

EFFECT OF SME'S E-READINESS AND ONLINE FOOD DELIVERY APPS ADOPTION TOWARD BUSINESS PERFORMANCE

Reyna Nadhya Ulhaq^{1*}, Jono Mintarto Munandarr², Amzul Rifin³

Management Science Graduate School Bogor Agricultural University Bogor, Indonesia

*e-mail: reynanadhya@gmail.com

*Correspondence: reynanadhya@gmail.com

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Abstract: Malaysia and Indonesia, in this case, have several similarities including the non-optimal performance of SMEs and the potential of online food delivery to improve SME performance. Al-Bakrie and Katsioloudes (2015) stated that one of the most important factors in influencing the impact of e-commerce-adoption was readiness. The purpose of this study was to understand and compare e-readiness factors that influence online food delivery apps adoption and to understand the effects of online food delivery apps adoption on SME's performance between Malaysia and Indonesia. The number of samples used in this study amounted to 70 respondents. Research using SEM PLS as a data processing tool. The findings showed that the factors that influence the level of e-commerce-adoption in Indonesia are commitment, market forces, supporting industries e-readiness, and online food delivery apps adoption while in Malaysia only market forces has a significant effect on online food delivery apps adoption. In both countries, online food delivery apps adoption is positively and significantly influential to SME's performance with a relatively equal significance value.

Keywords: e-adoption, e-readiness, food retailing, online food delivery, SME

INTRODUCTION

Micro Small and Medium Enterprise (SME) has played an essential role in the ASEAN economy, but the performance has not been optimum (Iqbal & Rahman, 2015) stated that SMEs played an essential role in facilitating ASEAN growth because SMEs contributed to economic growth, total employment, export, and GDP. The role of SMEs was not only for ASEAN but also for

individual countries such as Indonesia and Malaysia. However, in recent years the growth of SME contributions has been fluctuating, as shown in Figure 1. The growth rate of SME's contribution to GDP did not show a significant growth rate, indicating that SME's performance has not optimum.

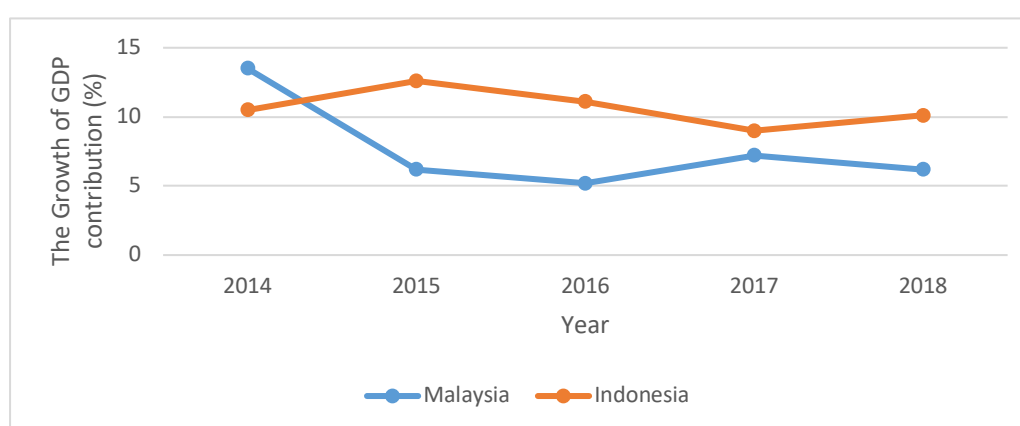


Figure 1. Growth of Contribution SME to GDP in Malaysia and Indonesia
Source: (Menengah, 2018; NESDC, 2019)

E-commerce is an opportunity for SMEs to improve their performance. The development of internet technology has changed people's behavior, especially shopping behavior. People choose to shop through e-commerce with convenience and flexibility (Eroglu, 2014). Besides finding the desired item more quickly, e-commerce also made consumers find information and easily compare various products and prices (Butler & Peppard, 1998). Shopping for goods or services via the internet (e-commerce) has been accepted on the broader community and has become a popular way (Bourlakis et al., 2008). (Thomsen R., 2019) stated that 21.55% of the world's population began to

purchase through e-commerce and is expected to grow in line with the growth of world internet users. Not only globally, but the high number of internet users was also seen in ASEAN countries, as shown by Table 1. Indonesia, the Philippines, Vietnam, Thailand, and Malaysia were the five countries with the most significant number of internet users in ASEAN. The level of internet penetration in five countries reached more than 60% of the country's population, which was above the world internet penetration's level. Whereas, in that five countries, the enormous penetration of e-commerce consumers is in Indonesia, Thailand, and Malaysia. The large penetration's number on e-

commerce’s market indicated the sizeable potential opportunities that SMEs can access to increase their performance. Several published studies have investigated how e-commerce has affected SME’s performance by increased sales (Abebe, 2014; Thomsen R., 2019), improved international sales (Eduardsen, 2018), and

improved promotion of the brand and corporate image (Jahanshahi et al., 2013). (Turban et al., 2007) stated that e-commerce allowed businesses to increase their competitiveness, reduce time and distance barriers, save costs, open new markets and help small businesses compete globally.

