FACTORS INFLUENCING ONLINE SHOPPING AND ITS EFFECT ON
CUSTOMER SATISFACTION

MUHAMMAD FAIZ BIN AZMAN

UNIVERSITI TEKNIKAL MALAYSIA MELAKA

MUHAMMAD FAIZ BIN AZMAN

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MUHAMMAD FAIZ BIN AZMAN

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"I hereby acknowledge that this project paper has been accepted as part fulfillment

for the Degree of Bachelor of Technopreneurship (Honours)"

Signature : …………………….

Supervisor's Name : Engr. Dr. Mohd Fazli Bin Mohd Sam

Date : …………………….

# DECLARATION

"I admit that this report is the result of my own, except certain explanation and passages where every of it is cited with sources clearly"

Signature : …………………….

Name : Muhammad Faiz Bin Azman

Date : …………………….

# ABSTRACT

Internet has developed in new delivery channels electronic transactions are increasing rapidly. Internet is a medium that connecting people around the world without geographical limitations and ability to provide an opportunity for anyone to do the business in cyberspace regardless of place. Nowadays, online shopping is a fast growing phenomenon. This new trend starts to take place in the hearts of Malaysians. This need has arisen to understand how they perceive directly to buy consumers. Most of the people who use the internet to purchase goods online, but that there are still some reasons for which consumers are reluctant to buy online. The purpose of this study is to determine customer satisfaction with the item affect they purchase through online shopping and determine the factors influencing customer to shopping. There are four factors that being use in this research such as price, convenience, trust and perceive risk. This research will be using qualitative method as the questionnaire survey will be distributed among government workers in Malacca. The result shows that, trust factors is a higher effected customer satisfaction with the item that they purchase through online shopping. Meanwhile, perceive risk factor is less effected through customer satisfaction rather than others factor in this study. Besides, this study shows that the relations between price, convenience, trust and perceive risk with the customer satisfaction. Based on the results, all factors have significant influence on customer satisfaction among the government workers. Lastly, marketer in online shopping should emphasis on important of all factors in this study because it will influence customer satisfaction to get more customers through their website.

# ABSTRAK

Internet telah dibangunkan dalam saluran penghantaran baru transaksi elektronik yang semakin meningkat pesat. Internet adalah satu medium yang menghubungkan manusia di seluruh dunia tanpa batasan geografi dan keupayaan untuk memberi peluang kepada sesiapa sahaja untuk menjalankan perniagaan di ruang siber tanpa mengira tempat. Pada masa kini, membeli-belah dalam talian adalah fenomena yang berkembang maju. Trend baru ini telah mula mengambil tempat di hati rakyat Malaysia. Keperluan ini timbul untuk memahami bagaimana mereka melihat secara langsung untuk membeli pengguna. Kebanyakan orang yang menggunakan internet untuk membeli barangan secara atas talian, tetapi masih terdapat beberapa sebab, pengguna masih keberatan untuk membeli dalam talian. Tujuan kajian ini adalah untuk menentukan kepuasan pelanggan dengan perkara yang menjejaskan mereka untuk membeli atas talian dan menentukan faktor yang mempengaruhi pelanggan untuk membeli-belah melalui atas talian. Terdapat empat faktor yang telah digunakan dalam kajian ini seperti harga, kemudahan, kepercayaan dan risiko. Kajian ini akan menggunakan kaedah kajian kualitatif melalui soal selidik yang telah diedarkan di kalangan pekerja sektor kerajaan di Melaka. Hasil kajian menunjukkan, faktor-faktor kepercayaan merupakan satu kepuasan pelanggan yang memberi kesan lebih tinggi dengan barangan yang mereka beli melalui atas talian. Sementara itu, faktor risiko kurang memberi kesan kepada kepuasan pelanggan di dalam kajian ini. Selain itu, kajian ini menunjukkan bahawa hubungan antara harga, kemudahan, kepercayaan dan melihat risiko dengan kepuasan pelanggan. Berdasarkan keputusan, semua faktor mempunyai pengaruh yang besar ke atas kepuasan pelanggan di kalangan pekerja kerajaan. Akhir sekali, marketer di atas talian perlu memberi penekanan yang penting dalam semua faktor dalam kajian ini kerana ia mempengaruhi kepuasan pelanggan untuk mendapatkan lebih banyak pelanggan melalui laman web mereka.

