



# **Supplier Relationship Management Effect on Price Control Behavior over Small Bicycle Shops Sales in Kota Bharu, Kelantan**

by

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**TABLE OF CONTENTS**

	<b>PAGE</b>
THESIS DECLARATION	i
ACKNOWLEDGMENT	ii
TABLE OF CONTENTS	iii
LIST OF TABLE	vi
LIST OF FIGURES	vii
LIST OF ABBREVIATIONS	viii
ABSTRACT	ix
ABSTRAK	x
 CHAPTER 1 INTRODUCTION	
1.1 Introduction	1
1.2 Background of The Study	1
1.3 Problem Statement	4
1.4 Research Question	6
1.5 Research Objective	6
1.6 Scope of The Study	7
1.7 Limitation of The Study	8
1.8 Significance of The Study	9
1.9 Conclusions	10

## CHAPTER 2 LITERATURE REVIEW

2.1	Introduction	11
2.2	Small Medium Enterprise (SME)	12
2.3	Supplier Relationship Management	17
2.4	Customers Relationship Management	21
2.5	Conceptual Model	22
2.6	Supplier Price Control Behavior	26
2.7	Small Bicycle Shops – Lock In Situation	28
2.8	Theory Porter’s Five Forces	31
2.9	Conclusion	33

## CHAPTER 3 METHODOLOGY

3.1	Introduction	35
3.2	Research Paradigm	35
3.3	Data	42
3.3.1	Primary Data	42
3.3.2	Secondary Data	43
3.4	Data Collection	43
3.5	Data Analysis	47
3.6	Data Validation	48
3.7	Conclusion	50

CHAPTER 4	ANALYSIS	
4.1	Introduction	51
4.2	Findings	51
4.2.1	The Effect Of Supplier Relationship Management On Small Bicycles Shops Sales In Kota Bharu, Kelantan.	52
4.2.2	The Behavior Of Price Control In Small Bicycles Shops Business Sales In Kota Bharu, Kelantan	54
4.2.3	The Supplier Relationship Management Related The Price Control On Small Bicycles Shops Selling Behavior.	57
4.3	Conclusion	58
Chapter 5	Discussion	
5.1	Introduction	59
5.2	Discussion On The Findings	59
5.2.1	The Effect Of Supplier Relationship Management On Small Bicycles Shops Sales In Kota Bharu, Kelantan.	60
5.2.2	The Behavior Of Price Control In Small Bicycles Shops Business Sales In Kota Bharu, Kelantan.	60
5.2.3	The Supplier Relationship Management Related With The Price Control On Small Bicycles Shops Selling Behavior.	61
5.3	Conclusion	62
REFERENCES		63

**LIST OF TABLE**

<b>NO</b>		<b>PAGE</b>
3.1	Types of Research Designs	39

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**LIST OF FIGURES**

<b>NO</b>		<b>PAGE</b>
2.1	Annual Report On Small And Medium Sized Enterprise In The EU, 2011 – 2012, Published By ECOYS, September 2012.	13
2.2	Source From SME Corp, Malaysia (2013)	14
2.3	Definition By Size And Operation	15
2.4	Proposed Conceptual Model	24
2.5	Theory Five Force Model	32
3.1	Quantitative Research And Qualitative Research	36



**LIST OF ABBREVIATIONS**

SME	Small Business Entrepreneur
SCM	Supply Chain Management

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**Supplier Relationship Management Effect on Price Control Behavior Over Small  
Bicycle Shops Sales in Kota Bharu, Kelantan**

**ABSTRACT**

Supplier relationship Management effect on price control behavior over small bicycle shops sales in Kota Bharu, Kelantan. Malaysia SMEs have performed remarkably well with growth exceeding that of the overall economy. In Kota Bharu, Kelantan, there are numbers of small bicycle shops that running as a small-scale entrepreneur. Supplier become a part of the business to make the business success. As the business owner, the important to get the cheapest stock is the must when to earn much profit. They must follow the market price because if they sell expensive price they can't make it any sale as customer having a right to find the cheapest price. There are many small business as a bicycle shops in Kota Bharu, Kelantan that doing a business and having a stock price problem. Comparing with Kuala Lumpur, Kota Bharu not easy to find a supplier and a stock because of the distance. The supplier relationship also include the price control behavior that making trouble to the small-scale business by getting the stock and earning lesser profit by making much effort. All small bicycle shops in Malaysia a having a same problem because their capacity and capable in running day to day operation in small scale business. Therefore, the government should take some action to helping the small scale entrepreneurs especially with those supplier with supplier system or supplier integration.

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**ABSTRAK**

Perhubungan pembekal daeripada kesan pengurusan terhadap tingkah laku kawalan harga berbanding penjualan kedai basikal kecil di Kota Bharu, Kelantan. Perusahaan Kecil dan Sederhana Malaysia telah menunjukkan prestasi yang sangat baik dengan pertumbuhan melebihi keseluruhan ekonomi. Di Kota Bharu, Kelantan, ada beberapa kedai basikal kecil yang menjalankan usahawan berskala kecil. Pembekal menjadi sebahagian daripada perniagaan untuk membuat kejayaan perniagaan. Sebagai pemilik perniagaan, yang penting untuk mendapatkan stok yang paling murah adalah keharusan apabila mendapat banyak keuntungan. Mereka mesti mengikuti harga pasaran kerana jika mereka menjual harga mahal mereka tidak boleh membuat jualan apa-apa kerana pelanggan mempunyai hak untuk mencari harga termurah. Terdapat banyak perniagaan kecil seperti kedai-kedai basikal di Kota Bharu, Kelantan yang melakukan perniagaan dan mempunyai masalah harga stok. Berbanding dengan Kuala Lumpur, Kota Bharu tidak mudah mencari pembekal dan stok kerana jarak. Hubungan pembekal juga termasuk tingkah laku kawalan harga yang membuat masalah kepada usaha kecil dengan mendapatkan stok dan memperoleh keuntungan yang lebih rendah dengan melakukan banyak usaha. Semua kedai-kedai basikal kecil di Malaysia mempunyai masalah yang sama kerana kemampuan mereka dalam menjalankan operasi sehari-hari dalam perniagaan kecil. Oleh itu, kerajaan perlu mengambil tindakan untuk membantu usahawan kecil terutamanya pembekal dengan sistem pembekal atau integrasi pembekal.

## **CHAPTER 1**

### **INTRODUCTION**

#### **1.1 Introduction**

In this chapter outlines researcher discuss on the background of the study, problem statement, research questions, research objective and scope of study, limitation of the study and significance of the study.

#### **1.2 Background of The Study**

In Malaysia, the small and medium enterprises (SMEs) has taken many observation in the recent entrepreneurship study and research due to their role in the economy contribution. The appearance of SMEs is very important especially for developing and growing economic for the country in the economic growth by improve income distribution, productivity, efficiency and economic structure (Abdullah & Manan, 2011).

Malaysia SMEs have performed remarkably well with growth exceeding that of the overall economy. In the recent period of 2011 – 2015 SMEs grew at an average annual rate of 6.7% versus the overall average growth of the economy of 5.3%. As the result, SME contribution to GDP increased by 4.1 percentage points to 36.3% over a five year period supported by SME performance across all economic sectors of the economy (SME

Report 2015/2016). Since SMEs is the important growth engines in Malaysia, there is potential for Malaysian SMEs to develop into the most significant domestic source of growth through supply chain integration by focusing in supplier relationship management (Yusoff, W., Fauziah, W., Loh, C. J., Azizan, A. Z., & Ramin, A. K. 2015).

From department of statistic Malaysia they are 5.1% from SMEs total of 907,065 establish company in Kelantan (Economic Census 2016). Lately, a bicycle shops exists everywhere in Malaysia such as growing mushroom. Mostly many bicycle shops are at capital state where biggest population there. Nowadays many people do cycling activity as hobby and healthy. It's become the best sport and everyone enjoyed. The numbers of cyclist growing from time to time. Moreover the bicycle shops exists everywhere from time to time as people see it as a chance for a good business.

Kota Bharu also having many cyclist from the beginner to expert, it's become the favorite sport activity. There are many event related that always happen in Kota Bharu that makes people enjoyed to join the cycling event. It's such as Jamboree and Fun ride Cycling event. From that they make the event so interesting and making people attractive to join the event and become cyclist. Chairman of the Kelantan Federal Action Council, Datuk Seri Mustapa Mohamed also suggest to build a bicycle row on every road at the town of Kota Bharu for safety in sport also day's activity (Sinar Harian Online 2016).

In Kota Bharu, Kelantan, there are numbers of small bicycle shops that running as a small-scale entrepreneur (SME Report 2014/2015). The bicycle shops usually include bike service and repair also selling a bike also the spare part. Located on the heart of Kota Bharu town in urban area make the shop location very near to targeted customer. Supplier

become a part of the business to make the business success (Herman, J., & Hodgson, B, 2001). As the business owner, the important to get the cheapest stock is the must when to earn much profit. They must follow the market price because if they sell expensive price they can't make it any sale as customer having a right to find the cheapest price. There are many small business as a bicycle shops in Kota Bharu, Kelantan that doing a business and having a stock price problem. Comparing with Kuala Lumpur, Kota Bharu not easy to find a supplier and a stock because of the distance.