Table 1. Internet user in ASEAN country 2019

Country	Penetration % Population	Penetration user in e-commerce market
<u>Indonesia</u>	65 %	90 %
<u>Philippines</u>	64 %	75 %
<u>Vietnam</u>	61 %	78 %
<u>Thailand</u>	69 %	85 %
<u>Malaysia</u>	83 %	80 %

Source: (Datareportal, 2019)

One of the fast-growing e-commerce was ride-hailing. Ride-hailing is a transportation service provider using a platform or apps to connect drivers with consumers and is supported by GPS

systems (International Transportation Forum 2018). The total gross merchandise value of ride-hailing in ASEAN countries has been growing and projected to snowball until 2025, as shown in Figure 2.

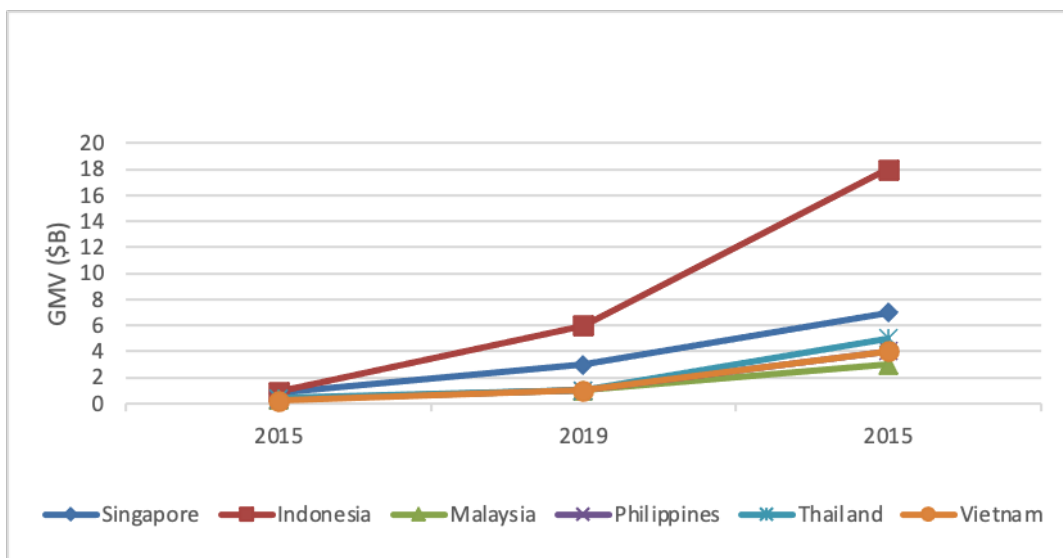


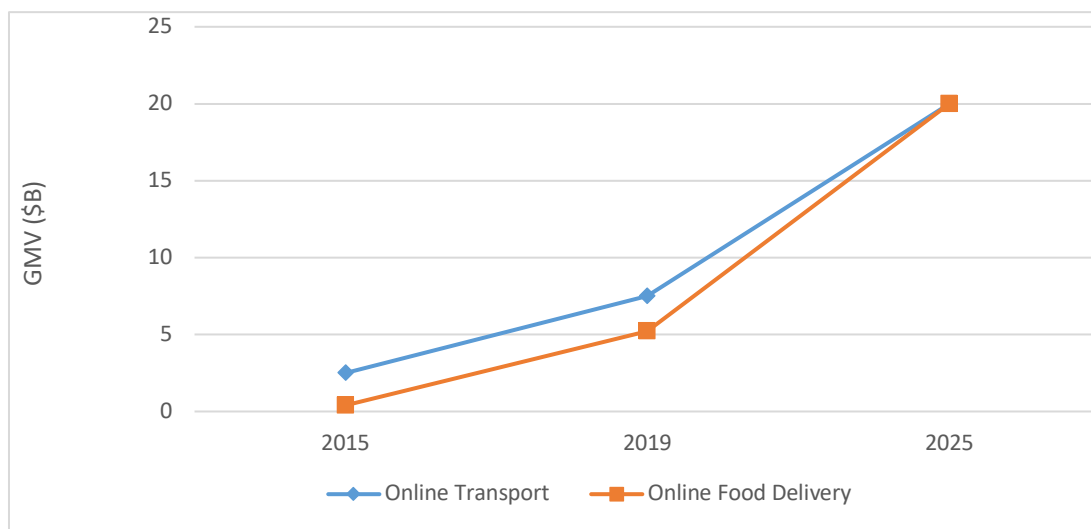
Figure 2. The growth of ride-hailing Gross Merchandise Value
Source: (Google and Temasek, 2019)

Data displayed by (Google and Temasek, 2019) divided ride-hailing

services into two, namely online transportation and online food delivery.

