

FACTORS AFFECTING CONSUMER BUYING DECISION OF E COMMERCE

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DECLARATION

“I admit that this report is the result of my own, except certain explanations and passages where every of it is cited with sources clearly.”

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DEDICATION

I would like to dedicate the appreciation to my family members who supported me from spiritually and financially, beloved supervisor and panel who guided me throughout the research, and coursemates that assisted me through the journey of research.

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ABSTRACT

This research discuss about the factors affecting consumer buying decision of E-commerce. As we know that, E-commerce is a method for buying or selling products and services over internet. E-commerce is rapid growth in internationally even in our country Malaysia and exploring the new business model and potential in the future. For that reason, this study was conducted to investigate the factors affecting consumer buying decision of E-commerce. The data were collected using questionnaires from 200 respondents in Malaysia and analysed using SPSS software package. The results of analysis show the relationship between factors which included attributes, competitive advantages and service quality of E-commerce towards consumer buying decision. This study contributes exceptional judgment to online shopper in the Malaysia market.

Keywords : E-commerce, consumer buying decision, online shopper, Malaysia

ABSTRAK

Kajian ini membincangkan tentang faktor-faktor yang mempengaruhi keputusan pembelian pengguna E -dagang. Seperti yang kita tahu bahawa, E -dagang adalah kaedah untuk membeli atau menjual barangan dan perkhidmatan melalui internet. E -dagang adalah pertumbuhan pesat dalam peringkat antarabangsa walaupun di negara kita Malaysia dan meneroka model perniagaan baru dan berpotensi pada masa depan . Atas sebab itu , kajian ini dijalankan untuk mengkaji faktor yang mempengaruhi keputusan pembelian pengguna E -dagang. Data yang telah dikumpulkan dengan menggunakan soal selidik daripada 200 responden di Malaysia dan dianalisis dengan menggunakan pakej perisian SPSS. Keputusan analisis menunjukkan hubungan antara faktor-faktor yang termasuk sifat-sifat, kelebihan daya saing dan kualiti perkhidmatan E -dagang terhadap keputusan pembelian pengguna . Kajian ini menyumbang penghakiman yang luar biasa untuk pembeli dalam talian di pasaran Malaysia.

Kata kunci: E -dagang, keputusan pembelian pengguna , pembeli dalam talian , Malaysia

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Chapter 1

1.0 INTRODUCTION

1.1 Background of study

Malaysia has changed its economics policy from agricultural based to industrial based to boost the economic growth to a more competitive and optimal, at par with other developed countries (Syed, Ali, Mohd Ismail, Hishamuddin, 2007) . Due to the rapid growth of technology, Malaysian government is determined to implement the system and widespread its use through the introduction and use of e - commerce technology in the industrial and commercial sectors. In the 10th Plan period, the Government will continue to improve the delivery and efficiency of services to businesses by leveraging the use of ICT (Economic Planning Unit, 2011).

The Internet is becoming popular in Malaysia, as it is a virtual place where people share their ideas, build communities, shape the future democratically, and promote a new way of doing business. The Internet is the world's biggest shopping mall that allows enterprises to do their business with low cost involved, yet covering global market. E -commerce is a business space on the Internet . E -commerce is the

process of distribution, buying, selling, marketing and servicing of a product or service using the Internet. Just by clicking the mouse, a transaction can be conducted anywhere and at anytime (Vince Brown 2006). Besides that, Irfan Khairi defines Internet Business as "the use of the Internet as a tool to promote their products and services and take advantage of the interactive Internet to do the selling process. The Internet allows direct communication between the dealer and the buyer without meeting to face to face (Irfan Khairi , 2005).

Grefen (2010) also stated that through the use of IT, it becomes a factor which can be distinguished between eBusiness with the traditional business. E-business is also defined as the e-commerce that has a very wide business scope and it is known as the e-business (Neto et al. Al., 2010). E-Commerce 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. Moreover, opportunities will be given for new global and national trading relationship due to the electronic payment system. E-commerce differentiate from the traditional purchase approach including time-consuming and labor-intensive. So, the transaction online system can bring many profits for both companies and consumers at the same time.

E-commerce is the process of distribution, buying, selling, marketing and servicing of a product or service using the Internet. Besides that, product information and selection in the Internet is more compact and it ranges from various sites. Consumers able to choose and compare products they want to purchase from the price to the quality. Consumers can easily find and select specialized products from various sites. E-commerce offer this kind of open market place would increase competition, provide benefits for industrial buyers as it will promote better quality and more variety of goods.

This research is to determinants of factors affecting consumer using e-commerce. Attributes, competitive advantage and service quality influenced consumer buying decision using e-commerce. However, the attributes of e-commerce state convenience, informativeness, product selection and price. This research will determine the competitive advantage by using Porter's five forces model which are, the threats of new entrants, threats of substitute product, rivalry among existing firm, bargaining power of supplier and bargaining power of supplier. The service quality (SERVQUAL model) by Parasuraman, Zeithaml and Berry state the five dimension which are, reliability, responsiveness, empathy, assurance and tangible. The consumer buying decision model including five stages which are, need recognition, information search, evaluation of alternatives, purchase decision and post purchase behavior by Philip Kotler. This research will clearly identify the relationship of consumer buying decision towards attributes, competitive advantage and service quality of e-commerce separately.