The scenario in Kota Bharu Kelantan while conducted this study is to introduce and explain the issue in small bicycle shop business. As a gap in this research is a condition with supplier relationship management in focus of supplier price control behavior. The supplier relationship also include the price control behavior that making trouble to the small-scale business by getting the stock and earning lesser profit by making much effort. All small bicycle shops in Malaysia a having a same problem because their capacity and capable in running day to day operation in small scale business. Therefore, the government should take some action to helping the small scale entrepreneurs especially with those supplier with supplier system or supplier integration.

The biggest problem is supplier price control behavior quite hard to control. Then arises arguments and suggestions to improve the situation by introducing system monitoring in small scale entrepreneur. Without any further action from government or third party authority's supplier will giving a problem to the business owner in their sales. Sales will very slow to growth because their sales profit margin is small. All this happen because the price for getting the stock is expensive. They can't selling the item in expensive price because customer will looking the cheapest item in town to spend even

the shop location is more nearer then the cheapest item. Managing the supplier is based on the strength of relationship for the successful business by earning supplier trust with honest communication, listening their concerns and involving them to the process to make them as partner in the business (Mickey N. R.2015).

The focus of the research is to introduce support or propose solutions for settle and control the problem. The research focus is supplier relationship management effect on price control. As SMEs Report 2015/2016, small bicycle shops as small and medium entrepreneurs also contribute to the Malaysia economic growth. This effect will make a lack of entrepreneur in bicycle shops.

The important of this research study is to ensure that the problem happens now can be settle and control. It is very important to helping the small entrepreneur with running the bicycle shops will growth accordingly without supplier behavior on price control. The government need to take action by introduce the good system that can help the small medium entrepreneur. Also as an initiative in helping the entrepreneurs and growing the economy and have a good impact in small medium entrepreneur's performance.

### 1.3 Problem Statement

The owner of small bicycle shops that running as a small-scale entrepreneur always having a problem to get the lower price of stocks. For getting the cheaper stock price is the most important because to gain more profit when stock price is cheaper then



market price. The supplier was lock the price item event they want to buy in bigger amount they can't get cheapest price because the supplier price control behavior.

The supplier was hold the price to their agent only and for small shops to get the stock at that price is impossible and they must get from their agent. As the cost affected the price added and the cost not cheap. This unresolved problem has led to the lack of a concerted effort in the provision of government / policy makers/ suppliers input in the economic area and the market price of stock is indirectly being affected.

Relationship with suppliers is the development of a continuing relationship between company and its suppliers (Li et al., 20015). All this is related on supplier relationship management. Supplier has the power refers to the pressure and problem that suppliers can exert on the business (Simister, 2011). This condition will make the supplier relationship management become more difficult and more complicated because as what had been claimed by Mars, (2014) in his study explored the bargaining power of supplier from Porter's Five Forces Model found that when few dominant suppliers and no competitors at the same supplying industry will make higher profitability.

Due to scarce with capital resources, the small bicycle shops usually can't keep a bigger stock in their shops as their capital not big enough. This affected on their sales margin and profit. Even the size of business is small the entrepreneur dreams is wanted to have a big profit margin. They are now earn a small profit margin with much effort comparing with biggest bicycle shop that earn more profit margin with less effort. As their sales are not good enough comparing with biggest scale bicycle shops. The supplier price control behavior was making a trouble to the business but the solutions still have



not really come to the small bicycle shops entrepreneurs. Furthermore the principle of demand and supply also take part in this study because there are related with price control.

#### 1.4 Research Question

In the research question, it has been identified four main questions with forecast to the effect of supplier relationship management and supplier behavior on price control when giving the problem to the small medium enterprise business. Research questions that aim to be address are:

- i. What is the effect of supplier relationship management on small bicycles shops sales in Kota Bharu, Kelantan?
- ii. How to describe the behavior of price control in small bicycles shops business sales in Kota Bharu, Kelantan?
- iii. How supplier relationship management related with the price control on small bicycles shops selling behavior?

#### 1.5 Research Objective

The objective of this study is to identify what is the impact of supplier price control behavior with supplier relationship on the sales of small bicycles shops business entrepreneurs in Kota Bharu, Kelantan. The study involved a factor contribute to the supplier price control behavior. Based on the statement of the problem state, there are four objectives that have been identify as bellow:

- i. To study the effect of supplier relationship management on small bicycles shops sales in Kota Bharu, Kelantan.
- ii. To describe the behavior of price control in small bicycles shops business sales in Kota Bharu, Kelantan.
- iii. To identify the supplier relationship management related with the price control on small bicycles shops selling behavior.

#### 1.6 Scope of The Study

This study will focus at small bicycle shops in Kota Bharu, Kelantan. There are many small bicycle shops running in Kota Bharu, Kelantan and declare as small medium enterprise business registered with SSM. In addition, this study only focus at small bicycle shops that having a problem with supplier price control behavior.

In this research 9 respondents will be choose for interview session for the small bicycle shops in Kota Bharu, Kelantan also 3 respondents from their customers that experience in buying price expensive situation. The total of 12 respondents were interview in this research study to collect and gather data in this research. The research will evaluate base on semi structure questions which are contain about response and expectation from the owner of bicycle shops. Hence, this study will be conducted within prescribed time and successfully.

### 1.7 Limitation of The Study

There are a few limitation in undertaking this research study. The research study is conducted in duration of two month only. Within this limited time there are several constrains in conducting this research study. All the data collected need to do analysis to get the best result. The commitment from the respondent are crucial in order to have a quality conversation during interview session in limited time. Some interview need to have more than four to five hours to have a best result and complete the question and having the best answer. Some of the answer from interviewer cannot be used as a data when there are no info on the sentences itself. The accuracy and the reliability of the information and data collected during interview need to do finalizing and data validation.

The limitations of the knowledge and experience required to successfully carry out the research study itself also experience to handle and conduct the interview with the selected respondent of business owner / entrepreneurs. Respondent selection and to get their opinion according their convenient time should be acknowledge. The researcher need to aware the value of time for the respondents in their involvement.

The data collection has conducted through interview method without involving quantitative process by distribution questionnaires to the respondents for a deeper study about the response and expectation. Only the quality information which combine to create the findings are based on the perceptions and opinions of the respondents. The outcome and result of this research study is highly dependent on the accuracy and reliability of the information during the interviews.

The information and data gathered may also be subjected to misinterpretation by other researcher or students. Indeed, the data collected is also based on semi structure question presented during the interview. The accuracy and validity of the data is based on the answer and information given by the respondent honesty and experience. The result however cannot be used as a basis to represent the context in the small medium enterprise industry in Malaysia itself as it is an isolated this research study. Still, the findings and conclusions can be used as a reference to some entrepreneurs in handling a problem related with supplier relationship management and the behavior of price control also to settle the problem in getting the cheapest price stock.

#### 1.8 Significance of The Study

The research and its findings are considered important to the small medium enterprise business entrepreneurs (SMEs). Where they will know through this research to settle their supplier and stock problem. It will help to develop and grow the economic and improve income distribution. The sales margin will increase and the economy will become better. By this will make the performance of SMEs Malaysia contribution increased year by year and give the good performance for Malaysia economic growth.

The government will have a good information thorough this research study to develop the solutions and control the problem. Especially SME Corp Malaysia to have an information with this research study and will take action on this problem. After that, the SME Corp Malaysia as a party that involved in SME entrepreneurs to help them out from their problem.

This findings may also be useful the students who wanted to become entrepreneurs and start their business. All the information are very useful in their study also to develop the good knowledge in order to them to survive in the future business. They are many info about the supply chain proses and problem occur. The data also can be used with other researcher to ensure the research quality as a reference in their research study.

## 1.9 Conclusion

In this chapter, we discuss on the background of the study which to explain the background of this research also the problem statement that become the main objective and to find out how to settle the problem. Using the research question to identify the research objective on the scope of study with limitation of the study and significance of the study. For the next chapter we will discuss on the literature review and will explain clearly about the research analysis. Also to elaborate more in details the theory and the model used and previous studies or researches that have been carried out on the same subject matter under this research study.

## **CHAPTER 2**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter for overview the definition and meaning for the term related to this study. It's explain more clearly about small medium enterprise (SMEs) and the related term with SME, supplier relationship management from the view of entrepreneurs, Customers relationship management from the view and experience customers itself, supplier behavior on price control, small scale business and the theory related with this research study.

Furthermore, the literature review will explain about the concept, factor and model related with supplier relationship management that bring effect of price control behavior that effect the sales and margins of small bicycle shop. Here also to elaborate the previous research that relation with this research study.

The proposed conceptual model and the theory of Porter's Five Forces model also explained in detail on this chapter. It's clearly to mention and focus on the relationships management. The theory used to analyze the competition to break them down into five distinct categories and designed to reveal the insights of subject matter for the research and business.