The data from (Google and Temasek, 2019) also stated that the growth of online food

delivery services had increased significantly,



as shown in Figure 3.

Figure 3. The growth of Online transports and Online food delivery Gross Merchandise Value
Source: (Google and Temasek, 2019)

Online food delivery has provided the customer with many benefits. Several benefits of adopting online food delivery were many promotions, many drivers who help deliver the food, and supported features that can provide information about menus, prices, and business location (Suryadi & Ilyas, 2018). Moreover, customers can also read testimonials that it is essential to influence customer purchase behavior (Nasiruddin & Hashim, 2015). Lembaga Demografi Universitas Indonesia (2018) stated that the adoption of online food delivery services by SMEs can increase the transaction volume of the food retailing sector. Especially food and beverage have a unique role in advancing the economy because it is related to human life (Pfitzer & Krishnaswamy, 2007). The demand for this sector will also continue to increase along with the increasing number of people.

1. Problem Statement

Malaysia and Indonesia, in this case, have a similar problem there was SME's performance has not optimal. Malaysia and Indonesia also have similar opportunities to solve that problem. The potential of e-commerce market share and gross merchandise value of online food delivery was projected to snowball. Optimization of online food delivery apps adoption by food retailing SMEs in Indonesia and Malaysia is expected can increase SME's performance. (Al-Bakri & Katsiolouides, 2015) stated that one of the most critical factors influencing the impact of e-commerce-adoption was e-readiness. In order to increase SME's performance through online food delivery adoption as expected, further studies are needed to examine the effect of e-readiness to e-adoption and e-adoption on business performance.

However, it was still difficult to find

literature specifically discussing e-readiness in online food delivery apps adoption from the SME's perspective. (Marunung DY, 2019) examined the technology readiness of online transportation services from the driver's perspective. (Munandar & Munthe, 2019) examined technology readiness in online transportation from the consumer's perspective. Related to the limited e-readiness theory on adopting online food delivery apps from the MSMEs' view, the e-readiness theory from (Molla & Licker, 2005), namely the Perceived e-readiness Model (PERM) was chosen to be used in this study. The consideration of choosing the PERM theory in this study is because the PERM theory is designed according to the conditions of MSMEs in developing countries. In addition, the theory also has complex sub-variables. Therefore, it is necessary to discuss more deeply e-readiness from the perspective of MSMEs and the use of PERM theory in adopting e-commerce type online food-delivery apps. A comparative study was conducted to understand the causal processes involved in the case (Pickvance, 2005).

The problems in this study are:

1. How does the effect of e-readiness on online food delivery apps adoption?
2. How does online food delivery apps adoption affect SME's performance?

MATERIALS AND METHODS

Type and Source of Data

The data used in this study are quantitative and qualitative. The data sources in this study are primary data and secondary data. Primary data is carried out using a questionnaire, while secondary

2. Research Objectives

Based on the problem that has been described, the objectives of this study are:

1. Analyze the effect of e-readiness on online food delivery apps adoption
2. Analyze the effect of e-adoption on SME performance

3. Benefit of Research

Hopefully, the results of this study can be helpful 1) For online food delivery service providers to see what aspects of e-readiness affect SMEs' online food delivery apps adoption, so companies can use them as a basis for reaching more partners. 2) For SMEs, this research will be used as a reference to prepare the critical e-readiness aspect to get higher performance. 3) For academics, this research can be a new reference about the hypothesis, adoption PERM theory in online food delivery apps adoption's case, and e-readiness from SME's perspective.

4. Scope of The Research

This study limited to 70 samples of SMEs in the food retailer sector in Indonesia and Malaysia. The scope of the study is to investigate the influence of e-readiness on online food delivery apps adoption and the effect of e-commerce-adoption on SME's performance.

data is taken from references such as the internet, annual reports, books, and related journals that support this research.

Sampling Method

The population in this study is food

retailing SMEs in Indonesia and Malaysia. Sampling in this study used a nonprobability sampling method, namely nonrandom sampling, where each member does not have the same opportunity to be selected as a sample. Researchers used a purposive sampling technique, namely filtering samples with specific criteria. The samples were taken in this study were 70 samples from the two countries, 35 SME respondents in Indonesia and 35 SME respondents in Malaysia. The number of respondents met the requirement for samples to be processed using SEM-PLS. The samples used in SEM-PLS ranged from 30 - 100 (Hussein, 2015). In PLS-SEM, analysis is processed using bootstrap or random multiplication. Hence the assumption of normality will not be a problem for PLS.

Data Processing and Analyzing Methode

Structural Equation Modelling (SEM) was one of the statistical analysis techniques, which combines two different statistical methods, namely factor analysis and simultaneous equation models (Ghozali, 2014). The variables seen in SEM are latent variables and manifest variables. The latent variables consist of exogenous and endogenous variables. Exogenous constructs are independent variables, while endogenous constructs are dependent variables. The manifest variable or indicator variable is manifested in the form of a six Likert- scale question. This study used quantitative data analysis, a measurement used in a study that can be calculated with

specific units or expressed by numbers. This analysis includes data processing, organizing data, and finding results.