1.2 Problem Statement

The electronic commerce (E-Commerce) can be defined as a modern business methodology that addresses the needs and wants of organizations, merchants and consumers while improving the quality of goods and customer services to gain the competitive advantage in the global market by using internet. It enables the trading of goods, money and information electronically from computer to computer. Business is done electronically and there is no longer a need for physical currency or goods to conduct business. This studies focus on the factors affecting consumer buying decision using e-commerce. Most of the studies in this research will stand different point of view to discover the attributes, competitive advantages and service quality of e-commerce in Malaysia.

1.3 Research Question

1. What are the attributes of e-commerce to turn browsers into buyers?
2. What is the competitive advantage of e-commerce in the market?
3. The service quality of e-commerce will influence the customer's buying decision?

1.4 Research Objective

1. To clarify the attributes of e-commerce towards consumer buying decision
2. To determine the relationship competitive advantages of e-commerce and consumer buying decision.
3. To identify the relationship between service quality and customer's buying decision.

1.5 Limitation of the study

For the intents and purposes of our research, we have to limited our survey region in Malaysia. So it is not truly representative of the worldwide mindset and perception.

Researcher only can assumed that all respondents have provided honest and correct answer. Therefore, the data collection for this research will be limited and not completely true for all.

Additionally given the duration of the entirety of our project, we were faced with the time constraint to complete the tasks. The part that spends the most time in this research is getting survey from the respondents. An innovative questionnaire and particular respondents are needed to carry out the survey of this research. After surveying on the respondents of the quality questionnaire, data is collected. This collection of data used up a lot of time as there are many surveys or questionnaires that have to be filtered in order to get a more quality result based on the research. Lastly, the limitation is the language problem where the questionnaire is only designed in English version. This method has caused some time delay and confusion as some respondents are not understood with the meaning of the questions. Therefore, researcher needs to take time to explain every statement using the familiar languages of the respondents such as Mandarin.

1.6 Scopes

This whole research is main focus on factors affecting consumer buying decision of E-commerce.

1.7 Importance of the Study

This research contributes the increased understanding on factors affecting consumer buying decision of E-commerce. From this research, we can know that the factors of E-commerce which affect consumer buying decision directly or indirectly. Based on the research, we will also know the relationship between the factors towards consumer buying decision of E-commerce in Malaysia. This research paper may become one of the useful papers to refer in the future when there are business students willing to start their own business through online.

1.8 Summary

In this chapter, the researcher has briefly explained about the background of study on factors that affecting consumer buying decision of E-commerce. This chapter consists of two main items that are the research objectives and research questions. Both the research objectives and research questions are the of the whole research report. Besides that, the researcher has explained about the limitation that facing during the period of conducting this research. Additionally, the researcher has explained about the importance of study about this report especially those wish to own a small business through online.

Chapter 2

Literature Review

2.1 Introduction

The literature review presents an overview of the research on collection data development and the relationship between the concepts and theories. This research takes regards of the work of various researchers from journals and books to identify the factors that affecting the consumer buying decision by using E-commerce. The variables were defined to measure each factor.

From the statement above, this research will clarify the attributes of e-commerce including convenience, informativeness, product selection and price towards consumer buying decision. Besides that, this chapter also review the literature and explain the relationship competitive advantage by using Porter competitive forces towards customer's buying decision. The Porter competitive forces which are the threats of new entrants, threats of substitute product, rivalry among existing firm,

bargaining power of supplier and bargaining power of buyer. Moreover, service quality of e-commerce (SERVQUAL model) by Parasuraman, Zeithaml and Berry plays the important role influence consumer buying decision as well. This chapter will review the each factor affecting consumer buying decision in the Malaysia market. After viewing all the material for several times, the related theories and concept that will assist this research has been selected.

2.2 Consumer buying decision model

Consumers are tasked with making decisions regarding purchasing products or services which are accompanied by going through a rigorous cognitive process. On the Internet, purchase decisions are shaped through the interactions of consumers with the online environment. Understanding online decision-making processes can enhance our knowledge of online consumers to a great extent. Decision-making processes can be explored by developing new behavioural models (Rickwood and White, 2009). Itamar Simonson and, et al (2001) defines it as a discipline that aims to analyze how individuals, groups and organizations select, buy and use goods, services, ideas or experiences to satisfy their needs and desires (Kotler and al, 2009).

