

SUPERVISOR'S DECLARATION

'I hereby declare that have read this thesis and in our research is sufficient in terms of scope and quality. This project is submitted to Universiti Teknikal Malaysia Melaka as a requirement for completion and reward Bachelor Degree of Technopreneurship'

Signature :

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FACTORS INFLUENCING CUSTOMER PURCHASE INTENTION
IN FACEBOOK

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A project paper submitted
In fulfilment of the requirements for the Bachelor Degree of
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STUDENT'S DECLARATION

I declare that this project entitled “**Factors Influencing Customer Purchase Intention in Facebook**” is the result of my own research except as cited in the references. The project paper has not been accepted for any degree and is not concurrently submitted in candidature of any other degree.

Signature :

Name : Abdul Muizz bin Zulkifli

Date :

DEDICATION

To

ibu,

ayah,

angah,

aiman,

nisha,

akmal,

ena,

ijat,

aina,

my dearest friends

You mean the world to me.

ACKNOWLEDGEMENT

I would like to express my deepest gratitude to Allah Almighty as with His blessing this project has successfully been concluded. I would like to express my appreciation to my supervisor, Dr. Yusri bin Arshad for his constant support and guidance in making this project possible.

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ABSTRACT

Facebook is one of the most popular social media in the internet. Many people take advantage of this popular site as a medium for them to do business. For the individual small business owner, most of them usually depend entirely on Facebook to conduct their business. Unfortunately, there were some advantages and disadvantages in purchasing through online method. The objective for this project are to study the relationship between the purchase intention factors and tendency of customer to purchase online and to identify the main factors that affecting the customer of doing online purchases. This study focused more on the way customer reacts to the online business preference. There are few factors that customer consider in doing online purchases. This study focus on three factors that are the price, the service quality and the risk when doing online purchases. The questionnaire was distributed to customer through Facebook and by hand. The results of this study has suggested that the price is the factor that most affecting the customer purchase intention through Facebook. Service quality also is considered by the customer when purchasing online but for the risk factor, customer care less about the risk when purchasing online. This result can help online seller to focus on the factor that give most impact on the purchase intention that is the price.

ABSTRAK

Facebook merupakan salah satu media sosial yang paling popular di internet. Ramai orang mengambil kesempatan daripada laman web ini sebagai medium bagi mereka untuk menjalankan perniagaan. Bagi pemilik perniagaan kecil, kebanyakan mereka biasanya bergantung sepenuhnya kepada Facebook untuk menjalankan perniagaan mereka. Malangnya, terdapat beberapa kebaikan dan keburukan untuk membeli melalui kaedah dalam talian. Objektif projek ini adalah untuk mengkaji hubungan antara faktor-faktor niat pembelian dan kecenderungan pelanggan untuk membeli dalam talian dan untuk mengenal pasti faktor-faktor utama yang memberi kesan kepada pelanggan melakukan pembelian dalam talian. Kajian ini memberi tumpuan lebih kepada cara pelanggan bertindak balas kepada keutamaan membeli dalam talian. Terdapat beberapa faktor yang pelanggan pertimbangkan dalam melakukan pembelian dalam talian. Fokus kajian kepada tiga faktor iaitu harga, kualiti perkhidmatan dan risiko apabila melakukan pembelian dalam talian. Borang soal selidik diedarkan kepada pelanggan melalui Facebook dan dengan kertas soal selidik. Keputusan kajian ini telah mencadangkan bahawa harga adalah faktor yang paling memberi kesan kepada niat pembelian pelanggan melalui Facebook. Kualiti perkhidmatan juga dianggap oleh pelanggan apabila membeli dalam talian tetapi untuk faktor risiko, menjaga pelanggan kurang tentang risiko apabila membeli dalam talian. Keputusan ini boleh membantu penjual dalam talian untuk memberi tumpuan kepada faktor yang memberi kesan terbesar pada niat pembelian yang adalah harga.