Partial Least Squares (PLS) analysis was a multivariate statistical technique that compares multiple dependent variables and multiple independent variables (Abdillah W, 2015). The purpose of PLS is to predict the effect of variable X on Y and explain the theoretical relationship between the two variables. This analysis can simultaneously test measurement models while testing structural models. The measurement model is used to test the validity and reliability, while the structural model is used to test causality (hypothesis testing).

The research model of this study aims to examine the effect of e-readiness (x) on online food delivery apps adoption (y1) and to examine the effect of online food delivery apps adoption (y1) on SMEs performance (y2).

The first test identified the effect of e-readiness (x) on online food delivery apps adoption (y1). E-readiness theory used in this model refers to Molla and Licker Theory, dividing readiness into nine variables. E-readiness (x) in this model becomes an exogenous variable, while the online food delivery apps adoption becomes an endogenous variable. The second test, testing the effect of online food delivery apps adoption (y1) on SME's performance (y2). Online food delivery apps adoption becomes an exogenous variable, while the SMEs performance (y2) is an endogenous variable.

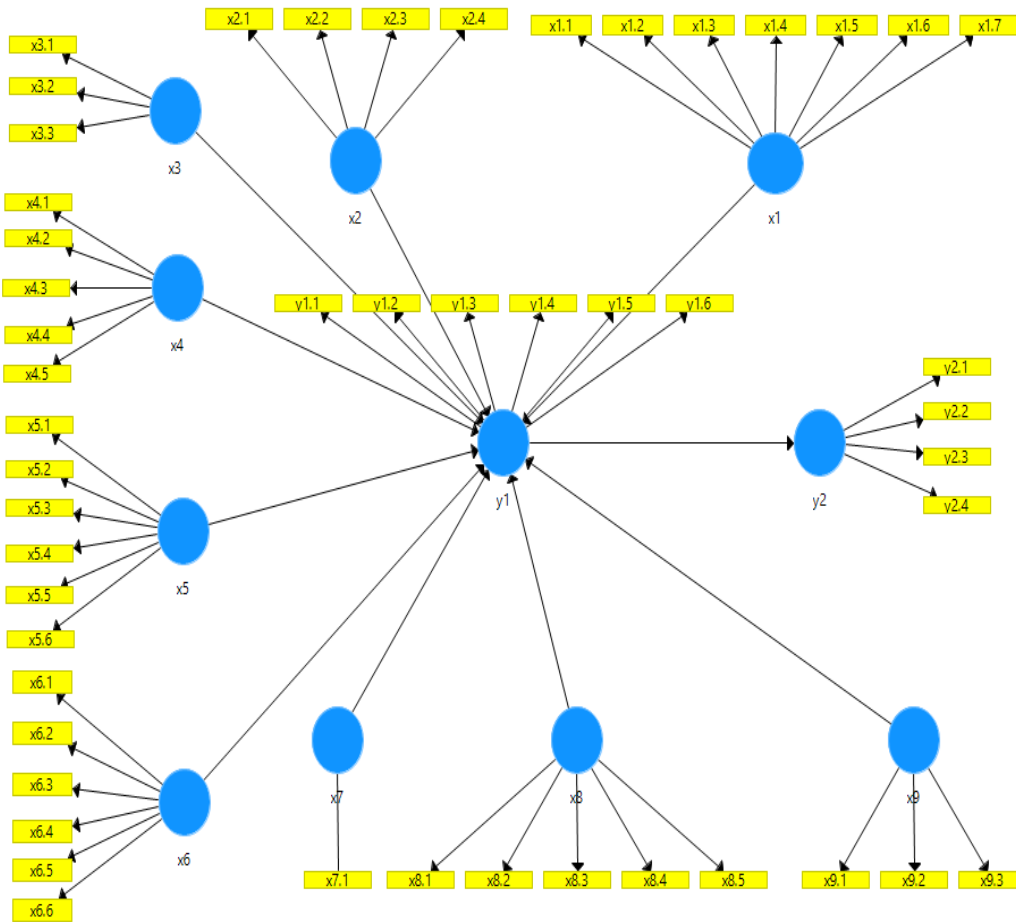


Figure 4. Research Model

RESULTS AND DISCUSSION

1. Result

This study processed the data using descriptive analysis and SEM PLS. Descriptive analysis was used to explain the characteristics of respondents in Indonesia and Malaysia. The results of the descriptive analysis are expected to provide supporting insights related to this research. Data processing using SEM PLS was used to answer the objectives of this study.

2. Respondent Characteristics

This research was conducted in two countries, namely Indonesia and Malaysia. The object of this research was a food retailing SME. The total number of samples from the two countries was 70 SMEs, consisting of 35 Indonesian SMEs and 35 Malaysian SMEs. The characteristics of the research respondents are explained in Table 5.