## 2.2 Small Medium Enterprise (SME)

Small Medium Enterprise (SME) defined in website [www.smecorp.gov.my](http://www.smecorp.gov.my) as a small medium enterprise business with sales turnover not exceeding RM50 million or numbers of full time employee not more than 200 people. The company must registered with Suruhanjaya Syarikat Malaysia (SSM). There are two criteria used in determining the definition as state in SME Corp Malaysia website is

*“Sales turnover and number of full-time employees are the two criteria used in determining the definition with the “OR” basis as follows:*

- *For the manufacturing sector, SMEs are defined as firms with sales turnover not exceeding RM50 million OR number of full-time employees not exceeding 200.*
- *For the services and other sectors, SMEs are defined as firms with sales turnover not exceeding RM20 million OR number of full-time employees not exceeding 75.”*

### SME: Small and Medium-sized Enterprise

Type	Nb of employees	Turnover	or	Balance sheet total
Medium-Sized	< 250	≤ € 50M		≤ € 43M
Small	< 50	≤ € 10M		≤ € 10M
Micro	< 10	≤ € 2M		≤ € 2M

Figure 2.1: Annual Report on Small and Medium Sized Enterprise in The EU, 2011 – 2012, Published By ECOYS, September 2012.

Follow the below figure as definition in detail every category, namely micro, small and medium with statement of sale turn over and criteria in classify every category:

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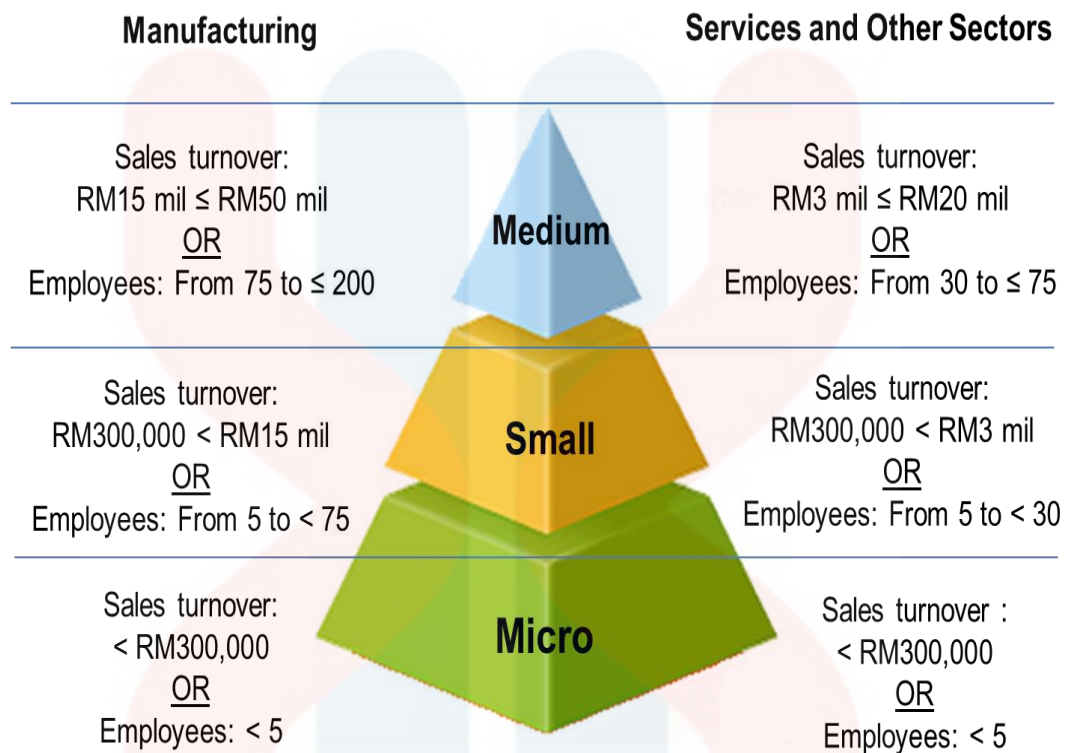


Figure 2.2: Source From SME Corp, Malaysia (2013)

Since 2005 a common definition for SMEs endorsed by the National SME Development Council (NSDC) has been adopted across ministries and agencies, financial institutions and regulators involved in SME development programs. The definition is as follows:

*“Manufacturing (including agro-based) and Manufacturing-related Services: Sales turnover of less than RM25 million OR full-time employees of less than 150 million and Primary Agriculture and Services (including ICT): Sales turnover of less than RM5 million OR full-time employees of less than 50 million.”*

Category	Small	Medium
Manufacturing	Sales turnover from <b>RM300,000 to less than RM15 million</b> <u>OR</u> full-time employees from <b>5 to less than 75</b>	Sales turnover from <b>RM15 million to not exceeding RM50 million</b> <u>OR</u> full-time employees from <b>75 to not exceeding 200</b>
Services & Other Sectors	Sales turnover from <b>RM300,000 to less than RM3 million</b> <u>OR</u> full-time employees from <b>5 to less than 30</b>	Sales turnover from <b>RM3 million to not exceeding RM20 million</b> <u>OR</u> full-time employees from <b>30 to not exceeding 75</b>

Figure 2.3: Definition by Size and Operation

*“Given that there have been many developments in the economy since 2005 such as price inflation, structural changes and change in business trends, a review of the definition was undertaken in 2013 and a new SME definition was endorsed at the 14th NSDC Meeting in July 2013. The definition covers all sectors, namely services, manufacturing, agriculture, construction and mining & quarrying.”*

The backbone potential economic in many regions are come from company that in category small and medium enterprises (SME'S) also make many contribution to employment than large company or business. (Peng, 2009). Ajiebefun et al,(2003) defines small business as commercial enterprises that having one to ten employees. SMEs was contribute significantly to the country economic growth and development. Some agencies

assume the role of SMEs as the backbone of the economic for many countries (ABD, 1990 and Hall, 2002).

Supply chain literature are highlight in SMEs and the key problems is when purchasing from supplier. Issues considered include the dominations of ideas that depend on the practice and capability of capital to deal with suppliers. (Morrissey & Pittaway, 2006)

For this research analysis, the general profile for the SMEs in Malaysia is not much differ with other SMEs around the world. Usually the owner of SMEs is male entrepreneurs only have fewer workers and lesser asset value than large enterprise and the SMEs are much dependent on internal sources of finance for start-up. It also found that SMEs do not need much external funding. (Abdullah, Manan 2011).

*“For those SMEs that have obtained external finance, the amount and tenure of the funds tend to be small and short to medium terms respectively. The wide variety of financial facilities provided by various agencies and financial institutions lead to greater accessibility to finance SMEs in the country. All as stiff competition and global economic environment call for more innovative and progressive support strategies for SMEs to ensure that they are made an integral part of the total economic development in the country.”*

SMEs usually face a resources gap in terms of skills, financial, technology and knowledge (Hashim, 2007), therefore the sustainable of their business success with more focus on supplier’s relationships. (Park and Krishnan, 2001).

So, the SMEs resources need to compliment by external resources, the closed suppliers relationship allow SMEs to access to the latest process, technologies and materials. Also in bargaining the price stock for getting more margin and increase their sales.

According to Hong and Jeung, (2004), Lee et al., (1999),

*“As SMEs’ dependence on stronger customers is high or serve only a limited geographic market, so that their competitive priority is to generate sufficient profits to grow their business by focusing on specialized niche market, irrespective of the size of the market share. Therefore, SMEs focus on developing their niching or focus strategy based on customer needs and wants.”*

### 2.3 Supplier Relationship Management

Supplier is defined as an entity or a person that provides and deliver goods or services to other organization or company. It’s also called part of supply chain of business that supply and give in a bulk of the value contained within the part of the products. The method in ordering and delivering sometime may use by post, direct sending or shipping (Friedl & Wagner, 2012).

Herman, J., & Hodgson, B, (2001) defined supplier relationship management as an overall process and strategy that involved in managing suitable suppliers that can provide ways to reducing cost, making procurement predictable and repeatable, pooling buyer experience and extracting the benefits of supplier partnerships. It’s focused in

maximizing the value of manufacturer supply base by providing an integrated tolls on the interaction with suppliers.

The suppliers usually will put effort on marketing strategy, it's also same with the entrepreneurs. Entrepreneurs are more depending with supplier in stock arrangement and good margin also stock availability. (Buse, Freiling, & Weissenfels, 2001).

The supplier relationship management is more important in managing suppliers to the day to day business operations and is widely acknowledged in the supply chain management (SCM) literature. It has been recognize as one of the most important management functions for achieving long-term competitive advantage on the sales business. (Prajogo, Chowdhury, Yeung, & Cheng, 2012)

Supplier relationship management from <https://businessdirectory.com> as definition:

*“Supplier relationship management (SRM) is the discipline of strategically planning for, and managing, all interactions with third party organizations that supply goods and/or services to an organization in order to maximize the value of those interactions.”*

According to (Terpend, Tyler, Krause, & Handfield, 2008) supplier relationship management is a systematic, enterprise-wide assessment of supplier assets and capabilities in the view of the company overall business strategy, a determination of what activities to engage in with different suppliers and planning also execution of all

interactions with suppliers in order to coordinated trend across the relationship life cycle to maximize the value realized through those interactions.

