

SUPERVISOR'S APPROVAL

I hereby declared that I had read through this thesis and in my opinion that this thesis is adequate in terms of scope and quality which fulfill the requirements for the award of Bachelor of Technopreneurship

SIGNATURE :
NAME OF SUPERVISOR : DR. NURUL ZARIRAH BINTI NIZAM
DATE :

SIGNATURE :
NAME OF PANEL : PN. AZRINA BINTI OTHMAN
DATE :

**THE EFFECTIVENESS OF ONLINE ADVERTISING ON
CONSUMER BEHAVIOR**

LOW YONG JIE

**The thesis is submitted in partial fulfillment of the requirements for the award of
Bachelor of Technopreneurship**

Faculty of Technology Management and Technopreneurship

(Technopreneurship)

Universiti Teknikal Malaysia Melaka

JUNE 2017

DECLARATION OF ORIGINAL WORK

“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.”

Signature :

Name : Low Yong Jie

Date :

DEDICATION

This research paper is special dedicated to my parents, who has been my main source of inspiration and encouragement during my studies. Thank you for giving me the opportunity and a new experience in my life to complete this research. Also thanks to my friends that help and encouragement towards me when conducting this research paper. Not forgetting, to those who indirectly contributed in this research, your kindness means lot to me. Thank you very much.

ACKNOWLEDGEMENT

At here, I would like to express my deepest thanks to Dr. Nurul Zarirah Binti Nizam for supervise me to do this project. Thanks again for the guide, information and idea that help me to complete this project. A sincere appreciation and thanks to Pn. Azrina Binti Othman as my panel during presentation and Prof. Dr. Salleh Bin Yahya for sharing their experience and knowledge in the Research Methodology subject, it really helped me a lot in conducting this research.

Next, I would like to take this chance to express my deepest thanks and appreciation to my family and friends for giving me their endless support, encouragement and help to complete this research paper.

Last but not least, thanks to Universiti Teknikal Malaysia Melaka (UTeM) for all the facilities provided to enable me to generate creative ideas and get the resources easily. Thanks for providing such a nice environment for students to do and discuss the project. I would also like to thank Faculty of Technology Management and Technopreneurship. In a nutshell, thank you everyone for your encouragement and contribution, I appreciate that.

Thank you very much.

Abstract

With the rapid growth in the IT industry, many companies have made the Internet as part of their advertising platform to take the advantage of online technologies. The Internet has become an important platform for marketers because they can control over the advertising materials and it possess greater reliability and flexibility. Furthermore, internet has also becoming an important one stop point for consumers in finding their needs. The aim of this research is to measures how significant is the online advertising effectiveness in terms of attitude towards ads, ability to recall ads and frequency of clicking ads in explaining purchase decision. The study will be conducted in Melaka. A series of questionnaire was conducted to collect respondents' answers, the data collected from 200 respondents were analysed qualitatively. The results of the analysis showed that among the attitude towards ads, ability to recall ads and frequency of clicking ads had significant impact on the purchase decision. The recommendations are discussed to have further improvement in the future. As increasing in number of internet users nowadays, it is crucial for advertisers to have understanding on how to advertise effectively to attract customers.

Keywords: internet, online advertising, purchase decision, advertisers

Abstrak

Dengan pertumbuhan pesat dalam industri IT, banyak syarikat telah membuat Internet sebagai sebahagian daripada platform pengiklanan mereka untuk mengambil kesempatan daripada teknologi dalam talian. Internet telah menjadi platform penting bagi pemasar kerana mereka boleh mempunyai kawalan ke atas bahan-bahan pengiklanan dan ia mempunyai kebolehpercayaan dan fleksibiliti yang lebih besar. Tambahan pula, internet juga telah menjadi salah satu titik perhentian bagi pengguna dalam mencari keperluan mereka. Tujuan kajian ini adalah untuk langkah-langkah bagaimana penting adalah keberkesanan pengiklanan dalam talian dari segi sikap terhadap iklan, keupayaan untuk menarik balik iklan dan kekerapan klik iklan dalam menjelaskan keputusan pembelian. Kajian ini akan dijalankan di Melaka. Satu siri soal selidik telah dijalankan untuk mengumpul jawapan responden, data yang diperolehi daripada 200 responden telah dianalisis secara kualitatif. Keputusan analisis menunjukkan bahawa di antara sikap terhadap iklan, keupayaan untuk memanggil balik iklan dan kekerapan iklan klik mempunyai kesan besar ke atas keputusan pembelian. Cadangan-cadangan yang dibincangkan untuk penambahbaikan pada masa hadapan. Sebagai peningkatan dalam bilangan pengguna internet pada masa kini, adalah penting bagi pengiklan untuk memahami cara-cara mengiklankan berkesan untuk menarik pelanggan.