Table 2. Respondent Characteristics

		Indonesia	Malaysia
Age	20-30	83%	54%

	31-40	09%	29%
	41-50	06%	17%
	51-60	03%	
Gender	Female	43%	40%
	Male	57%	60%
length be a businessman	<1	31%	17%
	1 to 10	63%	57%
	> 10	06%	26%

Based on Table 5 there are slight differences between Indonesian and Malaysian respondents. Compared with Malaysia, Indonesia has more respondents aged 20-30 years old. Otherwise, Malaysia has more respondents aged 30 years old and over. Male respondents dominated both Indonesian and Malaysian respondents. Most Indonesian and Malaysian respondents have business experience from one until ten years. Indonesian respondent excels in business

experiences for less than one year, while Malaysia in business experience for more than ten years.

Table 6 shows the characteristics of SMEs in this study. The number of short-lived SMEs in Indonesia is higher than in Malaysia, the longer age in Malaysia is higher than in Indonesia. Meanwhile, if viewed from the average sales, the number of buyers and turnover, SME in Malaysia is higher than in Indonesia.

Table 3. SME Characteristics

		Indonesia	Malaysia
length of business	0 - 1 year	31%	14%
	1- 4 year	49%	29%
	4-8 year	11%	11%
	more than 8	9%	46%
Average of sales	0 – 200 pcs	91%	49%
	201– 400 pcs	3%	31%
	More than 400 pcs	6%	20%
Average of buyers	0-100 people	89%	23%
	100-200 people	9%	29%
	200-300 people	-	26%
	300 – 400 people	-	6%
	More than 400	3 %	17%
Average of omzet	0 - \$ 1.514,23	83%	20%
	\$ 1.514,23 - \$ 3.028,614	12%	9%
	\$ 3028,614 -\$ 4.542,704	3%	23%
	\$ 4.542,704 - \$6.056,93		6%

	More than \$6.056,93	3%	43%
Using a e commerce	Yes	77%	60%
	No	23%	40%

3. Research Indicators

The same indicators or questions are given to Indonesia and Malaysia. Indicators are variables used to explain or measure a latent variable. The magnitude of the correlation between the indicator and its latent construct is called the loading factor. Indicators with a high loading factor

have a higher contribution to explain the latent variables. On the other hand, indicators with low loading factors have a weak contribution to explaining the latent variables. In most references, a loading factor value of 0.50 or more is considered to have strong enough validation to explain latent variables (Hair, 1998); (Ghozali, 2014).