*“The focus of Supplier Relationship Management is to develop two-way, mutually beneficial relationships with strategic supply partners to deliver greater levels of innovation and competitive advantage than could be achieved by operating independently or through a traditional, transactional purchasing arrangement.”*

Supplier relationship defined as the way two or more people connected in the process of developing or being developed with supplier and having a continuing support between company (Li et al.,2005).

Supplier relationship management is a new category of supply chain applications, contributes to the suppliers selection and thus increases the competitive advantage of the manufacturer through three primary mechanisms as mention by (Choy, Lee, & Lo, 2003)

*“(1) Support of improved business processes across the supply chain.”*

*“(2)A next-generation architecture that can handle multi-enterprise processes.”*

*“(3) Facilitation of rapid product cycles and new product introduction.”*

*“Together, these mechanisms can drive competitive advantage through substantial reductions in the true cost of parts and materials, increased flexibility to respond to changes in customer demand, and faster cycle times which can enhance customer satisfaction and increase market share.”*



Supply Chain Management requires business to undertake a set of activities conducive to the effective management of their supply chains. (Li et al., 2006). According to Prajogoo, Chowdhury, Yeung and Cheng (2012),

*“Competition is now viewed at the supply chain level rather than at the individual firm level. At the same time, firms are now more focused on their core competence and operations, thus relinquishing their non-core activities to their supply chain partners. As a result, acquiring a good understanding of SCM practices has become essential to sustaining profitable in today’s highly complex and competitive business world.”*

As mention by Lipparini and Sobrero (1994) small medium enterprise companies usually used supplier relationships as a means to connect external and internal expertise and capabilities, hence to improving their innovation. The emphasized that small medium enterprise company have developed more progressive supplier mindsets and leverage the capabilities of suppliers (e.g. in the production process and design) by working closely with them for mutual gain.

Ellegaard (2006) similarly mention;

*“The important of close suppliers’ relationships reporting that small companies cultivate dense relationships with suppliers can increase the stability of supply that in turn reduces supply shortage risk.”*

In addition, Mudambi et al. (2004) discovered that the high levels of cooperative buyer and supplier relations have something down to few successful SMEs and managed to accelerate time to market. John Morrissey and Pittaway (2006) also highlighted that many SMEs have developed deep relationships with their suppliers. Through close relationships, suppliers are more willing to help in when there is unexpected high demand from customers (Fawcett et al., 2008). Also, having a closer relationship with suppliers, SMEs can obtain materials that meet specification.

#### 2.4 Customers Relationship Management

Customers is defined as a person who buys goods or services from a shop or business. The nature of customer relationship has conceptual along to continued support and service in creating relationships, they called after sales service. Some term in customer's relationship management as attraction in developing relationship, loyalty to maintain relationship in interaction. (Izquierdo et al., 2005).

Thakkar et al., (2009), John Morrissey and Pittaway, (2006) and Hong and Jeung, (2006) have mentions;

*“SMEs are likely to have a relatively small customer base or have fewer customers therefore, customer orientation is of paramount importance to supply chain management success and may be one of the critical success factors where SMEs can take the lead in driving a successful supply chain. In fact, most of the SMEs' demand is dominated by major customers or stronger customers. They*



*build closer and long-term relationships with customers; even some have developed more personal relationships with customers.”*

Min and Mentzer (2004), Robb et al (2008), Chin et al (2004), Chow et al (2008), highlighted;

*“Asserted that close customer relationship is crucial for understanding and meeting customers’ requirements and needs. Also the frequent communication is key to stronger customer relationships, also found that trustworthy and positive relationships, as well as accurate information are essential for customer relationship management.”*

*“The suggested that customer relationship should focus on integration and customer service management covering various activities, such as on time delivery to customers, customers feedback and customer segmentation based on service needs.”*

## 2.5 Conceptual Model

Proposed model for supplier relationship as below proposed conceptual model (Thoo et al, 2013). The supplier relationship under the external integration that as a measurement of successful firm. Meanwhile the customers relationship also fall down under the same category which means this two components under External integration is

become one of the important things to sustain the business and make the business successful.

*“The hypothesized model linking the relationship between external integration, environmental uncertainty and firm performance is depicted in figure below. The proposed theoretical construct of external integration includes supplier relationship and customer relationship. Environmental uncertainty consists of demand uncertainty, technological uncertainty and competitive threats.”*

*“Also, time to market, quality, delivery dependability, cost and profit, customer satisfaction and customer service responsiveness will be used to measure the firm performance. Finally, it is imperative to note that the proposed constructs are not a complete set of measurement scale due to the entire of supply chain integration practices and firm performance cannot be encompassed in just a single study.”*

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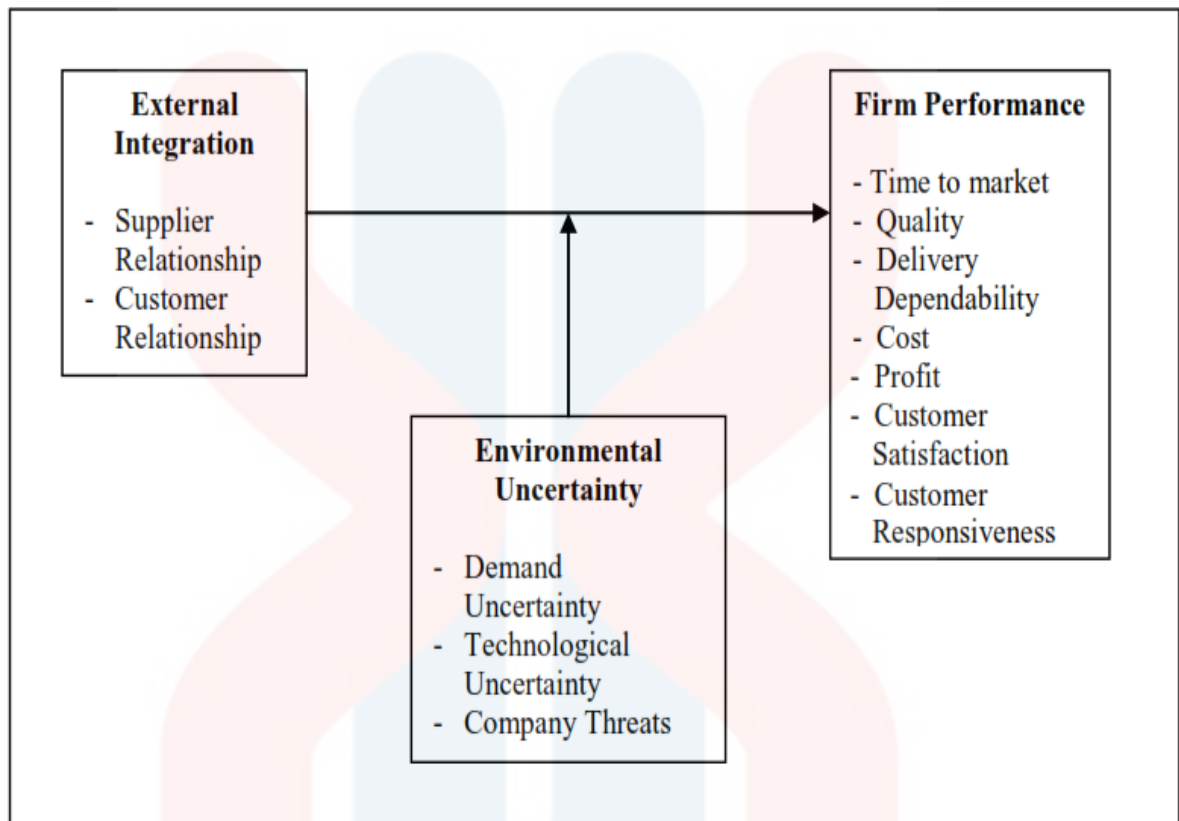


Figure 2.4: Proposed Conceptual Model

The proposed conceptual model is focusing on the External Integration only where the Supplier Relationship and Customer Relationship. The External Integration was led to firm performance in quality, delivery, cost, profit, customer's satisfaction and customer's responsiveness, while in the middle of the process the environmental uncertainty come in to the picture. Hence the External integrity as a main starter point to ensure the successful of the business. The two relationships is always involved in business.

Interaction and process with outside organizations or agencies is refers to constructing strategic partnerships with developing and gain a very good relationships with supplier and customers. Refer to Frohlich and Westbrook, (2001) the arc of integration (outward facing) has helped organizations to achieve higher level of business performance in terms of customer responsiveness, cost and time in a global study across industries. As Halley and Beaulieu, (2009) mention:

*“The integrated supply chain from a horizontal perspective has led to higher level of operational competency in terms of logistics services such as ability to offer services including vendor managed inventory and just-in-time, to make products easily available to customers and to quickly adapt the distribution network to meet demand.”*

For the proposed model that related on supplier relationship was mention by Li et al., (2005) Relationship with supplier is development of a continuing relationship between firm and its suppliers. Organizations interacts with suppliers to acquire raw material and components for its manufacturing process through creating closer and more collaborative relationships. Koh et al. (2007) implied that supplier relationship involves the cooperative efforts between supplier and buyer; it also includes coordination and collaboration between them. The recognized the successful partnerships with suppliers and found that there are potentials to create competitive advantage.