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CHAPTER 1

INTRODUCTION

1.1 Introduction

E-commerce or online business is one of the popular ways of conducting business nowadays. Mostly, people around the world are using the internet as their medium of communication. In Malaysia, e-commerce is blooming into the society as the usage of internet in Malaysia is spreading out quickly. More and more Malaysian realized the importance of internet. Internet is becoming a need for everybody from time to time.

Facebook is becoming one of the medium for business owner to advertise their products or services. For the individual small business owner, most of them usually depend only on Facebook to conduct their business. E-commerce or electronic commerce is a type of industry where the buying and selling of products or services is conducted over electronic systems such as the Internet and other computer networks. Electronic commerce draws on technologies such as electronic funds transfer, mobile commerce, online transaction processing, electronic data interchange (EDI), inventory management systems, automated data collection systems and supply chain management, internet marketing

Electronic commerce is generally considered to be the sales aspect of e-business. It also consists of the exchange of information to facilitate the funding and payment aspects of business transactions. With e-commerce development, the way of living has changed from brick and mortar to click and mortar which ease and save time for the customer to shop.

1.2 Background of the Study

Many of the internet users are using internet to buy their things rather than go to the shop itself. Internet users found it easier to shop online rather than shopping at the shop or mall. This is because they think that it will save them money in term of the transportation and save their time as they don't need to go out just to buy something. By using online shopping, they just order their products and just need to wait for the products to arrive at their front door. Yes, it can save them money. But they need to remember the risk involved in using online transaction. The risks are such as the scammer, security of transactions, the quality of the products and many more. Due to these risks, some internet users are afraid to shop online. This study is about the factors that influencing the online users, whether to shop online or not.

This study will focus on the online business in Malaysia that used Facebook as the medium for conducting businesses. Facebook is the global leader in online social network. Facebook is a social utility for connecting people with those around them – friends, family, co-workers, or simply others with similar interests.

Facebook was founded in 2004. The purpose was only for a closed college community to interact among themselves. It is then expanded to all users around the worlds. The existence of Facebook has created a variety of ways for users to connect and share informations.

Online shopping has become a new trend and growing rapidly, although not as prevalent as predicted (NTIA, 2002). This growth is fuelled by the advantages of online shopping (Eroglu, Machleit, & Davis, 2001). Because of the rapid growth, firms becomes more rely on e commerce solutions in order to reach their profit goals (Freemantle, 2002).

Unfortunately, many websites fail to help companies reach these objectives. Supporting this, (Kearney, 2001) found that 82% of online shoppers drop out of their shopping carts without completing the transaction. Another study found that websites failed to generate satisfying shopping experiences (Kane, 1999).

1.3 Problem Statement

Problems raised in this study is the price of the item in Facebook. When purchasing item online, some customer did not aware about the price. They just believe the price offered online is usually lower than the price at the shop. Some of the customer really care about the price for anything they buy. In this case, they will compare the price of an item in Facebook with the item sold in the conventional store.

Service quality is important when dealing with customers. Some people really care with the service quality provided by the seller in Facebook. It includes the way the seller interact with the customer and how the seller treat the customers. If the seller treat the customer well, the reputation of the seller will increase as many people can see the comment or feedback of the customer in the seller's Facebook account or page. This can create trust for other people to deal with the seller.

There are many reports of customer complaints for the products or service they get from their online purchase. Some of the online business owner did not run the business in the way they should do. Some of them tend to cheat customer due to the widely use internet where we all know there are many risks involve when doing business online.

Through Facebook, anybody can create an account easily. Some irresponsible business owner may create many Facebook accounts just to scam other people. There are many cases reported by the customer due to the scam. It is hard to trace the scammer due to the anonymous identity of the scammer. Some of the customer didn't even know about the quality of the product they are about to purchase. They just simply believe what the advertisement on Facebook says. Customer need to know all the criteria of the business that they want to deal with. This is to avoid them from being cheated. This study will focus on the factors that customer need to emphasize when they deal with online business.

