of MSMEs by industry Sector, 2018 List of Establishments, PSA).

It is well-known that MSME sector provides maximum opportunities for both self-employment and jobs. In the era of globalization & liberalization; MSMEs are facing cut-throat competition at local, national, and international level. To keep their position intact in this highly competitive market, they need to cope with the changes in technologies like E-Commerce (EC), wherein they can buy and sell goods over the internet.

E-Commerce:

Electronic commerce refers to the new way of buying and selling of goods over the internet that continues to develop in today's generation. It is definitely an innovative concept in the industry and has a big impact and potential to alter the traditional form of acquiring goods.

E-commerce have many positive effects on small medium enterprise such as decreases in telecommunication costs, increases in sales, time savings, and reductions in inventory overheads. To keep SMEs competitive edge over others, they need to implement E-Commerce in their day to day work (Bagale, 2014).

People were used to acquire goods and services on their nearest and most accessible physical stores before. But when the e-commerce emerged, it seems like the old and traditional way of buying and selling was altered by the e-commerce. One of the benefits of e-commerce to businesses was people were able to reach and access different stores over the internet. Thus, it made business transactions easier and faster for the consumers and online stores since the process of transaction was made over the internet (Shahjee, 2016).

Online Shopping:

Another term for electronic commerce or e-commerce, are the activities that relate to the buying and selling of goods over the internet (Webster 1993). Online shopping is the new trend of shopping for Filipinos due to the factors like convenience, cheaper price, more options of products, hassle free, and sale promotions (Legaspi et. al, 2018). In turn, online shopping has made changes not only to the lives of its customers but most importantly to the business world.

Internet as a Firm's Competitive Advantage:

Small firms should use innovation strategy to obtain competitive advantage in rapidly changing environment. The adaptation of new technologies, quality products and other organizational strategy related factors are also revealed to have important influence on superior performance of firms (Tang et. al., 2007).

The Internet, as the most significant technological phenomenon today, provides competitive opportunities to firms (Othman, et.al, 2010). Businesses of all sizes have the opportunity to build competitive advantage with the use of internet. The main purpose of using the web is to increase sales, profits and decrease costs in negotiating a purchase-and-sale transaction (Koon Ang S., & Husain, W., 2012). Online channels can increase in sales due to increasing penetration of the Internet worldwide (Schubert, P. et. al., 2011). Opening an e-business keeps the business in touch with what's current and levels the playing field and gives SMEs the resources needed to compete in today's increasingly digital marketplace (Tan, G., 2012).

The aim of adopting e-business is to improve the firm's competing ability, since businesses are being competition focus (Xiaoming M., 2010). Increasing global competition has led businesses to consider e-business strategies. E-business technologies present unique opportunities and challenges for businesses, and Small & Medium Enterprises (SMEs) are no exception (Elragal, A. and Abouseif, H., 2011). Early adoption of these technologies can give an SME a competitive advantage that is sustainable (Goessl, L., 2001).

Most SMEs do not know how to utilize e-business platforms, nor are they aware of the various forms of education available to become proficient in media. The only SMEs that have fully engaged in highly complex applications are those that are imbedded within a client or supplier chain network and were required to be compliant with the best practice e-business applications of these larger companies (Xu, Rohatgi & Duan, 2007, p.83).

Relative Advantage on E-Commerce Implementation:

In the literature, relative advantages have been identified as an important factor affecting implementation of e-commerce in SMEs (Baldwin, Lymer and Johnson, pp. 109). Relative advantage is the strength in which a new product is more of an advantage than other existing brands. Increased of sales, improved communication with customers, suppliers and employees, and easier order tracking are said to be the Relative Advantages of E-Commerce (Baldwin, Lymer and Johnson, pp. 109), which has a positive association with the MSMEs implementation of E-Commerce.

Top Management Support to IS/IT Adoption:

Previous research studies indicate that top management support has been an important factor in Information System/Information Technology (IS/IT) adoption and the chance of SMEs to adopt new technologies are lesser without the said support (Ramdani and Kawalek, 2007). Hameed et. al (2012) stated that top management support is one of the significant factors on both product and process innovation of IT adoption. Furthermore, Kutlu and Ozturan (2008) indicated that business owners and managers with positive attitude towards Information Technology (IT) tend to be more successful in adoption and implementation of new technology with the evidence from SMEs. Research study from Young and Poon (2013) showed that top management support is a more significant and sufficient critical factor for success than other factors.

Product Pricing of Online vs. Traditional Retailers:

According to Nair, previous and recent studies on product pricing between online and traditional retailers had shown different statements through time. Previous studies has stated that prices online were more expensive than on traditional due to the small population of online shoppers. Meanwhile, recent studies have shown results that is the opposite of the mentioned above. Online stores have products with a much lower price than traditional retailers, resulting to the boost in their revenue. It also encourages fast transaction which lessens money, time and distance.

Barriers or Constraints to the development of Micro, Small and Medium Enterprises (MSMEs):

Financial & non-financial barriers:

The constraints or hindrances to the growth and development of Micro, Small and Medium Enterprises are categorized into two: the non-financial barriers and the financial barriers or access to finance. The non-financial barriers such as cost of getting electricity, heavy regulation, high tax rates and corruption are the factors that discourages the formation of new MSMEs and the entry of existing MSMEs into larger markets (Senate economic planning office, 2012).

Technological adoption:

Most business have the knowledge about the benefits of technology. However, some business establishments like MSMEs appear to be applying technology to a limited extent, as they see its benefits for their personal purposes only instead of its possible contribution to their business operations. Due the MSME's low of awareness and engagement of technology, they tend to be doubtful about the return on investment in technology adoption (Singh, 2014).

Theoretical Framework:

The theory of entitativity was created by Donald T. Campbell in 1958 in his paper titled "Common fate, similarity, and other indices of the status of aggregates of persons as social entities" to describe the nature of groups. Campbell defines entitativity as the degree to which a collection of individual entities perceived as belonging to a group. He further gave explanation on why groups are a separate pure body than its individuals.