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# DEDICATION

I dedicate this thesis to my beloved parents, Mr. Azman and Mdm. Hanita, who always give me supports in term of moral, motivation and advices. Without their support and gentle prodding, I would still be trying to accomplish my MUET examination even though my FYP is successfully complete. Thanks also to my future wife, Nurfadhilla Binti Abu Hasan, who were always support and motivate me throughout my studies for four years. I believe you are part of my life because every single thing, no matter it is happy or suffering you always with me.

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# LIST OF ABBREVIATION

| Abbreviation | Stands For |
|---|---|
| B2B | Business to Business |
| B2C | Business to Customer |
| C2B | Customer to Business |
| C2C | Customer to Customer |
| 3D | Three Dimension |
| E-Commerce | Electronic Commerce |
| E-Loyalty | Electronic Loyalty |
| E-Retailer | Electronic Retailer |
| E-Satisfaction | Electronic Satisfaction |
| FYP | Final Year Project |
| MUET | Malaysia University English Test |
| PC | Personal Computer |
| PMCC | Pearson's Product Correlation |
| SPSS | Statistical Package for Social Sciences |
| UTeM | Universiti Teknikal Malaysia Melaka |

# CHAPTER 1

# INTRODUCTION

## 1.1    Background of Study

In new technological era, most of daily task could be done quickly and easier. One of the progresses made in the era of technology now is the application of the internet in daily life. The rapid development in communications technology has changed the style of human life. The term 'world at your fingertips' is often used to describe the situation. Throughout the existence of internet, daily operation can be done with online. Internet is a network of computers connected together globally that allows internet users to exchange information or data through the network.

Internet is a medium that connecting people around the world without geographical limitations and ability to provide an opportunities for anyone to do the business in cyberspace regardless of place. Goods and service can be order by consumer virtually anywhere, 24 hours a day, 7 days a week without worrying about store hours, time zones or traffic jams (Li et. al, 2000). For marketers internet also provides new opportunities by offering them inventive ways to promote, distribute product, communicate and give information to their target consumers. Business is attempting to gain a competitive advantage in the rapid global growth by using E-commerce to interact with customers (Demangeot and Broderick, 2007).

Nowadays, online shopping is a fast growing phenomenon. This new trend starts to take place in the hearts of Malaysians. In the early 2010, the number of internet users was 17.5 million and internet buyers were 8.9 million according to the Malaysian online shopping statistics. Moreover, the estimation on internet users was 18.3 million (2011) and 18.9 million (2012). Same as the estimation on internet buyers was 9.7 million (2011) and 10.5 million in 2012 (Ong, 2010). Online shopping is one of the purchase method that increasingly acceptance widespread in the world. It is an online version of retails sales where all transaction and related activities taking place in cyberspace.

Online shopping environments are playing an important role to increase the overall relationship between marketers and their consumers (Koo et al., 2008). Activities for online shopping in Malaysia has been recorded as remarkable growth from times to times because everything is at your fingertips. In developed country, online shopping has been practiced for quite these days and rapid growing among local communities especially woman after they recognize virtual online shopping. Online Shopping is a form of electronic commerce (E-Commerce) which allows consumers to directly buy goods or services from a seller over the internet using a web browser.

Consumers use internet for many reasons and purpose in E-Commerce such as searching for product features, selecting products and services, prices or reviews, placing the order, making payments and followed by delivery of the required products through internet (Sinha, 2010). Online shopping have two processes that involved which is business-to-consumer (B2C) online shopping and business-to-busines (B2B) online shopping where a business buy from another business. The favorite country for Malaysians shopping online is the United States, Singapore, United Kingdom,China and Hong Kong (Paypal Malaysia, 2012).

The largest and common online retailing corporations are such as Alibaba, eBay, Amazon.com, Lelong.my, Taubao and Zalora. The existence of many giant sites enhancing the activities of buying and selling online. This will increase competition in the market. In order to remain competitive, online businesses need to know effective ways on how to meet their customers' needs and wants. Statistics indicate the age of the internet users worldwide on November 2014 are 26.7% of global internet users were between 25 and 34 years old (Statista, 2015). The

customer satisfactions prove an online business is a key factor to profitability based on the high numbers of online customers (Guo et. al, 2012).