Therefore the strategic partnerships between supplies and entrepreneurs in decision making and internal day to day operation include the stock management and

operation is a key successful as a research and development, procurement and distribution (Bagci et al., 20015) Suppliers also will do some site visit to the entrepreneurs shops, to make a joint product design request by entrepreneurs and delivery timeframe and used of device and all electronics for advance communications. (Mudambi and Schrunder, 1996).

By developing strategic alliances with suppliers, manufacturing firms can reduce purchased lead-time, develop multi-skilled workforce training and share information freely (Koh et al., 2007). Besides, the benefits of collaborative relationships with suppliers include joint problem-solving, new ideas stimulation, product and process improvement, design refinement, technology transfer, innovation, higher quality, less waste and lower costs (Jones, 1996).

## 2.6 Supplier Price Control Behavior

According to [www.businessdictionary.com](http://www.businessdictionary.com) the meaning of supplier is:

*“A party that supplies goods or services. A supplier may be distinguished from a contractor or subcontractor, who commonly adds specialized input to deliverables. A supplier is usually a manufacturer or a distributor. A distributor buys goods from multiple manufacturers and sells them to its customers. Also called vendor”*

Meanwhile, behavior usually defines as observable activity or reaction of any material under given circumstances and condition. From website [www.businessdictionary.com](http://www.businessdictionary.com) the meaning of behavior is:

*“A response of an individual or group to an action, environment, person, or stimulus”*

Supplier price control behavior is one of the activity that always related with the determining of market pricing through the demanding from customer. Supplier play the important role in set up the range of price and usually supplier earn margin higher then consumer (Fiona M. Scott Morton 2001), as mentioning by Fiona M. Scott Morton (2001):

*“The determining of market prices through the dynamic interaction of supply and demand is the basic building block of economics. Consumer preferences for a product determine how much of it they will buy at any given price. Consumers will purchase more of a product as its price declines, all else being equal. Firms, in turn, decide how much they are willing to supply at different prices.”*

*“In general, if consumers appear willing to pay higher prices for a product, then more manufacturers will try to produce the product, will increase their production capacity, and will conduct research to improve the product. Thus, higher expected prices lead to an increased supply of goods. This dynamic interaction produces*

*an equilibrium market price; when buyers and sellers transact freely, the price that results causes the quantity demanded by consumers to exactly equal the supply produced by sellers”*

From the law of supply and demand shows that mostly price affected the demand, higher price make a lower demand quantity but cheaper price make higher demand quantity. People are naturally buying a cheaper good than an expensive price. According by the law of demand and supply from website [www.investopedia.com](http://www.investopedia.com):

*“When supply and demand are equal (i.e. when the supply function and demand function intersect) the economy is said to be at equilibrium. At this point, the allocation of goods is at its most efficient because the amount of goods being supplied is exactly the same as the amount of goods being demanded.”*

## 2.7 Small Bicycle Shops – Lock In Situation

The study of effect of supplier price control behavior to Small-Scale and Medium-Scale Entrepreneur. The subject area is in Kota Bharu, Kelantan. A small bicycle shops are having a problem by getting the stock of bicycle tire due the price is too high event they want to buy in a bulk or big scale amount for stock keeping in their shop.

The bicycle shops also having a problem to purchase direct to the main distributor which is usually can get cheaper price and they have been asking to buy from their agent in Kelantan. Getting the stock from main distributor are more cheaper than buying a stock



from agent whereby the price already increase due to transportation charge or others related charge. As mention by Fiona M. Scott Morton (2001):

*“The most common approach is to take advantage of scale. A buyer representing a large volume of market transactions can negotiate for a better price by threatening to backward integrate or to move its business to a competing supplier (if the product is not patent- protected). Moreover, a large buyer provides efficiencies to the seller.”*

*“Lower transaction costs (one invoice, one negotiation, and one shipment), guaranteed volume, and economies of scale create cost savings for the supplier that the two parties can share. The private sector provides countless examples of this approach; for example, big supermarket chains pay lower prices for packaged goods than corner stores because of large-scale central purchasing”*

When the stock come in to the premise in expensive price for sure the margin to markup the price per unit is also lesser compare the stock price in other biggest bicycle shop in the same area. Customer will more attract in the cheapest price more than the distance of shop location. The small bicycle shop that can't get the cheapest stock price will only have less margin and profit.

This situation also call as Lock-in situation in supply chain. The lock-in situation are involve in the relationship between buyer and supplier characterized (Narasimhan, Nair, Griffith, Arlbjørn, & Bendoly, 2009) Supply chain described as the oversight of



materials, information, and finances as they move in a process from supplier to manufacturer to wholesaler to retailer to consumer. (Margaret Rouse, 2016).

*“Supply chain management involves coordinating and integrating these flows both within and among companies. It is said that the ultimate goal of any effective supply chain management system is to reduce inventory (with the assumption that products are available when needed).”*

*“As a solution for successful supply chain management, sophisticated software systems with Web interfaces are competing with Web-based application service providers who promise to provide part or all of the Supply chain management service for companies who rent their service.”*

There are exits of a significant amount of the literature to discuss the source of strategy choices and sourcing decisions. Choice for securing inputs from suppliers to their operations Aissaoui et al. (2007) provide good reviews of the research in this field. The study need to be conducted because to identify, to analyze, to evaluate, to describe and to compare the effect of supplier price control behavior in small bicycle shops in Kota Bharu, Kelantan.

The owner of small bicycle shops was interviewed to find the problem and approve that they are having the problem in their day to day business operations. Indeed with others small business operation their supplier as a stock supply is very important to make a good profit and sustain the business.

## 2.8 Theory Porter's Five Forces

In addition this study is using Porter's Five Forces Model by focusing bargaining power of supplier and Conceptual Model by focusing in Supplier relationships. The theory used for analysis competition in the business. Marci Martin (2017) in her article said:

*"One way to do that is by using Porter's Five Forces model to break them down into five distinct categories, designed to reveal insights."*

For this research only focusing one porters five force model which is bargaining power of suppliers. (marci martin, 2017)

*"This force analyzes how much power a business's supplier has and how much control it has over the potential to raise its prices, which, in turn, would lower a business's profitability. In addition, it looks at the number of suppliers available: The fewer there are, the more power they have. Businesses are in a better position when there are a multitude of suppliers."*

Base on below figure, bargaining power of supplies are one of the porters five force model.



Figure 2.5: Theory Five Force Model

Focusing on bargaining power of supplier it's a one of the porter's five force model that will give impact on this research. From Investopedia website, the mention of power of suppliers.

*“Power of Suppliers”*

*“This force addresses how easily suppliers can drive up the price of goods and services. It is affected by the number of suppliers of key aspects of a good or service, how unique these aspects are, and how much it would cost a company to switch from one supplier to another. The fewer the number of suppliers, and the more a company depends upon a supplier, the more power a supplier holds.”*

*“Power of Buyers”*

*“This specifically deals with the ability customers have to drive prices down. It is affected by how many buyers or customers a company has, how significant each customer is, and how much it would cost a customer to switch from one company to another. The smaller and more powerful a client base, the more power it holds.”*

## 2.9 Conclusion

This chapter consist of literatures related to the research study with theory, proposed model related with the research study. We discuss it clearly about supplier relationship management and customer relationship management that fall down under the external integration on proposed conceptual model. Beside that also discuss and elaborate more on supplier relationship management effect on price control and the behavior of supplier in price control and lock in situation. The past research also discuss some related studies conducted abroad or within Malaysia that are similar and can be used as reference

when we carried out this research study. Hence, the literature review in this chapter are clearly elaborate and explain with past research study to ensure the research objective successful explain and reviewed. In the following chapter the research study will describe and elaborate more on the methodology research with data collection progress and data validation.



## CHAPTER 3

### RESEARCH METHODOLOGY

#### 3.1 Introduction

In this chapter, it is consistent with the view that use a relevant methodology to establish and verify the information obtained be more valid and reliable. Its explained the methods and procedures used whilst undertaking this study. The methodology used is focusing in this chapter. They are more explanation with several justification from qualitative research, data collection methods, design of research, area of study also involving qualitative research and include the selection of respondents. In addition this chapter will also cover the instrument that being used during the research and attempt to analysis the behavior of supplier in Kota Bharu, Kelantan.

#### 3.2 Research Paradigm

The research paradigm is included the proses used for collection data and information. Usually the research techniques are using qualitative and quantitative method. As mention from (Kothari, C.R. 2004).