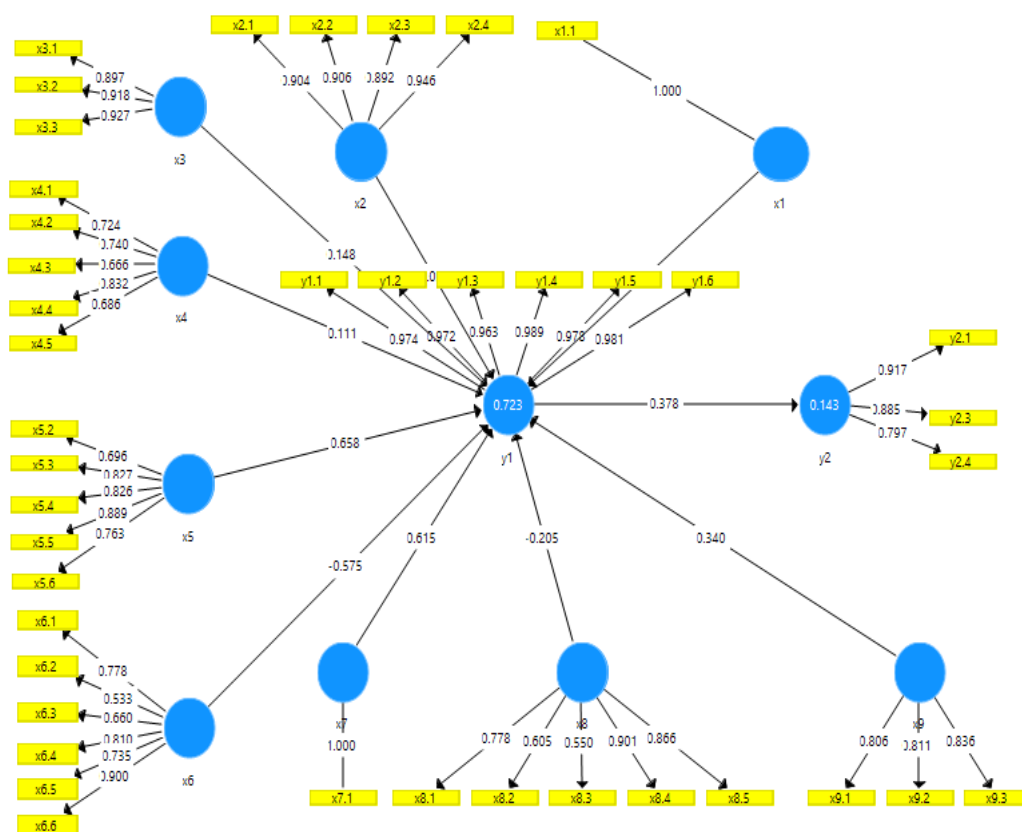


Figure 5. Final Indonesia's research model

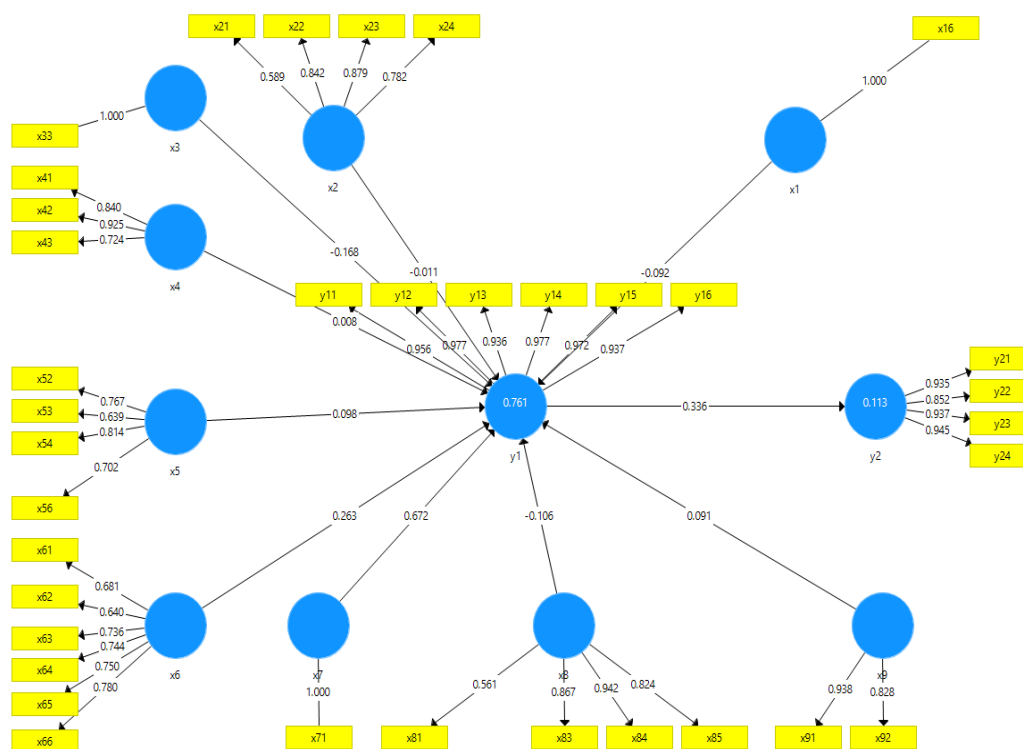


Figure 6. Final Malaysia's research model

In the case of the Malaysian model, nine indicators were eliminated. The indicators of awareness variable (x1) have been eliminated, namely x1.1, x1.2, x1.3, x1.4, x1.5, and x1.7. Technological resource variable (x3) has been eliminated on indicators x3.1, x3.2. The business resource variable (x4) has been eliminated, namely the indicators x4.4 and x4.5. The indicators x5.1 and x5.5 has been eliminated from The Commitment variable (x5). The indicator x7.2 has been eliminated from the Government e-readiness variable (x7). Supporting industries (x9) have been eliminated indicators on the x9.3 indicator. The elimination of indicators produces the final model, as shown in Figure 8 and Figure 9. So, the indicators used in this study have

fulfilled the convergent validity requirements.

a. Discriminant Validity

Discriminant validity is an analysis to see whether indicators can reflect latent variables or not. The AVE rate value of the latent variable set can be used to analyze discriminant validity. The minimum standard AVE rate should be higher than 0.5. In the final model of Indonesia and Malaysia, all AVE rate values for each latent indicator were > 0.5, meaning that all indicators can reflect latent variables. AVE root values were higher than any correlation between variables so that the comparison criteria for AVE root values with correlation values between latent variables have also been fulfilled.

Table 4. AVE and AVE root Value

Variable	Indonesia			Malaysia		
	AVE	Square root AVE	Discriminant Validity	AVE	Square root AVE	Discriminant Validity
Awareness	1,000	1,000	valid	1,000	1,000	valid
Human Resources	0,833	0,913	valid	0,610	0,781	valid
Business Resources	0,835	0,914	valid	1,000	1,000	valid
Technological Resources	0,536	0,732	valid	0,695	0,834	valid
Commitment	0,644	0,802	valid	0,538	0,733	valid
Governance	0,555	0,745	valid	0,523	0,723	valid
Market Forces	1,000	1,000	valid	1,000	1,000	valid
Government	0,567	0,753	valid	0,658	0,811	valid
Supporting Industries	0,669	0,818	valid	0,783	0,885	valid
Online Food Delivery Apps Adoption	0,953	0,976	valid	0,920	0,959	valid
SME's Performance	0,753	0,868	valid	0,843	0,918	valid

b. Composite Reliability

Constructions are declared reliable if the composite reliability value of each latent variable is above 0.60. Table 8

showed that all the composite reliability values were above 0.6, which means that the construction in this study has fulfilled the reliability requirements, as shown in Table 8.