Entitativity has been used on different fields other than social psychology. It was also adapted on business-related research like how Yang Shuiqing, Lu Yaobin, Ling Zhao and Sumeet Gupta created their research titled "Empirical investigation of customer's channel extension behavior: Perceptions shift toward the online channel." This study focuses on determining the factors which affect the customers' behavior in shifting from an offline to an online

channel. It also suggests hypotheses that include perceived service quality, perceived entitativity and self-efficacy for change of customers.

Yang et. al's use of theory of entitativity focuses on the shift of perception from offline to the online channel. Perceived offline service quality influences perceived online service quality both directly as well as indirectly through perceived entitativity. Perceived online service quality, in turn influences customers' behavior towards the online channel extension. The results also demonstrate that self-efficacy for change directly influences behavior towards the online channel extension, and it also has an important moderating influence on relationship between perceived offline service quality and perceived online service quality. Customer channel extension behavior as well offer practical insights to organization for managing such channel extension process.

Perceived entitativity, perceived service quality, and self-efficacy for change might offer an explanation why consumers of one channel extend their consumption to another channel.

In the information, system literature, the concept of entitativity has been applied to study the transfer of trust and usage among different entities. High perceived entitativity between an unknown target and a trusted target will lead to strong initial trusting belief about the unknown target.

According to the theory of entitativity, the perceptions of the entitativity would strongly affect the information impression formation and processing (Crawford et. Al). If the perceived entitativity is high, the group will be perceived as a coherent unit, and the new extension target will be more easily reconciled with the original target in people's memory. If the perceived entitativity is low, customers may question behind the firm's extending to the new target (e.g., Peijian et. al., 2009)

This study will incorporate the research model of the work mentioned above presented by Yang et. al. Unlike the original framework, researchers use the model in emphasizing the business' perceived service quality, perceived entitativity and self-efficacy for change.

In this theory, a business with the feature of entitativity, or the degree to which a collection of individual entities perceived as a belonging to a group and self-efficacy for change, have an effect to customers in which they choose a business' product/s. Customers considers the way the product is made and why the product is made, this is why there is a theory of entitativity wherein customers choice/s are shifted to online shopping from virtual stores because customers are meticulous for not only the popularity of the product or the label but also the product itself, the quality and the fast service.

This is where self-efficacy for change will be visible, self-efficacy for change is the ability to finish a task or work as much as possible. With the help of theory of entitativity and self-efficacy for change, the online shops are rising with these features because of the customers' perceived perception of high-quality products and fast services. That is why businesses in the first place are building businesses considering the fast pace of customers' perception.

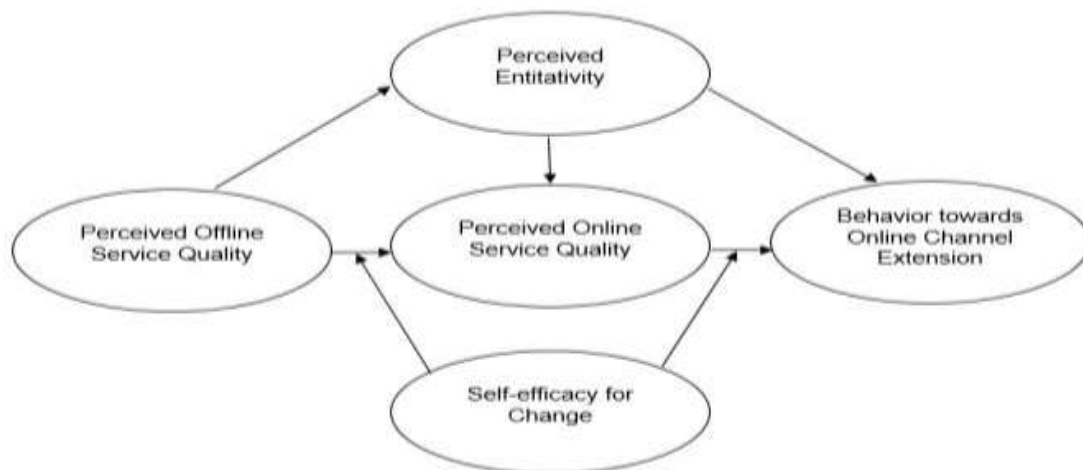


Figure 1:- Research Model (Yang et. al).

Statement of the Problem

This study aims to identify the willingness of Micro, Small, and Medium Enterprise with regards to the business sales channel extension, which leads them to establish their online store aside from their existing physical business entity. It also aims to identify the factors that MSME owners take into consideration in handling their business, through answering the following guide questions:

1. What are the factors that MSME owners take into consideration in the creation and delivery of their products/services to customers?
2. What is the perceived entitativity of MSME owners based on the: Factors that lead MSME owners to extend their physical store to an online business Factors that prevent MSME owners in considering business channel extension
3. What is the perceived quality of business owners that may affect their decision to extend their physical stores to an online business?
4. What is the rate of confidence (self-efficacy for change) of MSME owners on the following: Their ability to advance in an online channel Their belief on online channel's advantages

Scope and Limitations:

This study is conducted primarily for the purpose of determining the perception of Micro, Small, and Medium Enterprises (MSMEs) on business channel extension. Through this paper, we will identify the impact of perceived service quality, perceived entitativity and self-efficacy for change of the MSMEs on extending from offline to online channel. The main source of data was gathered through the 39 business owners within the vicinity of Robinsons, Novaliches, Quezon City by using the Guided-Response and Rating Scale questionnaire. This population size of participants focused only with those under clothing businesses. Participants have limited responses through the use of scales and did not have brief explanations for their answer.

Methodology:-

Aside from using a primary source of data which is conducting a survey, this study also uses some secondary sources of data such as internet and books. The researchers gathered information through legitimate online journal websites and a few available books on the library which is related to the topic of this research. These data comes from both local and foreign sources.

The researchers used Guided-Response type and Rating Scale type questionnaire as a measurement device. The researcher used these questionnaires to determine the impact of perceived service quality, perceived entitativity and self-efficacy for change of the MSMEs on shifting from an offline to an online channel extension.

This technique was used to help the respondents for measuring their answers to the questions in the questionnaire by rating it from the range of numbers given.

