I hereby confirm that I have examined this project paper entitled:

FACTORS INFLUENCING CONSUMER BEHAVIOR TOWARDS ONLINE PURCHASING AMONG STUDENTS IN UNIVERSITI TEKNIKAL MALAYSIA MELAKA (UTeM)

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JUNE 2015

" I declare that this project is the result of my own research except as cited in the references. The research project has not been in any degree and is not concurrently submitted in the candidature of any other degree."

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DEDICATION

This research paper is lovingly dedicated to my mother, Puan Azlina Bt Ibrahim and my late father, Muhamad Tajudin Bin Yahya who has been my constant source of inspiration. My mother had given unconditional support with my studies. I am honored to have them as my parents. Thank you for giving me a chance to prove and improve myself through all my walk of life. Thanks to all my family members who always give me moral support during my studies in UTeM. Also, special thanks to my friends who always help me to finish this research paper. Last but not least, to my beloved one, thank you for your understanding and unconditional support to me.

ACKNOWLEDGMENT

Alhamdulillah. Thanks to Allah, whom with His willing giving me an opportunity to complete this research paper entitled "Factor Influence Consumer Behavior towards Online Purchase among students in Universiti Teknikal Malaysia Melaka" to fulfil the compulsory requirements of Universiti Teknikal Malaysia Melaka (UTeM) and the Faculty of Technology Management and Technopreneurship (FPTT). I would like to thank without implicating, to my fellow classmates, supervisor, lecturers, family and friends for helping me work on this research project.

I would like to express my deepest thanks to Dr. Haslinda Binti Musa a lecturer at FPTT and also assign as my supervisor who had guided me for the task during two semesters in session 2013/2014. Also sincere appreciation and thanks to Dr. Ismi Rajiani for sharing their experience and knowledge in the Research Methodology subject that really helped me through the writing of this research.

Lastly, deepest thanks and appreciation to my family members, their endless support, encouragement, and full support during the report completion from the beginning till the end.

Thank you very much.

ABSTRACT

The internet has developed into a new distribution channel and online transactions are rapidly increasing. This has created a need to understand how the consumer perceives online purchases. The aim of this paper is to provide an empirical analysis of the consumer behavior, which affect online purchasing in online markets. Emphasis will take place on the elements of consumer behavior. The objective is to explore these factors and evaluate a proposed framework explaining the interaction between them. The research framework was derived from online purchasing and consumer behavior. The research methodology is supported firstly, by a survey of a number of online consumers, according to a set of criteria and secondly, by questioning a number of people. A survey will be developed to collect data from the participants. Primary data were collected through a survey that was conducted with students at the Universiti Teknikal Malaysia Melaka. The purpose of this dissertation was to examine if there are any particular factors that affects the students on online purchasing. Price, trust and convenience were identified as important factors. Security and trust were considered to be the most important factor in a majority of the students. By developing a number of hypotheses we were able to evaluate the elements of our research framework and relationship between each variable. The findings of this research provide evidence for the relationship between factor affecting consumer behavior towards online purchasing, which is convenience, price and security and trust factors.

ABSTRAK

Internet telah berkembang menjadi sebuah saluran pengedaran baru dan urus niaga dalam talian yang semakin meningkat dengan pesat. Ini telah mewujudkan keperluan untuk memahami bagaimana pengguna menganggap pembelian dalam talian. Tujuan kertas ini adalah untuk memberikan analisis empirikal gelagat pengguna, yang memberi kesan kepada pembelian dalam talian di pasaran dalam talian. Penekanan akan berlangsung pada unsur-unsur tingkah laku pengguna. Objektifnya adalah untuk meneroka faktor-faktor ini dan menilai rangka kerja yang dicadangkan menjelaskan interaksi antara mereka. Rangka kerja penyelidikan diperoleh daripada pembelian dalam talian dan tingkah laku pengguna. Metodologi kajian disokong pertama, oleh kajian beberapa pengguna dalam talian mengikut satu set kriteria dan kedua, dengan mempersoalkan beberapa orang. Satu kajian yang akan dibangunkan untuk mengumpul data daripada peserta. Data primer dikumpulkan melalui kaji selidik yang telah dijalankan ke atas pelajar-pelajar di Universiti Teknikal Malaysia Melaka. Tujuan disertasi ini adalah untuk memeriksa jika terdapat mana-mana faktor-faktor tertentu yang memberi kesan kepada pelajar mengenai pembelian dalam talian. Harga, amanah dan kemudahan telah dikenal pasti sebagai faktor penting. Keselamatan dan amanah dianggap sebagai faktor yang paling penting bagi kebanyakan pelajar. Dengan membangunkan beberapa hipotesis kita dapat menilai unsur-unsur rangka kerja penyelidikan kami dan hubungan antara setiap pemboleh ubah. Dapatan kajian ini memberikan bukti bagi hubungan antara faktor yang mempengaruhi gelagat pengguna terhadap pembelian dalam talian, yang merupakan kemudahan, harga dan keselamatan dan amanah faktor.