*“Research methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done scientifically.*

*In it we study the various steps that are generally adopted by a researcher in studying his research problem along with the logic behind them. It is necessary for the researcher to know not only the research methods/techniques but also the methodology.”*

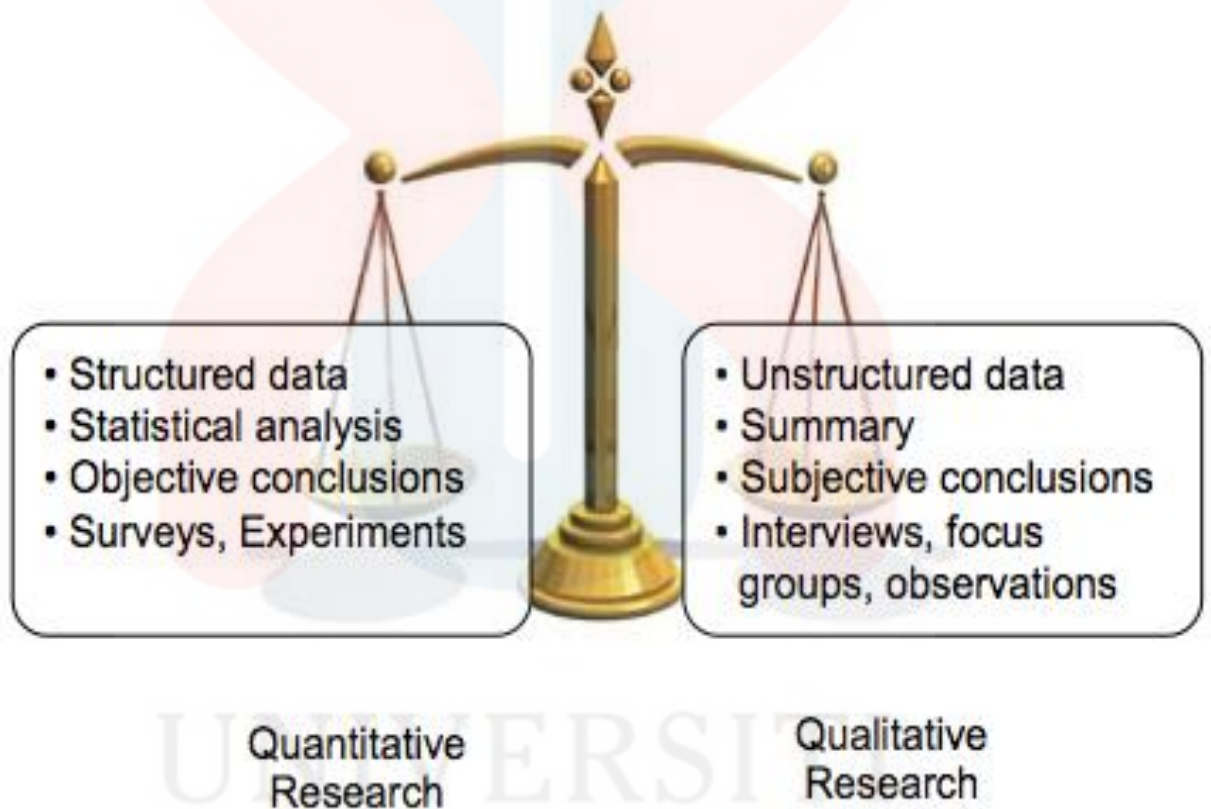


Figure 3.1: Quantitative Research and Qualitative Research

As mention by Susan E. Defranzo (2011), the different between qualitative research and quantitative research is,



### *“Qualitative Research”*

*“Qualitative Research is primarily exploratory research. It is used to gain an understanding of underlying reasons, opinions, and motivations. It provides insights into the problem or helps to develop ideas or hypotheses for potential quantitative research. Qualitative Research is also used to uncover trends in thought and opinions, and dive deeper into the problem. Qualitative data collection methods vary using unstructured or semi-structured techniques. Some common methods include focus groups (group discussions), individual interviews, and participation / observations. The sample size is typically small, and respondents are selected to fulfil a given quota. Qualitative data collection methods is face-to-face interviews, telephone interviews, longitudinal studies, website interceptors, online polls, and systematic observations.”*

### *“Quantitative Research”*

*“Quantitative Research is used to quantify the problem by way of generating numerical data or data that can be transformed into usable statistics. It is used to quantify attitudes, opinions, behaviors, and other defined variables – and generalize results from a larger sample population. Quantitative Research uses measurable data to formulate facts and uncover patterns in research. Quantitative data collection methods are much more structured than Qualitative data collection methods. Quantitative data collection methods include various forms of surveys – online surveys, paper surveys, mobile surveys and kiosk survey.”*

The type of research selected for this study is Qualitative whereby the method is on interview with the respondent and some observation. The main point for the research is to find out why the supplier relationship management are affected the price control behavior and making the trouble for small business entrepreneur.

The price control make the smallest entrepreneur experience the expensive price stock and they forced to sell the item in expensive price too. Its will give the bad impact since customer will look for the cheapest item in the town. Then the capital will not growth as fast as the biggest shop that already get the cheapest price item. To make the sale the smallest entrepreneur will sell in a cheapest price too and the result is they don't have the biggest margin in their business.

The respondent to be interview are the owner of small bicycle shop in dealing with supplier. With specific design which need in this study. And also the respondent to be interview also from customer that are mention of the expensive price and having experience in buying the cheapest price from other shops with doing a survey on the interested item.

The research design is the plan to select the sources and types of information used to answer the research questions. For the better position, compare and contrast the research presented in the study to discuss the several relevant method in the source of strategy and decision to answer the research question. Descriptive research includes surveys and fact-finding enquiries of different kinds. The major purpose of descriptive research is description of the state of affairs as it exists at present. (Kothari, C.R. 2004).

Approach in thesis writing is using qualitative research with primary subjective. The supplier behavior for the price control and selling price need to be understand for this

research by a researcher in the subject matter in this type of research method. Therefore for my research writing, the qualitative research is the methods that applied in the literature review writing process. The respondent identity are state clearly in the thesis and known as businessman own the bicycle shops and repair in Kota Bharu, Kelantan.

In the research design there are two design that can be choose as website of [www.cirt.gcu.edu.com](http://www.cirt.gcu.edu.com),

*“Choosing a Design”*

*“The following table lists and describes the most common research designs. Different research books will use different terms for similar types of research. However, the research designs identified in this document are fairly common in terms of their use and their terminology.”*

Table 3.1: Types of Research Designs

Quantitative Designs		Qualitative Designs	
Design	Focus	Design	Focus
Correlational	Explore the relationship between two or more variables through a correlational	Case Study And Historical	Intent is to study and understand a single situation, which could be a leader, a classroom, a process,

	analysis. The intent is to determine if and to what degree the variables are related. It does not imply one causes the other.		program, activity. Collect a variety of material in a specific and bounded time period. This is also used for historical studies, when collecting historical data to understand and learn from the past.
Causal Comparative	Compare two groups with the intent of understanding the reasons or causes for the two groups being different.	Narrative	Describe the lives of individual(s) to get meaning from them.
Experimental	Test an idea, treatment, program to see if it makes a difference. There is a control group and a	Grounded Theory	The focus is to develop an understanding of a phenomenon or situation in order to be

	<p>test group.</p> <p>Individuals are randomly assigned to the two groups. One group gets the treatment (test group) and the other group (control group) does not get the treatment.</p> <p>There is a pre and post-test for both groups in a traditional experimental design.</p>		<p>able to develop a theory/model for items such as factors, a form of interaction, or a process.</p>
Quasi-experimental	<p>It is the same as experiment in that there is a control and test group. However, current groups are used as is rather than randomly assigning people to the two</p>	Phenomenology	<p>Studies a human experience at an experiential level such as understanding what it means for a woman to lose a child. It is about understanding the essence or</p>

	groups. Both groups receive the pre and post- test in a traditional design.		meaning of the experience.
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### 3.3 Data

Every research have a data involved and used on the study. The definition of data is facts and statistics collected together for reference or analysis. The type of data that will be used in this research, namely primary and secondary data.

#### 3.3.1 Primary Data

The primary data usually refers to the information gather from researcher first hand in this research. For example the information get through five respondents directly by using interview approach. This information obtain from various sources such as interview and surveys on the focus group, panels of respondents or observation. Primary and secondary data more importantly to gather it simultaneously (Uma Sekaran, 2013).

Primary data are the data that collected for the specific research problem at hand by using the procedure that fit the research problem. The primary data collected usually

added on the existing store of social knowledge. The data collected by other researcher is made available for reuse by the general research community (Hox & Boeije, 2005).

### 3.3.2 Secondary Data

The secondary data sources include published and unpublished sources and information. On this research study the external secondary data such as books, journals, newspapers, online website and past research are being uses as secondary data to this study. Secondary data is data collection from other sources to be used in different connection. Those kind of information helped the reader to understand about this study.

According to Tran Thi, (2013) mention that:

*“Secondary data is the data that have been already collected and recorded by someone else and readily available from other sources”.*

### 3.4 Data Collection

The choice of data collection method are depends on the facilities available during the study conducted based on timeframe how long the study will be conducted and research timeframe. They are the tools for data collection. They include Questionnaire, Interview, Observation and Reading. Essentially the researcher must ensure that the instrument chosen is valid and reliable. The validity and reliability of any research project



depends to a large extent on the appropriateness of the instruments (Dr.Godfred Annum, 2017).

The process of data collection in this study are strictly by interview to the respondent of business owner of the small bicycle shops and their customers. The research instrument are using qualitative method to get the data. The secondary data is available from other sources and have been used in previous research. Using the structured interview with a formal because the sets of questionnaire known as interview questionnaire was conducted in every interview with the business owner of small bicycle shops in Kota Bharu, Kelantan and their customers. The data come from the interview with the owner of bicycle shops and their customers. There are answering the questionnaire and meet the requirement of the study.