Table 5. Composit Reliability Value

Variable	Indonesia		Malaysia	
	Composit	Realibilit	Compos	Realibilit
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	Realibilit		Realibilit	
	y		y	
Awareness	1,000	realiabel	1,000	realiabel
Human resources	0,952	realiabel	0,610	realiabel
Business resources	0,938	realiabel	1,000	realiabel
Technological resources	0,851	realiabel	0,871	realiabel
Commitment	0,900	realiabel	0,822	realiabel
Governance	0,880	realiabel	0,868	realiabel
Market forces	1,000	realiabel	1,000	realiabel
Government	0,863	realiabel	0,882	realiabel
Supporting industries	0,858	realiabel	0,878	realiabel
Online food delivery apps adoption	0,992	realiabel	0,986	realiabel
Sme's performance	0,901	realiabel	0,955	realiabel

Discussion

From the results of hypothesis testing and descriptive analysis, there were several similarities and differences between food retailing SMEs in Indonesia and Malaysia as shown in Table 10. The following was a discussion about the comparison of the results of descriptive analysis and the hypothesis testing.

Regarding the age of business in both countries, Indonesia has many SMEs with short-lived and few MSMEs with long-lived. That means that many new entrants enter the food retailing industry, but few survive over time. Meanwhile, in Malaysia, there are

more long-lived SMEs than short-lived SMEs. That means few new entrants into the food retailing industry, but they can survive last longer. Indonesia and Malaysia both have food business licenses. However, the application of food business licenses in Malaysia is more stringent than in Indonesia. The licensing is one of the barriers for food retailing SMEs to enter and leave the food retailing industry. Indonesia has lower barriers than Malaysia, so SMEs can quickly enter the food retailing industry.

Table 6. Results Comparison

Indicators	Comparison	
	Indonesia	Malaysia
• Age	• Dominated by young people and a few older ones	• The number of young people is almost proportional to the older age
• Pbusiness experience	• Dominated by 1-10 years of business experience, most of the rest are <1 year.	• Dominated by 1-10 years of business experience, and most of the rest more than 10 years.

- Length of business
 - Short business life
 - Shorter business life is less than extended business life
 - Average of sales, buyers and omzet
 - The majority of businesses have lower sales, buyers and turnover
 - The number of sales, number of purchases and turnover varies, but tends to be higher.
 - The effect of POER variable on Online food delivery Apps adoption
 - Has a significant effect on the commitment variable
 - Has no significant effect
 - The effect of PEER variable on Online market forces and supporting industries variable
 - Has a significant effect on the market forces variable
 - The effect of Online food delivery apps adoption on SME performance
 - Has a significant effect
 - Has a significant effect
-

One of the impacts of the above conditions is that business competition in Indonesia is higher than Malaysia. The level of competition in Malaysia was lower than in Indonesia, which makes Malaysian SMEs have a higher average sales, number of buyers, and turnover than in Indonesia.

SMEs in Malaysia tend to have longer lives and higher incomes than Indonesian businesses. That illustrates that SMEs in Malaysia were more promising and sustainable. However, high incomes and business sustainability make some SMEs in Malaysia satisfied with the current income and do not apply an online food delivery app to their business goal. That contradicts (Yusgiantoro et al., 2020) research, which states that income and length of business can support e-commerce adoption. She stated that the higher income and the longer of business create the higher ability of business owners to develop their business with e-commerce.

1. Effect of E-Readiness on e-commerce-adoption

This study used the PERM theory by (Molla & Licker, 2005). Where the e-readiness variable was classified into 2 group, namely Perceived Organization E-readiness (POER) and Perceived External E-readiness (PEER). POER variables consist of awareness, human resources, technological resources, business resources, commitment, and governance. Meanwhile, the variables belonging to the PEER group are government e-readiness, market forces, and supporting industries.

The test of the effect of e-readiness on online food delivery apps shows different results between Indonesia and Malaysia. Several POER variables affect online food delivery apps adoption in Indonesia. These results were strengthened by previous research that stated that organizational readiness factors affected e-commerce

adoption (Lim et al., 2017). On the other hand, in Malaysia, the POER variable did not affect online food delivery apps adoption. Research (Hanum & Sinarasri, 2018), (Ningtyas & Sunarko, 2015), which stated that organizational readiness did not affect e-commerce adoption, strengthens the results of the study in Malaysia's case.