Kata Kunci: internet, pengiklanan dalam talian, keputusan pembelian, pengiklan

TABLE OF CONTENT

CHAPTER	CONTENT	PAGES
	DECLARATION OF ORIGINAL WORK	ii
	DEDICATION	iii
	ACKNOWLEDGEMENT	iv
	ABSTRACT	v
	ABSTRAK	vi
	TABLE OF CONTENT	vii
	LIST OF TABLE	x
	LIST OF FIGURES	xi
	LIST OF ABBREVIATION	xii
	LIST OF APPENDIX	xiii
 CHAPTER 1	 INTRODUCTION	
	1.1 Background of Study	1
	1.2 Problem of Statement	3
	1.3 Research Objectives	4
	1.4 Research Questions	4
	1.5 Significance of the Study	5
	1.6 Limitation of the Study	6
	1.7 Summary	6

CHAPTER 2	LITERATURE REVIEW	
	2.1 Introduction	7
	2.2 Online Advertising	7
	2.3 Effectiveness of Online Advertising	9
	2.3.1 Attitudes towards Online Ads	10
	2.3.2 Ability to Recall Online Ads	11
	2.3.3 Frequency of Clicking Online Ads	13
	2.4 Consumer Behavior	15
	2.5 Research Framework	18
	2.6 Hypothesis	19
	2.7 Summary	19
CHAPTER 3	RESEARCH METHODOLOGY	
	3.1 Introduction	20
	3.2 Research Design	20
	3.3 Methodological Choice	21
	3.4 Data Source	22
	3.5 Research Strategy	23
	3.6 Location of Research	23
	3.7 Time Horizon	24
	3.8 Sampling Design	24
	3.9 Questionnaire Design	25
	3.10 Pilot Test	26
	3.11 Validity	26
	3.12 Reliability	28
	3.13 Data Analysis	29

3.12.1 Regression Analysis	29
3.13.2 Pearson Correlation Analysis	29
3.14 Summary	30
CHAPTER 4 DATA ANALYSIS AND DISCUSSION	
4.1 Introduction	31
4.2 Pilot Test	31
4.3 Descriptive Analysis	33
4.3.1 Respondents' Demographic Profile	33
4.3.2 Central Tendencies Measurement of Constucts	43
4.4 Pearson's Product Moment Correlation Coefficient (PMCC)	44
4.4.1 Attitude toward ads	45
4.4.2 Ability to recall ads	45
4.4.3 Frequency of clicking ads	46
4.5 Multiple Linear Regression	46
4.5.1 R Square	47
4.5.2 Test of significance	47
4.5.3 Coefficient	48
4.6 Summary	49

CHAPTER 5	DISCUSSION, RECOMMENDATIONS AND CONCLUSION	
5.1	Introduction	50
5.2	Discussion of Major Findings	50
5.2.1	Attitude towards online ads is significantly related to purchase decision.	51
5.2.2	Ability to recall ads is significantly related to purchase decision	52
5.2.3	Frequency of clicking ads is significantly related to purchase decision	53
5.3	Implication of study	54
5.4	Recommendation for future study	54
5.5	Conclusion	55
5.6	Summary	56
	REFERENCES	57
	APPENDICES	61

LIST OF TABLES

TABLES	TITLE	PAGES
3.1	Pearson Product Moment Table	27
3.2	Cronbach's Alpha Coefficient Range	28
3.3	Rule of Thumb for Interpretation Correlation	30
4.1	Validity Test	32
4.2	Reliability Test	32
4.3	Gender of respondents	33
4.4	Age of respondents	35
4.5	Marital status of respondents	36
4.6	Education level of respondents	37
4.7	Employment status of respondents	38
4.8	Monthly salary of respondents	39
4.9	Hours per week spend online	41
4.10	Frequency click on online advertisement	42
4.11	Descriptive statistics	43
4.12	Correlation matrix	44
4.13	Model summary	47
4.14	ANOVA a	47
4.15	Coefficients ^a	48

LIST OF FIGURES

FIGURES	TITLE	PAGES
2.1	Research Framework	18
4.1	Gender of respondents	34
4.2	Age of respondents	35
4.3	Marital status of respondents	36
4.4	Education level of respondents	37
4.5	Employment status of respondents	39
4.6	Monthly salary of respondents	40
4.7	Hours per week spend online	41
4.8	Frequency click on online advertisement	42

