

THE RISK PERCEPTIONS TO ONLINE PURCHASE INTENTIONS

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THE RISK PERCEPTIONS TO ONLINE PURCHASE INTENTIONS**By****SITI NADIRAH BINTI YAAPAR**

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SUPERVISOR 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 Technology Management (High Tech Marketing) with Honour”

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DEDICATION

This research paper is dedicated to my parent and family who have been my constant source inspiration. They have given unconditional support with my studies. I am honored to have their as my parents. Thank you for giving me a chance to prove and improve myself through all my walk of life. Additionally, thank you for conditional support from my friends who helping me incomplete this study to all my family thank you for believing me to further my studies.

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ABSTRACT

For this research its study of the risk perceptions to online purchases intentions. This research will be done in area of Malacca. The size of E-Commerce market is rapidly growing and Internet has become a prominent transaction channel for online activities. The issue of internet users describe online shopping as a frustrating intend to determine the influence of risk perceptions to online purchase intentions. The theory utilized for this is perceived risk. The theory of perceived risk consists of four elements, which is, the perception of product risk, perception of financial risk, perception of privacy risk and perception of time risk. This theory will be test to gain information of the influences to online purchase intentions. The populations of this research will consists of 200 respondents, prefer to online user which suit with the main objective of this research. The research used a methods survey in online and manually in order to get the better data and information.

ABSTRAK

Untuk penyelidikan ini iaitu kajian terhadap persepsi risiko terhadap niat pembelian online. Kajian ini akan dilakukan di kawasan Melaka. Saiz pasaran E-Commerce berkembang pesat dan Internet telah menjadi satu saluran transaksi terkenal bagi aktiviti online. Isu pengguna internet menggambarkan membeli-belah dalam talian sebagai mengecewakan bertujuan untuk menentukan pengaruh persepsi risiko kepada niat pembelian online. Teori yang digunakan untuk ini adalah tanggapan risiko. Teori ini terdiri daripada empat unsur, iaitu, persepsi risiko produk, persepsi risiko kewangan, persepsi risiko privasi dan persepsi risiko masa. Teori ini akan diuji untuk mendapatkan maklumat mengenai pengaruh kepada niat pembelian online. Populasi kajian ini terdiri daripada 200 responden, yang terdiri daripada pengguna dalam talian yang sesuai dengan objektif utama kajian ini. Kajian ini menggunakan kaedah kaji selidik dalam talian dan secara manual dalam rangka untuk mendapatkan data dan maklumat yang lebih baik.

CONTENTS

TITLE	PAGE
Declaration	i-iii
Supervisor Declaration	iv
Dedication	v
Acknowledgment	vi
Abstract	vii-viii
Contents	ix-xiii
Contents of Figure	xiv
Contents of Table	xv-xvi

CHAPTER 1

INTRODUCTON

1.1 Background of the study	1-2
1.2 Statement of the Purpose	3
1.3 Problem Statement	3
1.4 Research Questions	4
1.5 Research Objectives	4
1.6 Scope	5
1.7 Project Significance	5
1.8 Conclusion	6

CHAPTER 2

LITERATURE REVIEW	7-8
2.1 Theoretical Background	8-10
2.1.1 Perceived Risk	
2.2 Review of Literature	
2.2.1 Online Purchase Intention	10-11
2.2.2 Perception of Product Risk	12
2.2.3 Perception of Financial Risk	12
2.2.4 Perception of Privacy Risk	13
2.2.5 Perception of Time Risk	14
2.3 Theoretical Framework	15
2.4 Hypothesis	15
2.5 Conclusion	16

CHAPTER 3

METHODOLOGY

3.1 Introduction	17
3.2 Research Design	17-19
3.2.1 Quantitative Research	
3.2.2 Descriptive Research	
3.3 Data Collection Methods	19-21
3.3.1 Primary Data (Survey)	
3.3.2 Secondary Data	
3.4 Sampling Design	21-24

3.4.1 Target Population	
3.4.2 Sampling Frame and Sampling Location	
3.4.3 Sampling Elements	
3.4.4 Sampling Technique	
3.4.5 Sampling Size	
3.5 Research Instrument	24-28
3.5.1 Survey and Questionnaire	
3.5.2 Pilot Test	
3.5.3 Data Analysis of Pilot Test	
3.6 Analysis Technique	29-30
3.6.1 Multiple Linear Regressions	
3.7 Reliability	30
3.8 Validity	31
3.9 Conclusion	31

CHAPTER 4

RESULT AND ANALYSIS

4.1 Introduction	32
4.2 Descriptive Analysis of Respondents Background	32-33
4.3 Respondent Profile	33-40
4.3.1 Gender	
4.3.2 Race	
4.3.3 Age	
4.3.4 Education Level	