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CHAPTER 1

INTRODUCTION

1.1 Introduction

Online purchase is a potentially growing business for today's market. The traditional boundaries will soon be replaced with a whole new technology as well as a mechanism and media for purchasing goods and services. Online purchase eliminates the traditional purchase approach, which is time-consuming and labor-intensive. It creates new markets and segments, allow customers to make wise purchasing decisions and increases business competitiveness. Selling online would eliminate the costs involved in rental or buying a business space or building. Virtual server space would substitute for the costs of ideally located shop lots.

The Invention of the Internet Has Created a Paradigm Shift of The traditional way people shop. A consumer is no longer bound to opening times or specific locations where people can become active at virtually any time and place and purchase products and services. The internet is relatively new medium for communication and information exchange that has become present in our everyday life. The number of internet users is constantly increasing (Joines, Scherer & Scheufele, 2003). This Rapid Increase Is Explained By The Growth In The Use Of Broadband Technology Combined With A Change In Consumer Behavior (Oppenheim & Ward, 2006).

The internet is considered as a mass medium that provides the consumer with purchase characteristics are making it more convenient for the consumer, compared to the traditional way of shopping, such as the ability to at any time view and purchase products, visualize their needs with products with other consumers (Joines et al, 2003). According to Oppenheim and Ward state that the current primary reason people shop over the internet is the convenience. They also recognize that the previous primary reason for shopping online was price, which has now changed to convenience.

1.2 Problem statement

Nowadays, there are millions of people online and each of them is a potential customer for a company providing online sales. Due to the rapid development of the technologies surrounding the internet, a company that is interested in selling products from its web site will constantly has to search for an edge in the fierce competition. Since there are so many potential consumers, it is of the out most importance to be able to understand what the consumer wants and needs.

The importance of analyzing and identifying factors that influence the consumer when he or she decides to purchase on the internet is vital. Since the internet is a new medium for there have been new demands set by the consumer. That is why it is crucial for the online retailers to know what influences the online consumer.

Since online retailing is a new retailing medium and online consumer behavior is diverse from traditional consumer behavior, one must identify what influences the online consumer goes through when deciding and making a purchase over the internet, shows some factors that consumers consider. These factors need to be identified and taken into account by online retailers in order to satisfy consumer demands and compete in the online market.

1.3 Research questions

In this new era of shopping trends, consumers are preferably used internet for purchasing. Accordingly these will influenced consumer takes into consideration when purchasing products or service online. Based on this research, I will try to get the answer for the following questions:

1. What are the factors influencing consumer behavior towards online purchasing among students in UTeM?
2. What are the relationship between consumer behavior and online purchasing among students in UTeM?
3. What are the most significant factors that affecting online consumer behavior towards online purchasing among students in UTeM?

1.4 Research objectives

The research objectives of this study are to analyze the factors that affecting consumer behavior on online purchasing among online user in UTeM, Melaka. Therefore, the objectives of this research are as below:

1. To analyze the factors influencing consumer behavior towards online purchasing among students in UTeM.
2. To identify the relationship between consumer behavior and online purchasing among students in UTeM.
3. To examine the most significant factors that affecting online consumer behavior towards online purchasing among students in UTeM.

1.5 Scopes and limitations.

Scopes

The scopes of this research are to analyze the factors consumer behavior on online purchasing among online user in Universiti Teknikal Malaysia Melaka. Respondents involved are the students (diploma, bachelor degree, master and phd) and staffs from Universiti Teknikal Malaysia (UTeM) especially they who are purchase online regularly and buy most their needs thorough online website.

Limitations

There are number of factors influencing the online consumer. But in this research, the researcher will try to identify the main factors influencing the online consumer. The main focus is to study the factors affecting consumer behavior on online purchasing among online user in Universiti Teknikal Malaysia Melaka (UTeM).

Second is lack of time. Research is given only one year to complete this research. The more time given would actually help in the creation of better end results and the level of stress can be reduced compared to the time limit given to us.