At any time, we make decisions concerning every aspect of our lives; these decisions are generally made without stopping to think about how we make them and what is involved in the particular decision-making process itself (Schiffman & Kanuk, 2010). However, the buyer decision process is collectively five stages which consumers usually follow through before making their deliberate purchase. These five stages are, need recognition, information search, evaluation of alternatives, we make decisions concerning every aspect of our lives; these decisions are generally made without stopping to think about how we make them and what is involved in the

particular decision-making process itself (Schiffman & Kanuk, 2010), purchase decision and post purchase behaviour (Philip Kotler, 2008 p265).

Table 2.1 Steps of consumer buying decision process

Need Recognition
Information Search
Evaluation of Alternatives
Purchase Decision
Post Purchase Behaviour

The first stage of the buying decision process involves the consumer recognising what the actual problem or need is (Philip Kotler, 2008 p265). Which called need recognition, consumer must understand the needs of the product or service to them. The second stage will involve the consumer to take up some research in order to broaden and gain in-depth information about his need recognition; this research however depends on the consumer's level of drive towards the product (Philip Kotler, 2008 p266). And this follows up to the third stage which is when consumers get specific needs met whether basic or desired needs, it involves the consumer using the information conducted from the stage before, by evaluating alternative brands in the choice and thus narrowing down his choices. Bringing to the fourth stage of the decision making process being the actual purchase decision. The consumer needs to make the decision of purchasing or not purchasing the product. This particular stage could either go both ways of the two, the first being that the consumer purchases the product which means the decision making process has been successful, or the second being that the consumer has a change of mind in terms of his suitability thus will effecting his final decision making the decision making process was unsuccessful.

The last decision making process is the post Purchase which is the process undertaken after the actual purchase has been made, this is depending on the level of the customer satisfaction being met, this can be similarly expressed by (Philip Kotler, 2008 p271) This final stage also allows the consumer to gain first-hand experience of the product or service performance and whether or not it met their need by meeting their personal expectations.

Consumer Behavior has changed dramatically in the past decade. Today, consumers can order online many customized products ranging from sneakers to computers. Many have replaced their daily newspapers with customized, online editions of these media and are increasingly receiving information from Online Sources (Schiffman & Kanuk 2009).

2.3 Factors affecting consumer using E-commerce

2.3.1 Attributes of e-commerce to turn browsers into buyers.

With a vast rate of growing internet users in Malaysia, e-commerce in Malaysia is projected to be making revenue of MYR5.7 billion by the year 2015 (C. Wong, 2013, August 26). With the increasing development of e-commerce, the online group buying (OGB) has become a popular shopping model in the e-commerce market (Cheng and Huang, 2012). So the attributes play the important roles to attract more people purchase online.

Yeh (1993) defined quality as the ability to meet end-user's needs. In other words, quality is connected with the end-user's perception. And the importance of consumer emphasize on quality attributes that conform the end users' needs. To evaluate the quality of the end products or services, a set of quality characteristics that description and form the basis for the evaluation is required . The attributes of E-commerce included shopping convenience, informativeness, product selection and price. And online buying creates a win-win situation for both vendors and customers (Erdogmus and Cicek, 2011).

2.3.2 Competitive advantage

According to Porter the “awareness of these forces can help a company stake out a position in its industry that is less vulnerable to attack” (Porter, 1979, p. 137). The interaction of these Five Forces is a constant threat to the success of a company. In addition to the competition among the existing competitors, Porter's Five Forces model identifies characterize the intensity of competition within an industry: Bargaining power of Supplier, Bargaining power of Buyer, Threat of Substitutes and Threat of new Entrants (Porter, 1979).

The Five Forces model is a simple but influential tool for the identification where power lies in a certain business situation by using the outside-in perspective (Johnson, Scholes & Whittington, 2008). The framework identifies five forces in the microenvironment that drive competition and threaten a company's ability to make profit. The derivation of the Five Forces framework of Porter is the industrial

economics approach. The idea is that the attractiveness of market and its overall profitability can mainly be defined by the market structure (Slater & Olson, 2002).

The goal of the Five Forces framework is not only to assess industry profitability and attractiveness but also to comprehend the “underpinnings of competition and the root causes of profitability” (Porter, 2008, p. 29). A competitive industry structure is also important because companies that can survive tough competition and able to withstand even tougher competition in a global business environment. “Competitive strategy aims to establish a profitable and sustainable position against the forces that determine industry competition.” (Zuckerman, 2007, p. 66)

2.3.3 Service quality

Quality is key for the survival of organizations in the global economy, while service quality is an approach to manage business processes in order to ensure full satisfaction of the customers which will help to increase competitiveness and effectiveness of the industry. According to Avelini Holjevac, service quality is "achievement of estimated standards and their constant maintenance" (Blešić et al., 2011).

Service quality is generally defined as the overall assessment of a service by the customers, (Eshghi et al., 2008, p.121) or the extent to which a service meets customer's needs or expectations, Asubonteng et al., (1996). The SERVQUAL-service quality model is one of the widely used tools for measuring quality of the service on various aspects. According to Zeithaml, Parasuraman and Berry (1990),