4.3.5 Occupation Level	
4.3.6 Income Level	
4.3.7 Intentions to buy	
4.3.8 Experience	
4.3.9 Satisfied	
4.3.10 Often Purchase	
4.3.11 Spend to Purchase	
4.4 Descriptive Statistics	41
4.5 Data Analysis	42-43
4.5.1 Reliability Test	
4.6 Validity Test	43-45
4.7 Multiple Regression Analysis	45-46
4.8 Hypothesis Verification	47-50
4.8.1 Hypothesis 1	
4.8.2 Hypothesis 2	
4.8.3 Hypothesis 3	
4.8.4 Hypothesis 4	
4.9 Conclusion	51
CHAPTER 5	
CONCLUSION AND RECOMMENDATION	
5.1 Introduction	52
5.2 Discussion	52-53
5.3 Limitation	53-54
5.4 Recommendation	54

5.5 Conclusion	54
REFERENCES	55-63
APPENDICES	64-80

CONTENT OF FIGURE

FIGURE	PAGE
Figure 4.1 Gender Analysis	33
Figure 4.2 Race Analysis	34
Figure 4.3 Age Analysis	35
Figure 4.4 Education Level Analysis	35
Figure 4.5 Occupation Level Analysis	36
Figure 4.6 Income Level Analysis	37
Figure 4.7 Intentions to buy Analysis	37
Figure 4.8 Experience Analysis	38
Figure 4.9 Satisfied Analysis	38
Figure 4.10 Often Purchased Analysis	39
Figure 4.11 Spend to Purchase Analysis	40

CONTENT OF TABLE

TABLE	PAGE
Table 3.1 Reliability Analysis (Cronbach's Alpha)	26
Table 3.2 Validity Analysis (Pearson Correlation)	27
Table 3.3 Multiple Regression Analysis of Pilot Test (Model Summary)	28
Table 3.4 Coefficients	28
Table 4.1 Gender Analysis	70-71
Table 4.2 Race Analysis	
Table 4.3 Age Analysis	
Table 4.4 Education Level Analysis	
Table 4.5 Occupation Level Analysis	
Table 4.6 Income Level Analysis	
Table 4.7 Intentions to buy Analysis	
Table 4.8 Experience Analysis	
Table 4.9 Satisfied Analysis	
Table 4.10 Often Purchased Analysis	
Table 4.11 Spend to Purchase Analysis	
Table 4.4 Descriptive Statistics	41
Table 4.5.1 Cronbach's Alpha Coefficient Alpha Value	42
Table 4.5.2 Reliability Statistic	43

Table 4.6.1 Rules of Thumb about Correlation Coefficient	44
Table 4.6.2 Correlation	44
Table 4.7.1 Multiple Regression Analysis (Model Summary)	46
Table 4.7.2 Coefficients	46
Table 4.8.1 Simple Regression between Perception of Product Risk to Online Purchase Intentions	47
Table 4.8.2 Simple Regression between Perception of Financial Risk to Online Purchase Intentions	48
Table 4.8.3 Simple Regression between Perception of Privacy Risk to Online Purchase Intentions	49
Table 4.8.4 Simple Regression between Perception of Time Risk to Online Purchase Intentions	50

CHAPTER 1

INTRODUCTION

1.1 Background of the study

The advancement of the World Wide Web has resulted in the creation of a new form of retail transactions electronic retailing (e-tailing) or web-shopping and has become a common way for transaction of products, services and information (Albarq, 2006). Thus, customers involvements in online purchasing have become an important trend also offers consumers information, convenience and competitive prices that is not limited by distance, low cost, and order taking anytime and anywhere. Online shopping trend has just picked up in Malaysia. The populations of Internet users in Malaysia have increased from 3,700,000 in 2010 to 17,723,000 in 2012(Internet World Stats, 2013).

The Nielsen Company (2011) revealed that Malaysian has spent RM1.8 billion shopping via Internet in 2010. In addition, PayPal has estimated that Malaysian online buyers will spend approximately RM5 billions of online retail sales in Malaysia's E-Commerce market in 2014. These statistics reveal that the size of E-Commerce market is growing and Internet has become a prominent transaction channel for companies. However, PayPal Online and Mobile Shopping Insights Study (2011) reveal that some Malaysians are still reluctant to shop online because of their hardly believe in online shopping, as they are unable to touch and feel the products before purchasing (Wong, 2014). As such, it is vital to identify the influence of risk perceptions to online purchase intentions. For Malaysian population 25 percent will have internet access by 2005.