1.6 Importance of study

The importance of study in this research is to analysis the factors affecting consumer behavior on online purchasing among online user in UTeM, Melaka. This study is focus on local perceptions on the factors affecting consumer behavior on online purchasing

particularly in the area of Universiti Teknikal Malaysia Melaka (UTeM). Researching on this area helps to provide answers to specific issues on the improving online purchasing to consumer behavior. These will also helping the development of the national economy towards achieving Vision 2020. Moreover, this study hopes can give awareness of online purchasing by increasing the knowledge of online purchase.

Moreover, Internet penetration which is increasing so fast is providing an opportunity for companies to take in more online consumers and the interesting thing is that by going online they can decrease their operation costs as well.

This finding of this study can be a guideline for online business companies that how they can attract online customers and how the level of customer behavior amongst customers across all age groups.

1.7 Summary

This chapter has considered the introduction and background to this study. The motivation for this study is based on the facts that researchers are presenting contradictory findings on the issue of internet usage and online purchasing and that there is little published literature regarding the factors affecting consumer behavior on online purchasing at Universiti Teknikal Malaysia Melaka (UTeM). The primary focus of the study is to identify the factors that affecting consumer behavior toward online purchasing. The objectives of the study and the research questions were also stated. The significance of the study as well as the delineations and limitations of the research were also explained.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

This chapter will explain about literature review for all dependent variable and independent variables that will support this research. The dependent variable in this research is online consumer behavior. For this research there are three independent variables used to test the dependent variable, which is security & trust, price and convenience.

2.2 Consumer Behavior

According to Solomon (1998) Consumer behavior is the study of the processes involved when an individual selects, purchases, uses or disposes of products, services, ideas, or experiences to satisfy needs and desires. In order for the Internet to expand as a retail channel, it is important to understand the consumer's attitude, intent and behavior in light of the online buying experience (Achal Hardia & Kapil Sharma, 2013). According to Schiffman, Scherman, & Long (2003) said that Consumer attitudes seem

to have a significant influence on this decision yet individual attitudes do not, by themselves, influence one's intention or behavior. Instead that intention or behavior is a result of a variety of attitudes that the consumer has about a variety of issues relevant to the situation at hand, in this case online buying. The following review of the literature grouped the issues into three area such as consumer, marketing, and technology issues that most often are noted as influencing online shopping attitudes.

Based on Hacquet, A. (2014) refers to (Hawkins, Best, and Coney, 2001), Consumer behavior can be defined as "the study of individuals, groups or organizations and the processes they use to select, secure, use and dispose of products, services, experiences or ideas to satisfy needs and the impacts that these processes have on the consumer and society."

2.3 Online Consumer Behavior

Online consumer can be defined consumers who are looking for information or even make a purchase via the Internet. Online consumer has a different motivation in utilizing information over the Internet. Some consumers use the Internet to search for products or services, or simply to navigation information and experience (Zhou, et al., 2007).

A great amount of studies have examined online consumer behavior. A recent research supports that it is very difficult to understand the online consumer behavior as each day businesses and the marketing place is being transformed (Koufaris 2002). Yet the Internet meltdown at the end of the 1990s and plenty of more recent anecdotal and empirical evidence indicate that many online firms still do not completely understand the needs and behavior of the online consumer (Lee, 2002). Goldsmith (2000) and Limayem et al. (2000) found that personal innovativeness is a key personality trait that explains consumer online purchase intention. Chau et al (2000) examined the effects of

presentation mode, search engines, and navigation structure of product items on the adoption of Internet shopping. Jarvenpaa et al (2000) concluded that trust in an Internet store is a salient determinant of online shopping. Finally, Lee (1999) focused on online repurchase and contended that consumer trust and consumer satisfaction were the key antecedents of continued purchase. According to Koufaris (2002) has also examined if the emotional responses to a website may affect customers to visit the website again. It is a very important issue for the marketer to review the factors influencing consumer behavior since different types of websites may need to accommodate different types of consumers with unique attributes.

2.4 Online Purchasing

Electronic commerce has become one of the essential characteristics in the internet era. According to UCLA Center for Communication Policy (2001), online shopping has become the third most popular internet activity, immediately following e-mail using or instant messaging and web browsing. It is even more popular than seeking out entertainment information and news, two commonly thought of activities when considering what internet users do when online.

Consumers are not interested in the technology but how the internet can improve their shopping experiences and helps them make better decision (Burke, 2002). Swaminathan, White and Rao (1999) found that consumers who are primarily motivated by convenience are more likely to make purchase online. Bhatnager et al., (2000) have explored how demographics, vendor/service/product characteristic and website quality influence the consumers' attitude towards online shopping consequently their online buying behavior. The same study indicated that the convenience the internet affords and the risk perceived by the consumers are related to the consumers' behavior positively and negatively.