4-Point Modified Scale:

Rating Scale	Range	Interpretation
1	1 – 1.75	Not Important
2	1.76 – 2.50	Less Important
3	2.51-3.25	Important
4	3.26-4	Very Important

Likert Scale:

Rating Scale	Range	Interpretation
1	1 – 1.80	Strongly Disagree
2	1.81 – 2.60	Disagree
3	2.61 – 3.40	Neutral
4	3.41 – 4.20	Agree
5	4.21 – 5.00	Strongly Agree

Self-Efficacy Scale:

Rating Scale	Range	Interpretation
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0	0	Cannot do at all/ Do not believe at all
1	1.0-1.9	Below moderately can do/ Below moderately believe
2	2.0-2.9	Below moderately can do/ Below moderately believe
3	3.0-3.9	Below moderately can do/ Below moderately believe
4	4.0-4.9	Below moderately can do/ Below moderately believe
5	5.0-5.9	Moderately can do/ Moderately believe
6	6.0-6.9	Above moderately can do/ Above moderately believe
7	7.0-7.9	Above moderately can do/ Above moderately believe
8	8.0-8.9	Above moderately can do/ Above moderately believe
9	9.0-9.9	Above moderately can do/ Above moderately believe
10	10	Highly certainly can do/Highly certainly believe

Research Design:

This study is a quantitative research about the impact of perceived service quality, perceived entitativity and self-efficacy for change of the MSMEs in shifting from offline to online channel extension. The researcher utilize descriptive research design since its main purpose is to find the impact of the three factors mentioned above in the business' channel extension behavior and to describe the current status of MSMEs which entities are solely offline and solely online.

Data Gathering Procedure:

The researcher conducted a questionnaire method using non-probability sampling which are purposive and quota sampling techniques, wherein the selected respondents are those who can only satisfy the given qualifications and specified number of respondents of certain types is included in answering all the questions that were specifically created for clothing business owners. The researchers interviewed 39 business owners within the vicinity of Robinsons, Novaliches, Quezon City by means of conducting a Guided-Response and Rating Scale type of questionnaire which is based on the purpose and statement of the problem of this research. The questions that the researcher provided are inclined with perceived service quality, perceived entitativity and self-efficacy for change intended for business owners.

Sample Size:

The researchers conducted a survey to MSME owners that focuses on clothing business at Robinsons Place Novaliches which has a total population of 44. This said population came up with 39 sample size respondents using the sample size formula of sample size calculator.

$$SS = \frac{Z^2(P)(1 - P)}{c^2}$$

Where:

Z= 1.96 for 95% confidence level

P= 0.5

c= 0.05 confidence interval

Solution:

$$SS = \frac{[(1.96)^2](0.5)(1 - 0.5)}{(0.05)^2}$$

SS=384.16

Formula for finite population

$$\text{NewSS} = \frac{SS}{1 + \frac{SS-1}{\text{pop}}}$$

Where: pop = population

Solution:

$$\text{NewSS} = \frac{384.16}{1 + \frac{384.16-1}{44}}$$

New SS= 39. 57074632 or 39

Data analysis

Data gathered from MSME owners were analyzed. The following tables are the result from the survey conducted at Robinsons Place Novaliches.

Table 1:-

Frequency and Percentage Distribution of the Respondents in the Terms of Age		
AGE	FREQUENCY	PERCENTAGE
20-25	17	43.6
26-31	14	35.9
32-37	5	12.8
38-43	2	5.1
44-49	1	2.6
Total	39	100.0

Table 2:-

Factors in Considerations on the Creation and Delivery of your Product/s to Customers						
FACTORS	4 (IV)	3 (I)	2 (LI)	1 (NI)	WM	VI
Affordable price	33	6	0	0	3.85	Very Important
Quality products	36	3	0	0	9.92	Very Important
Branding	17	17	5	0	3.31	Important
Accessibility	22	15	2	0	3.51	Very Important
Service quality	29	9	0	1	3.69	Very Important
OVERALL WEIGHTED MEAN:					3.656	Very Important

Legend: 1 – 1.75 Not Important (NI), 1.76 – 2.50 Less Important (LI), 2.51 – 3.25 Important (I), 3.26 – 4 Very Important (VI)

Table 3:-

Factors in Consideration for Business' Sales Channel Extension (Offline-Online)							
FACTORS	5 (SA)	4 (A)	3 (N)	2 (D)	1 (SD)	WM	VI
Boost popularity of the business and its products	27	10	1	1	0	4.62	Strongly Agree
Continuous development of technology	19	17	3	0	0	4.41	Strongly Agree
Better promotions	22	13	4	0	0	4.46	Strongly Agree
Better marketing	24	13	2	0	0	4.56	Strongly Agree
Attract better and wider market	27	11	1	0	0	4.67	Strongly Agree
OVERALL WEIGHTED MEAN:						4.544	Strongly Agree

Legend: 1-1.80 Strongly Disagree (SD), 1.81-2.60, Disagree (D), 2.61-3.40 Neutral (N), 3.41-4.20 Agree (A), 4.21-5.00 Strongly Agree (SA)

Table 4:-

Factors in the Absence of Consideration for Business Sales Channel Extension							
FACTORS	5 (SA)	4 (A)	3 (N)	2 (D)	1 (SD)	WM	VI
High expenses	13	13	10	2	1	3.90	Agree
Lack of materials/resources	11	16	6	6	0	3.82	Agree
Enough profit from the current channel extension	13	19	5	1	1	4.08	Agree
Inadequate skills in adapting online channel	15	17	4	1	2	4.08	Agree
OVERALL WEIGHTED MEAN:						3.97	Agree

Legend: 1-1.80 Strongly Disagree (SD), 1.81-2.60, Disagree (D), 2.61-3.40 Neutral (N), 3.41-4.20 Agree (A), 4.21-5.00 Strongly Agree (SA)