The qualitative research methods was used and implement for the data collection and gathered in writing. The qualitative data are accurate with true description of participant responses such example for example arranging the responses to open questions and interview into broad theme. An information from note, diary, report and interviews will be used to illustrate the point of analysis as a literature review.

The originality data of a subject area is necessary to interpret qualitative data for example the highest selling price in the tire brand. The consumer are always aware with the price of the tire because they have survey it in advance. About the qualitative methods was chosen by as from the website of [www.cirt.gcu.edu.com](http://www.cirt.gcu.edu.com),

*“Qualitative methods are chosen when the goal of the research problem is to examine, understand and describe a phenomenon. These methods are a common*

*choice in social science research problems and are often used to study ideas, beliefs, human behaviors and other research questions that do not involve studying the relationship between variables. Once the main approach to the research problem has been determined, there are several research designs for each type of approach that may be considered.”*

Interview can be described as followed from (Dr. Godfred Annum 2017).

*“Interview become necessary when researchers feel the need to meet face-to-face with individuals to interact and generate ideas in a discourse that borders on mutual interest. It is an interaction in which oral question are posed by the interviewer to elicit oral response from the interviewee. Especially with research interviews, the researcher has to identify a potential source of information and structure the interaction in a manner that will bring out relevant information from his respondent. The creation of a cordial atmosphere is therefore vital to the success of such an interaction. Apart from face-to-face interviews they can also be conducted over the phone or the computer terminal via video conferencing technology.”*

*“Interviews range from formal to less formal and to completely informal interviews. There are four main kinds of interview a) the structured interview b) the unstructured interview) c) the non- directive interview and d) the focus interview.”*

This study will use interviews to implement semi-structured questions as a type of data collection method. The role of interview such as face-to-face interview, telephone and online via internet and webcam. Interview may be unstructured, structured or semi-structured and conducted during face-to-face, meet the respondent itself or using telephone conversation.

Referring to Gill, P., et al (2008) for the structured interview usually involves questionnaires by verbally control and administered and providing almost no variation and further questioning possibility. As for the unstructured interview, the questioners used will be progressed based on the response of the first question asked. Under this particular interview the ability to control and manage the interview might be challenging since there is only small guidance on the topic that is going to be discussed.

The semi-structured interview that will be implemented in this study are between the structured and unstructured interview. However unstructured interview data information are based on the time consuming the interview conducted. For this particular interview will begin with a few main questions that are very important to this research study to be used as the perimeter or theme of the interview.

Later during the interview, various significant questions will be constructed and emerge to enable the research to learn on the topic even further and depth towards 9 respondent to be chosen for every area of the study in Kota Bharu. The interview respondent is the owner of bicycle shop in Kota Bharu, Kelantan. One of their complaints is always not getting the good price in supplier. The additional of 3 respondent was interviewed is the shop's customer that giving some input in this research also to fulfill the research objective.

The units of observation for the study are small and medium business bicycle shops owner. Especially having a business at targeted area in Kota Bharu, Kelantan. An interview questionnaire was designed to be completed by the entrepreneur selected. The research aim on the performance on sales for small medium enterprise business.

### 3.5 Data Analysis

In all study area and research writing many encounter an assignment in which they must gather data. Sometimes that data comes from an experiment and other times that data comes from some type of survey or questionnaire. However the data is collected, the next step usually requires analyzing the data with the different options. There are many different ways to analyze data. Some forms are more complex than others and some focus primarily on numbers. Others center on observations. The data analysis has a relationship with the objective of the study. The objective of the study will be achieved by using the related analysis which already identified for this study.

From the online database the data analysis means as

*“Data analysis, also known as analysis of data or data analytics, is a process of inspecting, cleansing, transforming, and modeling data with the goal of discovering useful information, suggesting conclusions, and supporting decision-making.”*

The collected data to be explained and analyze in this study area with the data from the interviews. To analysis the data using this two method its Qualitative Research revolves around describing characteristics. It does not use numbers its more on quality and Quantitative Research is the opposite of qualitative research because its prime focus is numbers. Quantitative research is all about quantity.

A very good illustration of a qualitative research method is the unstructured and group interviews which will produced qualitative data through the use of open interviews question. No boundaries and guideline is to produced and generate the qualitative data when the respondent is allows to talk in some depth with their own words. This will help the researcher to arranging the developing a real of feeling and awareness of a person's understanding from the situation. Qualitative research works with descriptions and characteristic.

Descriptive is the first type of data analysis that is usually conducted. It describes the main aspects of the data being analyzed. For example, it may describe how well a football player is performing by looking at the number of touchdowns.

### 3.6 Data Validation

For qualitative research, the data need to validate because the data receive from interview is mainly based on the respondents personal view, experiences and opinions. It is important to validate all the data for measure the reliability information by data received. Comparing with quantitative context and qualitative context the difference between this is very small in issue of validity.

For a qualitative perspective the issue of validity is concerned with the reliability of data collection. There are two ways of validity in qualitative research which is internal validity and external validity. Internal validity is the appropriateness of the research results compared with the actual reality through observation and interviews. The real strength of qualitative research is depend on how researcher see the actual statement as internal validity, (Noraini, 2010).

To enhance the reliability through a case study there are some techniques recommended by the previous researcher, Merriam (1998), Yin (2003) and Baxter P. (2008). The three technique is triangulation, member checking and inspection research partner.

i) Triangulation participants is evidence obtained not only an interview with the successor but also by other sources.

ii) Member checking is one way which researchers share on the interpretation of these data with the informant and at the same time the researcher had the opportunity to discuss and also confirm the information obtained.

iii) The inspection research partner techniques where researcher share with other researcher who are experts in the category and code for analyzing data.

In this study, the member checking techniques was used to increase the degree of validity. The researcher has shared the information from small medium business owner for interpretation of data and verify the information provided. The confirmation of interview scripts from the respondent is important to ensure that the information obtained is similar to the opinion was told by the informant.

The reason to choose the triangulation in this study is to consider a strategy for verifying discovery and as a test for legitimacy. Triangulation technique are use in this research are includes utilizing numerous information sources in an examination to create understanding. Triangulation address the issue of inner authority by utilizing more than one strategy for information gathering to answer and exploration address. Triangulation also relies on the notion of a fixed point or superior explanation against which other interpretations can be measured, (Popay J. et l 1998).

### 3.7 Conclusion

In this chapter research methodology was explain clearly on the method using by this research. Next Chapter will mention about the finding on the interview data and collection info from the interview.



## **CHAPTER 4**

### **RESEARCH ANALYSIS**

#### **4.1 Introduction**

This chapter will discuss about the analysis of the study conducted and will emphasized on the findings received from the respondents that will fulfill the research objective. The discussion will include all information gathered from interview with 12 respondent previously that have been chosen for this research study. The respondents is the owner of small medium enterprise business in area Kota Bharu, Kelantan also with their customers.

The customers is targeted on the experience on the buying process with the small bicycle shops and having a good relationship with the entrepreneurs. The discussion will based on the findings of the research to three main point of objective. The objective of the research study become a guideline to conduct the interview in this research study. There are a data collected on the interview to analysis in this chapter and will discuss on the next chapter.

#### **4.2 Findings**

The findings of this study is related to the topic supplier relationship management effect on price control behavior over small bicycle shops sales in Kota Bharu, Kelantan.

The findings are mainly derived from the experience encountered by the business owner and their customers who are the respondents in this study and was interviewed by the researcher. Thus, it is believed that their views could definitely help on the researcher to better understand the effect of supplier price control behavior on their daily process and sales also day to day operations. Especially related with stocks operations and price management.

#### 4.2.1 The Effect of Supplier Relationship Management on Small Bicycles Shops Sales in Kota Bharu, Kelantan.

Based on the answer of question that have conducted through interview, all respondent agreed that the effect of supplier and the important role mainly in the business. In order to effectively manage the supply chain process there must be a supplier relationship management strategy. The business owner must gain, maintain and must increase and improve a very good relationship with supplier to ensure sustainability of the business. For every successful business there are many strategy and ways to compete also the important things is the entrepreneurs must develop a good partnership between customer and supplier. Both are very important because if fail one their business also will down and cannot sustain. The effect on supplier relationship management on small medium enterprise business is to make a successful business and increase their sales.

Mostly all respondents are dealing with more than three supplier in their day to day business operations for getting the stock because every suppliers is different. Some suppliers only carry one type of stock and some supplier having many item in their

delivery stock. Respondent 1, Respondent 3, Respondent 4, Respondent 5 and Respondent 8 mostly dealing and ordering from more than three supplier. Respondent 2 only dealing with two supplier in their stock management. Respondent 2 was very convenience and comfortable with their two supplier only. Meanwhile, Respondent 6, Respondent 7 and Respondent 9 have more than ten supplier in dealing with their supply chain and stock management.

*“Some supplier is having a different type and brand of stock, some suppliers is competed each other with cheapest price stock to offer to the entrepreneurs. That why the business owner is surveying and always trying to find and having a good deal”*

All business owner are agreed with the good relationship with supplier will increase the sales in their business with a good margins and the stock price is more reasonable and cheapest. The supplier will give a good price and the owner of business will have a satisfied customers where the customers is always right. The power of purchasing from customers will increase their sales and margin in their business. Also the customers always looking for a better price beside the good service.