The rapid development of internet and e-commerce has influenced the objective for browsing and surfing the internet of consumers (Soopramanien and Robertson 2007) and collecting product information (Moe and Fader 2004). The online shopping environments persuade consumers to look for products that enhance the utilitarian and hedonic aspects of shopping (Ha and Stoel 2009).

According to Haubl and Trifts (2000), Online shopping behavior is defined as a shopping activity performed by a consumer by means of computer based interface, where the consumer's computer is connected to and can interact with a retailer's digital storefront. Consumers' online shopping behavior is based on the manifestation of online sellers' website, the photos of products but not an actual real product (Park and Kim 2003). Different studies has inspected different factors on consumers online shopping adoption, like geography and store accessibility (Farag et al. 2006), perceived risk and online shopping benefits (Pires, Stanton, Eckford 2004), pleasure and web trust (Ha and Stoel 2009), attitudes to online shopping (Dittmar et al.; Ahn, Ryu, and Han 2007), and impact of consumers' socio-economic conditions (Farag et al. 2006).

2.5 Security & Trust

According to Komiak & Benbasat (2004) Security is defined as that which secures or makes safe, protection, guard, and defense. Security was a critical successful factor for e-commerce. Retail e-commerce would fail if Internet users feel on lacking a great degree of confidence (Kesh et al., 2002). The primary reason indicated of the most buyers who didn't shop online cause of afraid to reveal personal credit card information to retailers or over the internet (Rao, 2000). Garbarino and Johnson (1999) stated that have proposed a satisfaction-trust-commitment-repurchase intention model and found that consumers' satisfaction would build trust which led him or her to repeat the purchases.

Trust is considered to be a concern on the emotional basis in the minds of the consumers. The consumers have a focus on their safety needs and want to satisfy them before making a purchase (Brassington & Pettitt, 2000).

According to Techopedia (2010) Internet privacy is the privacy and security level of personal data published via the Internet. Privacy violations and threat risks are standard considerations for any website under development. Internet privacy is also known as online privacy.

According to Viglia, G. (2014), trust is the situation where one party, in this case the consumer, is willing to rely on the actions of another party, in this case the e-store. The situation is directed toward the future, and the consumer (voluntarily or forcedly) abandons control over the actions performed by the e-store. Trust can be determine the willingness to buy in an online store, and this is the reason why trust is used to segment the online shopping market. Aitken, D. (2012) refers to Mayer (2005) defines that trust as the expectations which are generated by the trust subject to the trust object. He believes that trust is divided into ability, integrity, and good.

People purchase products and services are the most based on their level of trust in this product or services, and sellers either in the physical store or online shops. Online trust is the basic and essential element for building a relationship with customers. A present research shows that online trust is lower level than the face-to-face interactions in the physical store (Cassell and Bickmore, 2000. The trustworthiness of E-commerce web site is very relying on the how much privacy security can be provided.

Salisbury, Pearson, Pearson and Miller (2001) defined perceived security on the Web as "the extent to which one believes that the World Wide Web is secure for transmitting sensitive information". They also found that perceived security was positively associated with online purchase intention. According to (Jun, G., & Jaafar, N., 2011), a similar finding from the research of Elliot and Fowell (2000) showed that the consumers' behavior of security-related issues was one of the most important factors in

purchasing from a website. As a result, security has become one of the most important reasons that cause consumers to hesitate or fear using online purchase and it has played a dominant role in influencing their behavior towards online shopping.

According to The Star (2011) use trusted sites and a digital wallet when transacting online which is always look for the padlock icon on sites before entering your information and password. Also look for websites that start with "https" as they provide an additional layer of security. Use a digital wallet to complete an online transaction without having to enter in your sensitive financial details (like credit or debit card info) on a website.

Trust evolves gradually as the interaction takes place. A promise is enabled through product and product related information view, order placement and purchase or payment facilities. Keeping a promise involves the prompt and correct, physical or electronic, delivery of the order, including order tracking mechanisms (Papadopoulou, P., & Martakos, D., 2008).

2.6 Convenience

Convenience and saved time were offered by online shopping which were two motivating factors for online purchases (Lee, 2002). The main reason that motivated consumers to shop online was conveniences (Swaminathan et al., 1999). Convenient access to product information could facilitate and help shoppers' making an online purchases decision (Loshe & Spiller, 1999). The non-consumer's primary motivation was to save time, money, and hassles associated with in-store shopping. The same attitude of convenience carried over to the consumer's Internet shopping's behavior. Convenience has been noted as positively influencing online purchasing behavior as it eliminated the necessity of having to travel to one or more stores. Internet shoppers more highly value convenience than did non-Internet shoppers (Lohse et al, 1999).