Table 5:-

Determination of the Perceived Service Quality of MSME Owners						
FACTORS	4 (IV)	3 (I)	2 (LI)	1 (NI)	WM	VI
Quality of store equipment	26	13	0	0	3.67	Very Important
Internal/external store appearance	30	9	0	0	3.77	Very Important
Employee appearance	24	15	0	0	3.62	Very Important
Appearance of promotional materials	26	13	0	0	3.67	Very Important
Excellent delivery service (if available)	26	12	1	0	3.64	Very Important
Excellent service of employees (e.g. courteousness, attentively, willingness to cater customers)	34	5	0	0	3.87	Very Important
Convenient operating hours	29	8	2	0	3.69	Very Important
Safe and honest transaction	32	7	0	0	3.82	Very Important
OVERALL WEIGHTED MEAN:					3.72	Very Important

Legend: 1 – 1.75 Not Important (NI), 1.76 – 2.50 Less Important (LI), 2.51 – 3.25 Important (I), 3.26 – 4 Very Important (VI)

Table 6:-

Self-efficacy to advance in an online channel													
Factors	0	10	20	30	40	50	60	70	80	90	100	WM	VI
Subscribe into webpage/website plans.	1	0	1	1	1	7	3	5	13	1	6	6.92	AMCD
Sign up for free account or page in social media sites.	1	0	0	1	1	7	2	1	9	7	10	7.59	AMCD
Do promotional activities online	1	1	1	1	1	4	1	4	9	6	10	7.44	AMCD
Spend time answering inquiries on page/site.	1	2	2	1	0	6	3	4	9	3	8	6.77	AMCD
Accept orders sent online.	1	2	0	1	1	4	1	1	6	3	19	7.87	AMCD
Have a chance to extend your business to online	1	0	0	2	0	6	0	2	7	5	16	7.97	AMCD
Technology has an impact to the business.	1	0	0	2	1	3	3	3	6	2	18	7.95	AMCD
OVERALL WEIGHTED MEAN:												7.501	AMCD

Legend: 0 Cannot do at all (CDA), 1 – 4.9 Below Moderately Can Do (BMCD), 5 – 5.9 Moderately Can Do (MCD), 6 – 9.9 Above Moderately Can Do (AMCD), 10 Highly Certain Can Do (HCCD)

Table 7:-

Self-efficacy on online channel extension													
Factors	0	10	20	30	40	50	60	70	80	90	100	WM	VI
Buying online is efficient.	1	0	0	0	1	8	3	4	6	3	13	7.56	AMB
Online business has competitive advantage.	1	1	0	0	2	3	3	3	8	2	16	7.82	AMB
Online business can have wide categories of product.	1	0	0	0	2	1	3	3	13	4	12	8.00	AMB
Ratings and comments of the product are true.	1	0	0	0	2	6	3	5	8	5	9	7.44	AMB
Have a chance to extend offline business.	1	0	0	0	1	3	2	4	8	3	17	8.21	AMB
OVERALL WEIGHTED MEAN:												7.81	AMB

Legend: 0 Do not believe (DNB), 1 – 4.9 Below moderately believes (BMB), 5 – 5.9 Moderately Believes (MCD), 6 – 9.9 Above moderately believes (AMB), 10 Highly certain believes (HCCD)

Results and Discussion:-

Part I:

Years In Business Sector	Frequency	Percent
1 year below	10	25.6
2-3 years	16	41.0
4-5 years	8	20.5
6 years	5	12.8
Total	39	100.0
Years Of Business		
1 year below	7	17.9
2-3 years	15	38.5
4-5 years	8	20.5
6 years above	9	23.1
Total	39	100.0
Form Of Enterprise		
Sole Proprietorship	25	64.1
Partnership	14	35.9
Total	39	100.0
Type Of Business		
Manufacturing Business	1	2.6
Merchandising Business	38	97.4
Total	39	100.0
Start-Up Capital		
Php 5000 below	12	30.8
Php 6000 - Php 10000	9	23.1
Php 11000 - Php 15000	4	10.3
Php 16000 above	14	35.9
Total	39	100.0

Part II:

B1. 33 respondents say that in consideration on the creation of products to customers, affordable price is very important.

	Frequency	Percent
Important	6	15.4
Very Important	33	84.6
Total	39	100.0

B2. For the 92% MSME's owner's respondent, quality of product is very important in consideration on the creation of products to customers, while the 8% respondent says it is important.

	Frequency	Percent
Important	3	7.7
Very Important	36	92.3
Total	39	100.0

B3. Only 5 over 39 respondents answered that branding is less important in consideration on the creation of products to customers, while the rest are saying that branding is really a matter for them.

	Frequency	Percent
Less Important	5	12.8
Important	17	43.6
Very Important	17	43.6
Total	39	100.0

B4. Accessibility is very important for the 56% MSME's owners respondent in consideration on the creation of products to customers.

	Frequency	Percent
Less Important	2	5.1
Important	15	38.5
Very Important	22	56.4
Total	39	100.0

B5. According to 29 respondents which is 74%, says that service quality is very important in consideration on the creation of products to customers.

	Frequency	Percent
Not Important	1	2.6
Important	9	23.1
Very Important	29	74.4
Total	39	100.0

Factors in Consideration on the Creation and Delivery of your Product/s to Customer						
FACTORS	4 (IV)	3 (I)	2 (LI)	1 (NI)	WM	VI
Affordable price	33	6	0	0	3.85	Very Important
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Accessibility	22	15	2	0	3.51	Very Important
Service quality	29	9	0	1	3.69	Very

						Important
OVERALL WEIGHTED MEAN:					3.656	Very Important

Factors in consideration on the creation and delivery of products to customers such as affordable price, quality product, branding, accessibility and service quality are very important to the MSMEs owners as what the respondents perceived it to be. Papanastassiou and Rougani stated that, offering lower price, better service, good quality were analyzed in consumer behavior.

Thus, Khasawneh said that people prefer the branded products because they consider that branded items have more quality than non-branded products. Additionally, Zeithaml expresses price-quality relationship association of factors affecting purchase decisions of consumers.

Part III:

C1. The 69.2% which is 27 out of the 39 respondents strongly agreed that one of the factors of business sales channel extension is boosting the popularity of the business and its products.