The basic understanding based on factors impacting online customer satisfaction is a vital to E- commerce. Looking for something, gathering information about it, evaluating purchasing alternatives, actual purchasing decision, and post purchasing behavior is a consequence of experiences during various purchasing stages in customer satisfaction (Kotler and Keller, 2006). Customer satisfaction is a degree of satisfaction provided by the goods or services of a company as measured by the number of repeat customers. There is high possibility that they will share their experience to the people when customers are satisfied with a company or service (Nelson, 2012).

Customer is the important asset for an organization's business. Therefore, organizations are trying to meet the needs and requirements to maximize customer satisfaction. Customer satisfaction is the key to a business where satisfaction in receipt of a service to be assessed by the customer (Mustafa et. al, 2007). Malaysia"s industry can expand the business worldwide through the consumers satisfaction to purchase online using the Internet. It will be a profitable to the entrepreneur with less cost, effort time to conduct their business. For entrepreneurs, this is opportunity to use the internet as a medium to expand business and market their products.

## 1.2    Problem Statement

Traditionally, consumer would go to conventional retail outlet, survey for the required product, comparing the product available in the outlet, ask the seller for getting recommendations and finally purchase the product by paying at the counter. There are many advantages through online shopping such as saving time, saving energy and fuel, 24/7 availability, ease of comparison shopping, extensive product mix availability and many more offered by online shopping. Despite the rapid growth of E-Commerce usage there are 75 % of users abandon their shopping carts before making payment (Greg Laptevsky, 2007). It is clear to show that some E-Commerce site has several question marks whether the customer satisfied with online shopping and weaknesses which lead to the scenario happens.

Through E-Commerce consumes always faced the problems might be occur is customers can only imagine the types of goods that they will purchase. Some online retailers only display images without placing full description of the goods they sell and offer. So it makes difficult for users to get know in more details about the product to be purchased. Since, users can not see the physical product, it is important for them to know in more detail about the product. In addition, customer will not be able to get the item straight away after they buy through online. This is because items that have been purchased by customers must be through the delivery process.

Delivery process normally takes 2 or 3 days for delivery for domestic and 2 or 3 weeks for shipment overseas. So, it is also possible to deceive the number of customers. Besides that, it might happened that the product do not meet the criteria when it is received by customer such as quality, size, color, and so on. This apparently part of the weakness of the E-Commerce websites in failing to understand the needs and satisfaction of users to make online purchases. So, it  is very important to understand the needs of users while surfing the website to make online purchases.

## 1.3    Research Questions

Research question that related of the study are:

1. Why customer prefer to do online purchasing. Is it convenient?
2. Are the customers can imagine the real physical view of a product if they buying online?
3. Does the customer will face any risk through online shopping?
4. Are the products offered through the online are cheaper?

## 1.4    Research Objectives

The aims of the study are to determine the factors influencing customer in online purchasing and customer satisfaction towards online purchasing. There are two objectives arise in the study based on the problem statement above as follows:

1. To determine customers satisfaction with the item that they purchase through online.
2. To determine the factors influencing customer to online shopping.

## 1.5    Scope and Limitation

### 1.5.1   Scope of the study

The scope of the research was look into the factors influencing online shopping and effect of customer satisfaction towards E-commerce. This study which is conducted in Malacca City helps to identify few of factors that influence a consumer to purchase products online rather than buying it at a physical store. Malacca City as a capital in Malacca and it is more convenient for researcher to get the targeted respondents.

The second scope was focused, on the customers satisfaction based on their experiences of online purchases such as time, payment, delivery, product and others. Government workers at Malacca as a consumers who have been using online purchase will be the respondents to complete the questionnaire. The targeted respondents are chosen among Malacca government workers at any sectors in order to evaluate the customer satisfaction and factors influence toward E- Commerce.

### 1.5.2   Limitation of the study

The research study has been focused only among government workers in Malacca. The research also did not conducted outside Malacca in order to avoid time constraint for conducting the survey. Budget is another limitation faced during the research. If the research conducted outside Malacca, it would be covered on large scale amount, so the expenses would be higher.