1.4 Research Question

- 1) What is the relationship between the purchase intention factors and tendency of customer to purchase online?
- 2) What is the main factor that influencing the customer of doing online purchases?

1.5 Research Objectives

- 1) To study the relationship between the purchase intention factors and tendency of customer to purchase online
- 2) To identify the main factor that influencing the customer of doing online purchases

1.6 Significance of Study

This research will benefits the owner of the Facebook online business as the study focus on the customer behaviour and expectation of the online business. They can improve their marketing strategy to capture the attention of online users. Many of the business owners did not know the importance of the customer perspective of their business. It can give a very big impact to the business.

1.6.1 Contribution to knowledge

The important for this study in terms of contribution to knowledge is that this research study can be used as reference for any research project pertinent to E-commerce studies. This research can add to the understanding of the customer behaviour towards the E-commerce especially in Facebook medium. From the research, we can identify the factors that give most impact on customer purchase intention.

1.6.2 Contribution to practice

The importance for this study in terms of contribution to practice is that customers will create awareness about the factors that might be considered when they want to purchase online. This will bring benefits to customer if they fully understand the pros and cons of doing online purchases.

1.7 Scope and limitations of studies

The scope of this study is on the customer behaviour. It focused on the way customer reacts to the online business preference. This study will only focus on Facebook as the medium to conduct business. Only two factors of customer perceptions of the online business in Facebook are discussed in this study. The factors are the price, service quality and the risk of purchasing item via Facebook.

There are two limitations for this study. The limitations are this study limits its survey specifically on online customer, not including normal shop customers and this study only focus on 2 factors of the customer preference of doing online purchases.

1.8 Summary

In this new technology era, the advancement of technology in Malaysia can be considered exceptionally increase compare to a few years back. E-commerce is a new platform that can accelerate the economy growth of a country. The method that I use to complete the early stage of the research is might be in the time range, the scientific location, trustable information and person. E-commerce had been used by other developed country and been prove effective to enhance the business growth rapidly.

Customers have to learn about this new widely emerging method of doing business. Even though E-commerce has many advantages, but users also need to consider the disadvantages of E-commerce by taking precaution step to avoid problems when dealing in E-commerce especially in Facebook.

CHAPTER 2

LITERATURE REVIEW

2.1 Definition of Terms

Terms in this chapter are conceptually and operationally defined for better understanding of the readers. All the variables are explained in this chapter with relevance citation from previous studies.

2.1.1 E-Commerce

Electronic Commerce, which is ordinarily consulted to as e-commerce, which is the use of information and communication technology (ICT) in guiding businesses on the net, not only specifically on selling and buying but also servicing customers and collaborate with business partner (Manivannan, 2009).

Online shopping is blooming quickly, although not as comprehensive as predicted (NTIA, 2002). This growth is driven by the advantages of online shopping (Eroglu, et al., 2001). Referred to the confident increase of e-commerce, firms becoming more rely on e-commerce solutions to meet their profit objectives (Freemantle, 2002).

A few factor has been study about the constrain of e-commerce adoption in Malaysia. (OECD, 1998) has conducted a survey and identified that some barriers that move the maturation of e-commerce adoption is the deficiency of consciousness, uncertainty about the benefits of e-commerce, concerns about security, lack of human resources and skills, set up costs and pricing matters.

According to e-Marketer, the number of people producing content online will grow from 88.8 million in 2009 to 114.5 million in 2013 (The Future of User-Generated Content, 2010). Consumers via social networks are exerting an increasingly profound influence over culture and economy, with various industries transforming the way they practice business. The retail industry is a prime exemplar of this phenomenon with over 81% of people using consumer reviews in their purchase decisions (Leggatt, 2009). Social networks are providing retailers with an opportunity to get to a fresh diversity of consumers. Data generated by consumers in a social web platform is a considerable added value for other users and lack of such information on a retailer's website would cause them to look for information, and possibly products, elsewhere (Vreeland, 2010). Therefore, it can be distinctly stated that not incorporating social networks as a portion of the marketing mix is not only poor customer service, but also a sure fire path to lose consumers.