0	Frequency	Percent
Disagree	1	2.6
Neutral	1	2.6
Agree	10	25.6
Strongly Agree	27	69.2
Total	39	100.0

C2. 19 respondents which is the 48.7% of the 39 respondents strongly agreed that the continuous development of technology is one of the factors in consideration for business sales channel extension.

	Frequency	Percent
Neutral	3	7.7
Agree	17	43.6
Strongly Agree	19	48.7
Total	39	100.0

C3. Out of the 39 respondents, 22 or 56.4% strongly agreed that one of the factors to consider in business sales channel extension is the better promotions.

	Frequency	Percent
Neutral	4	10.3
Agree	13	33.3
Strongly Agree	22	56.4
Total	39	100.0

C4. 61.5% or the 24 respondents out of 39 strongly agreed that one of the factors in considerations for business sales channel extension is the better marketing.

	Frequency	Percent
Neutral	2	5.1
Agree	13	33.3
Strongly Agree	24	61.5
Total	39	100.0

C5. 27 respondents or the 69.2% of the 39 respondents strongly agreed that attracting better and wider market is one of the factors in consideration for business channel extension.

	Frequency	Percent
Neutral	1	2.6
Agree	11	28.2
Strongly Agree	27	69.2
Total	39	100.0

Factors in Consideration for Business Sales Channel Extension (Offline-Online)							
FACTORS	5 (SA)	4 (A)	3 (N)	2 (D)	1 (SD)	WM	VI
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Better marketing	24	13	2	0	0	4.56	Strongly Agree
Attract better and wider market	27	11	1	0	0	4.67	Strongly Agree
OVERALL WEIGHTED MEAN:						4.544	Strongly Agree

According to Nair, the number of e-commerce sites and e-commerce mobile applications are growing larger and faster, making these businesses recognized by many people around the world. Thus, it reflects to the 69.2% of the total respondents who agreed that boosting the popularity of the business as well as its products is one of the factors to consider in business channel extension. These business firms believe that internet has an impact on the demand of their business in the market. 48.7% of the 39 respondents agreed that the continuous development of technology is one of the factors in consideration for business channel extension. It relates to what Nguyen stated, that E-commerce became a new field of application of internet technology. Technology is definitely widely used today and with the continuous application of this in businesses, firms explores and discovers how to use the internet effectively and also how to make their business viable and successful. Large number of the respondents agreed that better promotions and wider market are one of those significant factors in consideration for business channel extension. According to Zhu, et. al., business firms are expanding their business channels to get the most out of their ongoing multi-channel businesses and to create a sustainable buyer and seller environment in the society.

Part IV:

D1. 26 or 67% of the 39 respondents agrees that high expenses is one of the factor in the absence of consideration for business channel extension.

	Frequency	Percent
Strongly Disagree	1	2.6
Disagree	2	5.1
Neutral	10	25.6
Agree	13	33.3
Strongly Agree	13	33.3
Total	39	100.0

D2. Out of 39 respondents, 16 or 41% of them agrees that lack of materials/resources is the factor in the absence of consideration for business extension.

	Frequency	Percent
Disagree	6	15.4
Neutral	6	15.4
Agree	16	41.0
Strongly Agree	11	28.2
Total	39	100.0

D3. Enough profit from the current channel is one of the factors in the absence of consideration for business extension, that 19 or 48.7% of the 39 respondents agrees.

	Frequency	Percent
Strongly Disagree	1	2.6
Disagree	1	2.6
Neutral	5	12.8
Agree	19	48.7
Strongly Agree	13	33.3
Total	39	100.0

D4. 17 or 44 of the 39 respondents agrees that inadequate skills in adopting online channel is one of the factors in the absence of consideration for business channel extension.

	Frequency	Percent
Strongly Disagree	2	5.1
Disagree	1	2.6
Neutral	4	10.3
Agree	17	43.6
Strongly Agree	15	38.5
Total	39	100.0

Factors in the Absence of Consideration for Business Channel Extension							
FACTORS	5 (SA)	4 (A)	3 (N)	2 (D)	1 (SD)	WM	VI
High expenses	13	13	10	2	1	3.90	Agree
Lack of materials/resources	11	16	6	6	0	3.82	Agree
Enough profit from the current channel extension	13	19	5	1	1	4.08	Agree
Inadequate skills in adapting online channel	15	17	4	1	2	4.08	Agree
OVERALL WEIGHTED MEAN:						3.97	Agree

The constraints or hindrances to the growth and development of Micro, Small and Medium Enterprises are categorized into two: the non-financial barriers and the financial barriers or access to finance. The non-financial barriers such as cost of getting electricity, heavy regulation, high tax rates and corruption are the factors that discourages the formation of new MSMEs and the entry of existing MSMEs into larger markets (Senate economic planning office, 2012). Based from the survey that was conducted at Robinsons Place Novaliches, most of the MSME owners agrees that high expenses, lack of materials or resources and enough profit from the current channel are the reasons that discourage them from having business channel extension. Furthermore, 17 or 44% of the 39 respondents agrees that one of the factor in their absence of consideration for business channel extension is inadequate skills in adopting online channel which is caused by their lack of awareness and engagement of technology, as they are doubtful about the return on investment in technology adoption (Singh, 2014).

Part V:

E1. Quality of store equipment • Out of 39 respondents, 26 of them or 66.7% consider the quality of store equipment as very important.

	Frequency	Percent
Important	13	33.3
Very Important	26	66.7
Total	39	100.0

E2. International/External store appearance • In 39 survey forms, 77% (30 respondents) sets the internal/external store appearance as very important

	Frequency	Percent
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Important	9	23.1
Very Important	30	76.9
Total	39	100.0

E3. Employee Appearance • 24 business owners, out of 39 takes responsibility in their employees' appearance (61.75%) as very important

	Frequency	Percent
Important	15	38.5
Very Important	24	61.5
Total	39	100.0

E4. Appearance of promotional materials • 66.7% (26) of 100% (39) view the appearance of promotional materials as very important.

	Frequency	Percent
Important	13	33.3
Very Important	26	66.7
Total	39	100.0

E5. Excellent Delivery Service (if only available) • Only 1 person considers the excellent delivery service as less important but 26 persons out of 39 specify that this is very important.