Regarding the POER factor in Indonesia and Malaysia, the test results show that resource factors (human resources, technology resources, and business resources) and governance factors did not significantly affect online food delivery apps adoption. Previous research used PERM theory to investigate website adoption, e-procurement adoption, and others that require higher technology than the resources used by online food delivery apps adoption. In website or e-procurement adoption, specific resources are needed. So, the higher resources will affect the level of technology adoption. In contrast to the resources and governance used by online food delivery apps, nearly every business already owns and can operate one. Which research results show that resources and governance do not significantly affect the adoption of online food delivery apps.

Awareness does not significantly influence online food delivery apps adoption in Indonesia and Malaysia. Awareness includes the benefits and opportunities of online food delivery apps and the weakness and threats of adopting online food delivery apps. Each SME has different views about the weaknesses, opportunities, threats, and benefits of adopting online food delivery apps. In addition, they also have different actions to

responding their views. Due to considerations of advantages and disadvantages, higher awareness of SMEs did not necessarily affect the adoption of online food delivery apps. The results of this study contradicted research conducted by (Nurunnisha & Dalimunthe, 2018), who stated that awareness was one of the factors that influenced the adoption of technology.

The hypothesis analysis showed a different result in the POER's variable, commitment. The commitment significantly affects online food delivery apps in Malaysia but does not in Indonesia. Several SMEs in Malaysia adopted online food delivery apps as their marketing strategies. However, not all SMEs adopted online food delivery apps smoothly. Some of them were constrained by technical problems. The problems include not agreeing with the cooperation contract and the lack of services and responses from online food delivery apps companies. While in Indonesia, the commitment had a positive effect on online food delivery apps adoption. Higher competition has made food retailing SMEs in Indonesia strategize to survive in the food retailing industry. Every SME had different commitments in each marketing strategy according to their priority. One alternative marketing strategy was the adoption of online food delivery apps. SMEs committed to making online food delivery apps as a marketing strategy will fight and optimize sales through online food delivery apps. These efforts include participating in various promotions, integrating with e-banking and e-money, and others. So the higher commitment will influence their adoption rate of online food

delivery apps. (Molla & Licker, 2005) and (Ali & Alrayes, 2014) state that commitment is the most influential factor contributing to technology adoption, so businesses must support technology adoption in their vision and provide leadership to implement that vision.

In contrast to the POER variable test where Malaysia and Indonesia showed different results, a PEER variable affects online food delivery apps adoption both in Indonesia and in Malaysia. These results were strengthened by the research of (Duan et al., 2012), (Yulimar VA., 2006), (Ningtyas & Sunarko, 2015), which stated that the external environment significantly influences e-commerce adoption.

The variable affecting e-commerce adoption both in Indonesia and Malaysia was market forces. The various conveniences provided by the online food delivery apps to consumers seem to have led to ordering requests through online food delivery apps. Request from the customer has forced SMEs to adopt online food delivery apps. Consumer demand for purchases through online food delivery applications made SME realize that they have market opportunities on online food delivery apps. (Aghaunor & Fotoh, 2006) stated that market readiness affected business actors' beliefs about whether or not an online market exists. The results of this study were supported by (Molla & Licker, 2005) and (Aghaunor & Fotoh, 2006), which stated that market forces influence the adoption of online food delivery applications.

Besides market forces variable, supporting industries also influenced online food delivery apps adoption in

Indonesia. Supporting industry, in this case, includes online food delivery apps companies telecommunications companies that provide internet services, and financial institution companies that provide support services for the adoption of online food delivery apps. The higher support from supporting industries impacts SMEs' adoption of online food delivery apps. Different results were obtained from the case of Malaysia, where the supporting industry has no influence on the extent of online food delivery apps adoption by Malaysian SMEs. The results study in Malaysia was supported by (Rahayu & Day, 2015), who stated that the industry did not influence the adoption of online food delivery apps.

As for the Government variable, in the case of the two countries, it did not significantly affect online food delivery apps adoption. That was supported by research (Palacios, 2003) (Aghaunor & Fotoh, 2006), and also (Rahayu & Day, 2015).

2. Effect of Online food delivery Apps adoption to SME performers

Based on the evaluation of the hypothesis, in both countries, online food delivery apps adoption has a positive and significant effect on SMEs' performance. The results of these studies were supported by previous research, namely (Suriyapperuma et al., 2015), (Wu et al., 2003) (Ramdansyah & Taufik, 2017), which stated that the performance of SME was positively and significantly affected by the application of E-commerce. Likewise, research conducted by (Opreana & Vinerean, 2015), (Ivanauskiene et al., 2015),

and (Mokhtar, 2015) stated that the application of e-commerce could affect

CONCLUSIONS

Based on the result of SEM analysis. In both Indonesia and Malaysia, it was evident that several variables of e-readiness affect online food delivery apps adoption. In Indonesia, e-readiness variables that affect online food delivery apps adoption include

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