Inside the Web environment, computer components are those whose presence offers the functionality (Liang & Lai, 2001). These are characterized by (Richard, 2005) as high task relevance. Technical aspects, impartially, information content, and navigation are categorized by (Liang & Lai 2001) as elements in computer factors. Human elements are those hedonic elements that add value to the Website by contributing to user satisfaction (Zhang & von Dran, 2000). These authors identified five categories of human factors on the Web, specifically enjoyment, cognitive outcome, user empowerment, credibility, visual appearance, and organization of informational content. These fit well with (Richard, 2005) low task relevant features.

2.1.2 Customer purchase intention

According to (Ayu Karbala & Harimukti 2012), consumer behaviour is the consumer's decision with regard to the acquisition, use, and disposal of commodities, services, time, and ideas by human decision-making units. Therefore, the company needs to understand the products or service which consumer needs and desires, which consumer must do to purchase and devour it, and what influences purchase and use. In that respect are some elements that offered the agent that influences on consumer behaviour, which are cultural, social, personal, and psychological

A social tie is defined as the set of social interactions between two or more people. Previous research have found that social ties are important to individuals' decision-making processes (Arndt, 1967). Social ties can be split up into different characters. (Granovetter, 1973) ushered in the concept of association strength, which refers to the intimacy of the relationships among people. Tie strength ranges from weak to strong. If a relationship is determined as a weak link, then the people are only acquaintances and do not know each other well. If the tie is defined as a solid tie, then the people are friends who know each other well.

Prior studies in the IS and marketing show that eWOM has an impact on consumers' trust on a firm and its merchandise. (Dellarocas, 2003) demonstrates that reliance on a firm and its products can be developed in e-Forums by those eWOM submitted by prior consumers. These prior consumers provide their views or even rate the performance and behavior of a firm in their consumer–supplier relationship. Potential consumers usually use these eWOM to decide whether they would trust the firm in an electronic transaction. Other surveys also show that won state in the sellers' profiles in the electronic markets has significant impacts on the end cost of electronic auctions as stated by (BA & Pavlou, 2002) which can be interpreted as eWOM has a direct impact on purchase intention.

2.1.3 Price

Price is one of the representative non-look-and-feel types of product attributes. Vulnerability to a price comparison site enhances online shopper's expectation of and sensitivity to price for a non-look-and-feel product because cognitive and knowledge components of a non-look-and-feel type of product influence more on consumer's decision rather than affective and emotional factors. On the other hand, price information from a price comparison site is less relevant and less helpful for online purchase consideration of a look-and-feel type of product because the other important sensory information in this type of product category ultimately affects the decision of the final quality evaluation. Therefore, the influence of price comparison sites on price and value perceptions could be restricted due to a lack of importance and relevancy (Kwon Jung, et al., 2014)

The convenience, time-saving aspects, and product-matching features of online markets can boost consumer motivation to search for, price information, indicating that consumers are becoming more price-sensitive (Jiang, 2002).

(Yan Huang & Harmen, Oppewal, 2006) stated that shopping costs include both fixed and variable costs. (Yan Huang & Harmen, Oppewal, 2006) justified that (Bell, et al., 1998) identify fixed costs as travel costs associated with moving to a store plus a shopper's inherent preference and historic loyalty to the storehouse. Travel costs such as gas or parking fees are clearly an expense that consumers will like to preserve.

(Yi-Shun Wang et al, 2012) referred to the previous studies that since clients do not always remember actual product/service prices, previous research, usually used the customers' perception of price or fee to measure customers' monetary sacrifice (Jacobby & Olson, 1977).