	Frequency	Percent
Less Important	1	2.6
Important	12	30.8
Very Important	26	66.7
Total	39	100.0

E6. Excellent Service of Employees • Out of 39 respondents, 34 of them (87%) considers the excellent service of employees as very important

	Frequency	Percent
Important	5	12.8
Very Important	34	87.2
Total	39	100.0

E7. Convenient Operating Hours • In 39 survey forms, 74% (29 respondents) sets the convenient operating hours as very important but 5% (2 respondents) of it, thought this as less important

	Frequency	Percent
Less Important	2	5.1
Important	8	20.5
Very Important	29	74.4
Total	39	100.0

E8. Safe and Honest Transaction • 32 business owners, out of 39 business owners takes responsibility about safe and honest transaction (82%)

	Frequency	Percent
Important	7	17.9
Very Important	32	82.1
Total	39	100.0

Determination of the Perceived Service Quality of MSME Owners						
FACTORS	4 (IV)	3 (I)	2 (LI)	1 (NI)	WM	VI
Quality of store equipment	26	13	0	0	3.67	Very Important
Internal/external store appearance	30	9	0	0	3.77	Very Important
Employee appearance	24	15	0	0	3.62	Very Important
Appearance of promotional materials	26	13	0	0	3.67	Very Important
Excellent delivery service (if available)	26	12	1	0	3.64	Very Important
Excellent service of employees (e.g. courteousness, attentively, willingness to cater customers)	34	5	0	0	3.87	Very Important
Convenient operating hours	29	8	2	0	3.69	Very Important
Safe and honest transaction	32	7	0	0	3.82	Very Important
OVERALL WEIGHTED MEAN:					3.72	Very Important

Based on the tables, the determination of the perceived service quality of MSME owners are very important for the owners of the said shops but in some cases, some of the determinants are considered less important like the convenience in operating hours and the excellence in delivery service.

More than half of the respondents said that the quality of their store equipment is very important. It is said that this kind of technology or equipment helps the businesses to perform better (Tang et. al., 2007) Businesses nowadays become competitive, flexible and adaptive (Chan and Chan, 2010) because of the fast pace of consumers change of mind that is according to the product they need or want (Maruffuzzaman and Ashan, 2009) and the appearance of the store affects the decision making of the customer, so 77% of 39 business owners agreed that the appearance of the store should be appealing as it is labeled as very important. Employees' appearance can also affect the consumers to buy the product they offer. 24 out of 39 owners consider that the employees' appearance should be presentable. Customers are affected in the way the service provider physical attractiveness such as friendliness, credibility and competence. And can be enhanced by employing appropriate dress code that represents the business (Kusluvan) Whether companies are looking to increase their profits motivate staff, encourage customers to visit a store/website or to introduce a new product to the market, promotional products are the answer. (Anderson, Malinova 2012) Based on this information, this is highly recommended for the owners to improve their promotional material, which is also said by them that the appearance of the promotional material is very important (66.7%).

26 businesses of 39 like the fact that the excellent delivery service should be implemented because this is very important. Especially, if it provides easier order tracking as said on how this relative advantage and it has a positive effect towards e-commerce implementation (Baldwin, Lymer, and Johnson, pp. 109). As it includes in Relative Advantage, improved communication with consumers (Baldwin, Lymer and Johnson, pp. 109) should be better in physical stores compared to the connection between e-commerce and customers, so almost all of the MSMEs answered the survey (34 out of 39) hold to the idea of the employees' excellence in service. Almost $\frac{3}{4}$ of the respondents, (74%) believes that the convenience in the operating hours of their business is classified as very important. The convenience of the customers is found in one of the domain service convenience such as operating hours (Berry et al., p.1). Trust in online interactions is derived from positive, familiar and secure and honest transactions that are repeated between consumers and vendors. (Trotta 2018), thus the majority of the business owners rated the safe and honest transactions as very important also to build good relations with customers.

Part VI:

F1. Out of 39 respondents, 16 which is 14% of the respondents are highly certainly can do to subscribe into webpage.

Rate	Frequency	Percent
0	1	2.6
20	1	2.6
30	1	2.6
40	1	2.6

50	7	17.9
60	3	7.7
70	5	12.8
80	13	33.3
90	1	2.6
100	6	15.4
Total	39	100.0

F2. 10 respondents which is the 27% of 39 respondents who answered that they are 100% confident to sign up for free account or page in social media sites.

Rate	Frequency	Percent
0	1	2.6
30	1	2.6
40	1	2.6
50	7	17.9
60	2	5.1
70	1	2.6
80	9	23.1
90	7	17.9
100	10	25.6
Total	39	100.0

F3. 27% or 10 out of 39 respondents who are highly certainly can do the promotional activity online.

Rate	Frequency	Percent
0	1	2.6
10	1	2.6
20	1	2.6
30	1	2.6
40	1	2.6
50	4	10.3
60	1	2.6
70	4	10.3
80	9	23.1
90	6	15.4
100	10	25.6
Total	39	100.0

F4. 9 respondents which is the 23% of 39 respondents who are 80% confident to spend time answering inquiries on page/site.

Rate	Frequency	Percent
0	1	2.6
10	2	5.1
20	2	5.1
30	1	2.6
50	6	15.4
60	3	7.7
70	4	10.3
80	9	23.1
90	3	7.7
100	8	20.5
Total	39	100.0

F5. Out of 39 respondents, 19 which is the 49% of the respondents who are 100% confident to accept orders sent online.

Rate	Frequency	Percent
0	1	2.6
10	2	5.1
30	1	2.6
40	1	2.6
50	4	10.3
60	1	2.6
70	1	2.6
80	6	15.4
90	3	7.7
100	19	48.7
Total	39	100.0

F6. 16 respondents which is the 41% of the 39 respondents who are highly certainly can do to extend their business online, while 1 or 26% of the respondents who cannot do it at all.