Response from the Respondent 2, he always having a good price stock with his two supplier. It's a proof that relationship Respondent 2 with his supplier is very good until he never changing or explore a new opportunity to know others supplier. The Respondent 2 were very happy with his supplier and said as follows:

*“I’m very happy with the pricing that my supplier offer to me and I’m satisfied with their service”.*

When the relationship with supplier is good the business owner is always satisfied and having a good deal with their suppliers. They have a simple and easy transaction on their stock management on day to day operations. So the daily operations in their shops will not having much problem because all the arrangement is in order.

#### 4.2.2 The Behavior of Price Control in Small Bicycles Shops Business Sales in Kota Bharu, Kelantan.

Usually supplier always connected and related with price control. It is because the pricing that the entrepreneurs get from supplier is the price that become measurement of margins and related cost before come to customer pricing. From the question on the interview session Respondent 6, Respondent 7 and Respondent 9 always keep changing dealing with supplier because their supplier always can’t give a good price for them, when Respondent 6, Respondent 7 and respondent 9 founding a new supplier that can offer a very good pricing on the same quality of stock or product that why they go for the cheapest price. As benefit they will get a good margins. For sure the stock price from suppliers are giving a big impact in selling price to customers.

Mention from Respondent 6;

*“I keep changing my suppliers when I get the great deal, I cannot stick to the one supplier only because of course I always looking the cheapest deal for me to get the best margin to increase my sales.”*

And Respondent 7 also agreed with the reason he change the supplier is because of the best deal that supplier can offer to them. While respondent 9 said;

*“When I found the supplier can offer me a good price with the same quality of item, I will sure will take and order the item with the cheapest price stock that offered to me. So that I will have a better margins and a good sales.”*

Therefore, some of the respondent always comparing the pricing with online website pricing and doing some research about the stock price with their members, which means connected to the price that will be used in sales to customers. If they found the price is higher they won't proceed to order and let the shop with empty stock because they don't want to bear the lost margins. As the Respondent 1 said:

*“I always comparing with online pricing before ordering stock from my supplier.”*

And Respondent 9 also doing a same thing with Respondent 1 in their statement as follows:

*“I have many friends in my business that doing same field with me. We always ask each other and help each other with supplier pricing.”*

Meanwhile customers also realize that buying a bicycle or their part in Kota Bharu, Kelantan are more expensive if compare from Kuala Lumpur. It is because usually supplier is from Kuala Lumpur and Kota Bharu is their reseller, with all the additional cost the item will become more expensive. As told and agreed from Respondent 10, Respondent 11 and Respondent 12, buying item and part in Kota Bharu are more expensive then Kuala Lumpur. Respondent 10 mention;

*“I have an experience to survey in bicycle shops at Kuala Lumpur, the item that I bought a few days before in Kota Bharu are more expensive if compare with the item that I survey in Kuala Lumpur, same item, same brand. It’s about RM 15.00 differ.”*

From Respondent 11,

*“I have some relative in Kuala Lumpur that can help me to buy item or part in Kuala Lumpur, I know here is more expensive.”*

While Respondent 12 highlight and realize the transportation charge is the reason why the price stock for part and supply also bicycle in Kota Bharu, Kelantan is slightly differ from Kuala Lumpur bicycle shops. Some Shops in Kota Bharu, Kelantan also selling the same item like Kuala Lumpur bicycle shops only differ the pricing. For sure customers will looking the better pricing in buying purchasing proses.

*“Some item in bicycle shops in Kota Bharu, Kelantan are same with Bicycle shops in Kuala Lumpur only differ on the pricing.”*

#### 4.2.3 The Supplier Relationship Management Related The Price Control on Small Bicycles Shops Selling Behavior.

All respondent agreed the distance between supplier and their operational place is one biggest factor for the pricing status become expensive. It is because the transportation charge within the distance. Usually their supplier is located at Kuala Lumpur and Penang. It is because the Kuala Lumpur bicycle shops is nearer to the supplier location and place. Mentioning from Respondent 1 as below:

*“I only buying stock when I’m back to my wife hometown in Kuala Lumpur to avoid the transportation charge.”*

From other questions, which is related to the objective of the study, all Respondent are well known if the stock can receive from the oversea but they don’t have a biggest



margin to such doing the export things. Respondent 5 highlight the point of small capital that he can't order a total of bulk stock to get the cheapest price because the capital is not good enough in doing such as transaction. As mention by respondent 5;

*"I only doing a small business with capital less than RM 10,000.00 which is not enough for me for buying a bulk stock and I don't have enough space to keep it also."*

Some Respondent agreed that the small capital is not enough to order in a bulk to getting a good pricing, event they have a good relationship with main supplier but when come in transaction and involve money it's hard unless they have a facility in bankers.

#### 4.3 Conclusions

In this chapter is all about the data collection with interview. All info already validate using the method of data validation. In analysis is divide and explain by objective and point of interview. The point of interview become a primary data and need to do analysis. Therefore, for the next chapter we will discuss more on the data and elaborate with suggestion and explanation to ensure the effectiveness in this research study.

## CHAPTER 5

### DISCUSSION AND CONCLUSION

#### 5.1 Introduction

Based on the perspectives of the research, the discussion will be divide into three research objective. The main objective of this study is to identify what is the impact of supplier price control behavior with supplier relationship on the sales of small medium enterprise business in Kota Bharu, Kelantan. The findings of the main objective will be discussed in this chapter. The data and information under this chapter of study come and gathered from various sources and some of the information not be directly related to the research topic. Instead, they are combination of information from various sources and perspectives which is suitable and related with this research study. The research looks into various sources of information in order to identify the impact of supplier price control behavior with supplier relationship on the sales of small medium enterprise business in Kota Bharu, Kelantan.

#### 5.2 Discussion on The Findings

The discussion on the finding will be explain clearly with suggestion and explanation on the primary data that gathered during the interview. The findings is the primary data.

### 5.2.1 The Effect of Supplier Relationship Management on Small Bicycles Shops Sales in Kota Bharu, Kelantan.

Supplier have become a good resources for innovation and competitive advantages. Supplier is the important role and mainly in the business. Without supplier the business won't go further success in the business. Every business owner need to have a good relationship with supplier to ensure sustainability of the business and must develop a good partnership between customer and supplier. The effect on supplier relationship management on small medium enterprise business is to make a successful business and increase their sales.

### 5.2.2 The Behavior of Price Control in Small Bicycles Shops Business Sales in Kota Bharu, Kelantan.

Supplier is the main objective in this study because from them the small bicycle shops business entrepreneur is depending to them to getting the stock. Event other businesses also same but in condition of capital the small medium enterprise (SMEs) that only having a small amount in capital within their day to day operations are giving more problem and can't make the business lasting more. Usually supplier always connected and related with price control. This bad habits of supplier is only giving the good advantages to supplier only but then the small bicycle shops entrepreneurs will suffer more. For this some third party and government need to do something with suggestion of system monitoring to help the entrepreneur.

Customers also one of the objective in order to get this research success because customer are involve directly with this business to ensure the sustainability in the business. Customers always looking for the better pricing with a good quality. Some discount and offer will make customers more interested to buy the item and part. Some customers will survey the price before buying an item and will look with the cheapest price stock.

The cheapest price stock is a biggest impact to small bicycle shops entrepreneurs. They can have a good margins when they can get the cheapest price stock. Some supplier are not in good habits when they lock the pricing and lets the entrepreneur getting the stock in higher price. This situation can be called as lock in situation. Instead of the entrepreneur can buy the stock direct to the main supplier, they need to buy with their agents.

In this condition the price are become higher because the agents also getting their margins. Some of the stock are in three or four tier suppliers that already mark up the stock price three or four times. Therefore, the last means the entrepreneurs will get the highest price of stock. If they can direct to the first supplier the pricing of the stock might be cheaper without three or four markup margins pricing.

### 5.2.3 The Supplier Relationship Management Related With The Price Control On Small Bicycles Shops Selling Behavior.

The main factor why this problem is happen in Kota Bharu, Kelantan because is the distance. Usually all supplier for small bicycle shops entrepreneurs is in Kuala

Lumpur or Penang. Because of the distance, the transportation charge are expensive. Entrepreneurs need to bear the cost and include in their price selling to customer. Customers will feel expensive and refuse to buy and finding the cheapest price in online website or others sources. Unless the transportation charge will be minus when the supplier location is nearer. The selling price will going cheaper. Then customers will satisfied buying the item.

### 5.3 Conclusion

This research study of supplier relationship management effect on price control behavior over small bicycle shops sales in Kota Bharu, Kelantan will have a good impact in suggestion to help small medium entrepreneur. Malaysia also will have a good impact in economic growth and will have a name of good sales and income performance in SMEs. Therefore, the economics of Malaysia will increase more and entrepreneurs will have a good income. The Malaysia export also will growth. With that the supplier price control behavior need to be taken action by government and third party to help the entrepreneur in their day to day business operation also increase the sales. With a good profit margin the business will growth efficiently.

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