The future forecast for online shopping in Malaysia looks bright and promising also estimated that sales revenue generated by internet commerce in Malaysia is expected to grow from US\$ 15 million in 1998 to US\$ 46 million in 1999 to US\$ 1.57 billion in the year 2003, International Data Corporation (IDC). Through with online shopping represents not only a challenge but also an opportunity to online retailers if a better understanding of the relationship between risk perceptions and online purchase intentions is warranted. It's also important for the local companies in Malaysia to have a good understanding of the marketplace for their products and their target customers before engaging themselves in online retailing. With a better understanding of their target customers, online retailers and entrepreneurs are able to develop more effective and targeted online retail operations that meet the requirements and expectations of their new online shopping customer.

1.2 Statement of the Purpose

The purpose of the research is to investigate the influences of risk perceptions to online purchase intentions.

1.3 Problem Statement

Internet usage in Malaysia has been steadily growing and to the high potential of online shopping, but there is still most of the internet users describe online shopping as a frustrating. Moreover, despite the growing population of online shoppers, more than a quarter of the Internet user population still do not shop online (Shop.org, n.d.), and high abandonment of online transactions continues to be a concern to retailers. For example, up to 78% of online consumers abandon their online transactions prior to and/or during the checkout process (Goldwyn, 2003). A number of prior studies have attempted to identify factors that either encourage consumers to engage in online shopping or discourage them from online shopping. It have found that perceptions of risk associated with online shopping are negatively related to online shopping intentions (Bhatnagar & Ghose, 2004; Doolin et al, 2005; Drennan, Mort, & Previte, 2006; Forsythe & Shi 2003; Kuhlmeier & Knight, 2005; Slyke, Belanger, & Comunale, 2004). Through this research will identify reasons why the internet user describes online shopping as a frustrating by focus on the view of risk perceptions to online shopping intentions.

1.4 Research Questions

A research question is an answerable inquiry into a specific concern or issue. It is the initial step in a research project. It is the ground beneath the foundation. This research the research questions need to be answer as follow:

1. What are the types of risk perceptions to online purchase intentions?
2. What is the relationship of risk perceptions to online purchase intentions?
3. Which types of risk perceptions most influence online purchase intentions?

1.5 Research Objectives

Research objectives serve to describe the aim of the research and it's providing an accurate description of the specific actions.

1. To identify the types of risk perceptions to online purchase intentions.
2. To examine the relationship risk perceptions to online purchase intentions.
3. To analyses the most influence risk perceptions to online purchase intentions.

1.6 Scope

The scopes of this project are analysis is on risk perceptions, product, financial, privacy and time risk toward online purchase intention. Apart from that, the research will organized only in area of Malacca (Cross Sectional), which will involve the generation of Gen Y.

1.7 Project Significance

This research will be given a benefit to the online retailer, online consumer and entrepreneur the better way to understand their function to fill the consumer expectation in market and purchase the product or services through online in order to fulfill the need and wants of consumer lifestyle. With a good understanding of the web shopper's online purchase intention, web-retailers will be able to develop effective and efficient web-shopping strategies to attract new and potential web-shopping customers.

1.8 Conclusion

In conclusion on this chapter, as we know that the population purchasing through online nowadays growing steadily even though the concept use by others same for selling the product and to serve the consumer for their need and want of life.

CHAPTER 2

LITERATURE REVIEW

This chapter reviews previous research on perceived risk, and online purchase intentions. Electronic retailing over the Internet or online shopping first started in 1994 (Hsin, 2000). By using online channels, as one form of direct consumer marketing of non- store retailing. Started of electronic retailing predominantly in the form of online storefronts whereby products from a single merchant are offered to consumers through online catalogue. Products that are being marketed through the internet can be categorized into two groups The first groups of products are items that consumer do no need to see in person before purchasing, it will include all from computers to compact disc to canned goods, can be view using just text, pictures and other digitally communicable information. It's ideally suited to online shopping whereby the internet could serve significant transaction and communication functions.

The second group products is termed as experience products which items that consumers prefer to see and touch include before purchasing like clothes and groceries. Consumers will only purchase such products from the internet after they have already experienced them. The sum of the individual past experience, context or background and stimulus are the three aspects based on an individual response to a judgment task. Web shopping is a relatively new activity for a wide range of consumers, online purchases are still perceived as riskier than terrestrial ones (Laroche, Yang, McDougall and Bergeron, 2005). The experience quality can be obtained only through prior purchase experience which web-shopping consumers will depend heavily on web-shopping consumer. Prior experiences will strongly affect future behaviour. In the web-shopping context, customers evaluate their online purchase experiences in terms of perceptions regarding product information, form of payment, delivery terms, service offered, risk involved, privacy, security, personalization, visual appeal, navigation, entertainment and enjoyment (Burke, 2002; Parasuraman and Zinkhan, 2002; Mathwick, Malhotra, and Rigdon, 2001).

2.1 Theoretical Background

2.1.1 Perceived Risk

Perceived risk is defined as consumers' subjective expectations of suffering a loss in pursuing a desired outcome (Wang, Wang & Tang, 2003).