Rate	Frequency	Percent
0	1	2.6
30	2	5.1
50	6	15.4
70	2	5.1
80	7	17.9
90	5	12.8
100	16	41.0
Total	39	100.0

F7. 18 or 46% of 39 respondents who are 100% confident that technology has an impact to the business.

Rate	Frequency	Percent
0	1	2.6
30	2	5.1
40	1	2.6
50	3	7.7
60	3	7.7
70	3	7.7
80	6	15.4
90	2	5.1
100	18	46.2
Total	39	100.0

Self-efficacy to advance in an online channel													
Factors	0	10	20	30	40	50	60	70	80	90	100	WM	VI
Subscribe into webpage/website plans.	1	0	1	1	1	7	3	5	13	1	6	6.92	AMCD
Sign up for free account or page in social media sites.	1	0	0	1	1	7	2	1	9	7	10	7.59	AMCD
Do promotional activities online	1	1	1	1	1	4	1	4	9	6	10	7.44	AMCD
Spend time answering inquiries on page/site.	1	2	2	1	0	6	3	4	9	3	8	6.77	AMCD
Accept orders sent online.	1	2	0	1	1	4	1	1	6	3	19	7.87	AMCD

Have a chance to extend your business to online	1	0	0	2	0	6	0	2	7	5	16	7.97	AMCD
Technology has an impact to the business.	1	0	0	2	1	3	3	3	6	2	18	7.95	AMCD
OVEALL WEIGHTED MEAN:												7.501	AMCD

Out of 39 respondents, 16 which is 41% of the respondents are highly certainly can do to subscribe into webpage. This shows that Internet usage has increased tremendously and rapidly in the past decade ("Internet Use Over Time," 2014). Websites have become the most important public communication portal for most, if not all, businesses and organizations. A well-designed website with high usability has been found to positively influence visitor retention (revisit rates) and purchasing behavior (Avouris, Tselios, Fidas, & Papachristos, 2003; Flavián et al., 2006; Lee & Kozar, 2012). 27% of 39 respondents that they are highly certainly can do the promotional activity online. This means that providing shopping services on social networks can provide business growth for retailers due to the diversity of consumers who use social media sites. The wide range of consumers utilizing social networks means that most target markets can be reached (Cha 2009). This provides an effective platform for retailers to promote their brand and products to potential consumers. According to Shankar et al. (2011), shopper marketing can join forces with shoppers to improve products, create clear messages, identify promoters, and serve as a connection to in-store activities, thus demonstrating the importance of social media within a retailer's marketing plan. Advancements within social media sites have created consumer communities that are defining new ways in which companies and customers can interact with one another to share information on brand products. Out of 39 respondents, 19 which is the 49% of the respondents who are 100% confident to accept orders sent online. This manifest that MSMEs are facing cutthroat competition at local, national, and international level. To keep their position intact and sustained in a long run in this highly competitive market, they need to cope up with the changes in technologies. Like E-Commerce (EC), wherein they can buy and sell goods over the internet. 16 respondents which is the 41% of the 39 respondents who are highly certainly can do to extend their business online, while 1 or 26% of the respondents who cannot do it at all. This reveals that Internet, as the most significant technological phenomenon today, provides competitive opportunities to firms (Othman, et.al, 2010). Businesses of all sizes have the opportunity to build competitive advantage with the use of internet. The main purpose of using the web is to increase sales, profits and decrease costs in negotiating a purchase-and-sale transaction (Koon Ang S., & Husain, W., 2012). Online channels can increase in sales due to increasing penetration of the Internet worldwide (Schubert, P. et. al., 2011). 18 or 46% of 39 respondents who are 100% confident that technology has an impact to the business. This result is definite that adopting e-business, this improve the firm's competing ability, since businesses are being competition focus (Xiaoming M., 2010). Increasing global competition has led businesses to consider e-business strategies. E-business technologies present unique opportunities and challenges for businesses, and Small & Medium Enterprises (SMEs) are no exception (Elragal, A. and Abouseif, H., 2011). Early adoption of these technologies can give an SME a competitive advantage that is sustainable (Goessl, L., 2001).

Part VII:

G1. Out of 39 respondents, 13 or 33% of the respondents who are 100% confident that buying online is efficient.

Rate	Frequency	Percent
0	1	2.6
40	1	2.6
50	8	20.5
60	3	7.7
70	4	10.3
80	6	15.4
90	3	7.7
100	13	33.3
Total	39	100.0

G2. 16 or 41% of 39 respondents who are 100% confident that online business has competitive advantage

Rate	Frequency	Percent
0	1	2.6
10	1	2.6

40	2	5.1
50	3	7.7
60	3	7.7
70	3	7.7
80	8	20.5
90	2	5.1
100	16	41.0
Total	39	100.0

G3. Out of 39 respondents, 13 or 33% of the respondents who are 80% confident that online business can have wide categories of product.

Rate	Frequency	Percent
0	1	2.6
40	2	5.1
50	1	2.6
60	3	7.7
70	3	7.7
80	13	33.3
90	4	10.3
100	12	30.8
Total	39	100.0

G4. 23% or 8 out of 39 respondents who are 100% confident that the ratings and comments of the products are true.

Rate	Frequency	Percent
0	1	2.6
40	2	5.1
50	6	15.4
60	3	7.7
70	5	12.8
80	8	20.5
90	5	12.8
100	9	23.1
Total	39	100.0

G5. 17 or 44% of 39 respondents who are 100% confident that they have a chance to extend offline business.

Rate	Frequency	Percent
0	1	2.6
40	1	2.6
50	3	7.7
60	2	5.1
70	4	10.3
80	8	20.5
90	3	7.7
100	17	43.6
Total	39	100.0

Self-efficacy on online channel's extension													
Factors	0	10	20	30	40	50	60	70	80	90	100	WM	VI
Buying online is efficient.	1	0	0	0	1	8	3	4	6	3	13	7.56	AMB
Online business has competitive advantage.	1	1	0	0	2	3	3	3	8	2	16	7.82	AMB
Online business can have wide categories of product.	1	0	0	0	2	1	3	3	13	4	12	8.00	AMB
Ratings and comments of the product are true.	1	0	0	0	2	6	3	5	8	5	9	7.44	AMB
Have a chance to extend offline business.	1	0	0	0	1	3	2	4	8	3	17	8.21	AMB
OVEALL WEIGHTED MEAN:												7.81	AMB

Multiple studies focused on consumer behavior have proven that shopping online is efficient. Katewatawaraks and Cheng included cost and time efficiency in the four categories of motivations which lead consumers to buy online. Lee et. al also concluded in their study that electronic markets are more efficient than conventional retail markets. After our interpreting our results, we have come to relate that business owners do believe that online transactions are efficient.

Respondents also has an above moderate belief that online businesses have a competitive advantage and offers a variety of products. This result did not contradict both Lim and Dubinsky (2004), and Prasad and Aryasri (2009)'s statement that online store provides more variety of products and services that customers can choose from.

Business owners do above moderately believe that ratings and comments on online business are true. Above moderation result was also indicated in their belief that they have a chance to extend online.

Conclusion:-

The MSME owners in Robinsons Place Novaliches have the willingness to extend their business from their existing physical stores to an online channel. Moreover, the perceived entitativity as a group of all MSMEs who sell clothes in Robinsons Place Novaliches states that having an online channel is not significant, since all of them sees that the perceived offline service quality is very important.

On the other hand, the perceived entitativity of MSME owners as an individual implies that they have the ability to extend their business online because their self-efficacy for change is above moderate, but not highly certain. Thus, the remaining percentage means that they still have doubt with regards on engaging to online business, due to the factors which constraints them from doing so, such as high expenses, lack of materials/resources, enough profit from current sales channel and inadequate skills to adapt online channel.

Recommendation:-

Based on the findings and conclusions of this study, the following recommendations are offered.

The variant of sales channel should be widely discussed directly to business owners to provide options that best fits for the distribution of the business' products.

The consideration of digitalizing the approach of delivering the products to consumer is suggested to penetrate the market.

The use of technology is highly recommended in business sales channel to sustain the competition in the market.

The recommendations to Robinson Place Novaliches are;

Seminars about business sales channel extension amongst business owners selling clothes should be implemented.

Peer-to-peer session between the management and business owners, management and customers, and business owners and customers is ideal to meet the need of the sales channel extension.

The recommendation to the future researchers;

This study should prosper with your help in extending your ability to look and/or study a new approach of business sales channel based from the current demand of your time and what will be in the future.

Furthermore, this study should increase knowledge to the readers in gathering the market perception specifically in Robinson Place Novaliches about the willingness of the business owners selling clothes in extending their current business sales channel (offline to online).

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Appendix I:-

RESEARCH QUESTIONNAIRE

NAME:

AGE:

SEX: ___ Male ___ Female

PART I. BACKGROUND INFORMATION

Directions: Shade the circle of your answer.

1. How long is your experience in the business field?
 - ☐ 1 year below
 - ☐ 2-3 years
 - ☐ 4-5 years
 - ☐ 6 years above
2. How long is your business running?
 - ☐ 1 year below
 - ☐ 2-3 years
 - ☐ 4-5 years
 - ☐ 6 years above
3. What is your business' form of enterprise?
 - ☐ Sole Proprietorship
 - ☐ Partnership
4. What is the type of your business?
 - a) Manufacturing Business
 - b) Merchandising Business
5. How much is your start-up capital?
 - ☐ Php 5,000 below
 - ☐ Php 6,000 – Php 10,000
 - ☐ Php 11,000 – Php 15,000
 - ☐ Php 16,000 above

PART II. FACTORS IN CONSIDERATION ON THE CREATION AND DELIVERY OF YOUR PRODUCT/S TO CUSTOMERS

Directions: Put a check (✓) to the column that corresponds to your answer.

	Very Important (4)	Important (3)	Less Important (2)	Not Important (1)
Affordable price				
Quality products				

Branding				
Accessibility				
Service quality				

PART III. FACTORS IN CONSIDERATION FOR BUSINESS SALES CHANNEL EXTENSION (OFFLINE TO ONLINE)

Directions: Put a check (✓) to the column that corresponds to your answer.

	Strongly Agree (5)	Agree (4)	Neutral (3)	Disagree (2)	Strongly Disagree (1)
Boost popularity of the business and its products					
Continuous development of technology					
Better promotions					
Better marketing					
Attract better and wider market					

PART IV. FACTORS IN THE ABSENCE OF CONSIDERATION FOR BUSINESS SALES CHANNEL EXTENSION

Directions: Put a check (✓) to the column that corresponds to your answer.

	Strongly Agree (5)	Agree (4)	Neutral (3)	Disagree (2)	Strongly Disagree (1)
High expenses					
Lack of materials/resources					
Enough profit from the current channel extension					
Inadequate skills in adapting online channel					

PART V. DETERMINATION OF THE PERCEIVED SERVICE QUALITY OF MSME OWNERS

Directions: Put a check (✓) to the column that corresponds to your answer.

	Very Important (4)	Important (3)	Less Important (2)	Not Important (1)
Quality of store equipment				
Internal/external store appearance				
Employee appearance				
Appearance of promotional materials				
Excellent delivery service (if available)				
Excellent service of employees (e.g. courteousness, attentivity, willingness to cater customers)				
Convenient operating hours				
Safe and honest transaction				

**PART VI:
DETERMINATION OF THE SELF-EFFICACY FOR CHANGE OF MSME OWNERS**

Directions: Put your corresponding rate of confidence using the scale 0-100 below.

0	10	20	30	40	50	60	70	80	90	100	
Cannot do at all								Moderately can do			Highly certainly can do

Rate of Confidence

Self-efficacy to advance in an online channel

Subscribe into webpage/website plans.
Sign up for free account or page in social media sites.
Do promotional activities online .
Spend time answering inquiries on page/site.
Accept orders sent online.
Have a chance to extend your business to online .
Technology has an impact to the business.

**Rate of
Confidence**

Self-efficacy on online channel's advantages

Buying online is efficient.
Online business has competitive advantage.
Online business can have wide categories of product.
Ratings and comments of the product are true.
Have a chance to extend offline business.