LIST OF ABBREVIATIONS

Click-Through Rate	CTR
Pearson Product Moment Correlation Coefficient	PMCC
Universiti Teknikal Malaysia Melaka	UTeM

LIST OF APPENDIX

APPENDICES	TITLE	PAGES
1	Gantt Chart PSM 1	61
2	Gantt Chart PSM 2	62
3	Questionnaires	63

CHAPTER 1

INTRODUCTION

1.1 Background of Study

The fast pace of information technology (IT) has transformed the internet into the most popular channel of communication in the world today and has become an ongoing emerging source that tends to expand more and more. With the increasing importance of internet in e-commerce, advertisers want to fully utilize this online platform for their advertising activities that fulfill their communication purposes (Wang et al., 2009).

Online advertising is an advertisement tool which published on the Internet. This advertisement tool can be very useful in creating awareness of an organization and its product and services. There are many types of online advertisement which including all sorts of banner, email, rich media, and social media platforms. Nowadays, the most stands out opportunities are electronic or online advertisement. Most companies build up their website as new channels for business transactions and advertisement, which enable customers to make online purchases through the web (Nikhashemi et al., 2013).

Online advertising is widely used by companies and organization to promote their product and services. The reason that online advertising able to attract more investment from the marketers is because marketer are able to capture the opportunity to reach their consumer via various online platforms to create an awareness for their products and services which lead to increasing of their sales in the future (Aziz et al., 2008).

On the other hand, online advertising is flexible and makes it easier for the company to update their products' information immediately, this makes customers can be easily get the latest information about that products and services which offered by the company in the market. In today's competition, all companies are trying to reduce their cost, therefore online advertising play an important role in giving several benefits like increases efficiency and flexibility, act as a global medium and at the same time reduces costs (Chaubey et al., 2013).

Through online advertising, information can be easily collected by marketer from consumer which later can be participate in product design, arrange deliveries, explore promotions, sales and receive post purchase support. This can enhance the relationship between marketers and their consumer by understanding what consumers need the most (Aziz et al., 2008).

Online advertising has given consumers more control in accessing information on products and services. Online advertising enables consumer to access an unlimited range of products and services from companies around the world. Due to the diversity of products and services, increasing consumer desires and demands, producers need a faster and more efficient method to reach the consumer loyalty (Zourikalatehsamad et al., 2015).

On the other hand, the increasing number of online users has caused the companies and organization to transform their existing structures in order to consider both online and virtual conditions (Nikhashemi et al., 2013). The companies have been struggling to identify the most important factors which related to customer-based issues which may have potential affects and benefits to their businesses. They understood that the traditional way of advertising cannot be only way to attract their customer, therefore they have to modify their existing marketing strategy from traditional way to online advertising. Companies would start to develop their own website and social media to market their product and services (Nikhashemi et al., 2013).

Consumer's attitude is the direct human reflection towards the online advertising. The attitude of consumers may be influenced by the factors of online advertising, such as in-formativeness, entertainment, creates awareness and annoying. For example, the

Internet users might find online advertising was informative but less entertaining, and it did not encourage them to make purchases even they did not perceive it to increase product prices (Lim et al., 2011). In this new medium, consumers have control over the advertising exposure as they can choose when and how much advertisement content they wish to view. Consumers will immediately terminate the visit if they find that the web advertisement is not useful (Abd Aziz and Ariffin, 2010).

1.2 Problem of Statement

With the rapid growth in technology era, the internet has becoming an important medium for consumer in finding most of their needs. Whether it is for communication, entertainment, shopping and information search, internet met all of their requirements. This has led on most of the people around the world to get access on the Internet. The problem is that, volumes of consumers are online every day for their personal task, but do they ever pay attention on the ads, banners, rich media displayed on the webpage & social media, most important what is their recall value. What about the reach of online advertising, is it really effective across over all target groups?

According to Malaysian Communications And Multimedia Commission (2012), the growth rate of broadband has continued to increase in 2012. A total of 6.4 million subscriptions for broadband was recorded at the end of 2012. The statistic in year 2012 prove that with the fast-paced technology change nowadays, the Malaysian advertising platform is gradually shifting from the traditional media to the new media advertising (Malaysian Communications And Multimedia Commission, 2012). Due to consumer's selectivity on how much they wish to view an online advertisement, it's all up to consumer to seek for what kind of commercial content they are interested to and the additional content of the advertisement. In addition, consumers' behavior on online advertising may evolve from time to time (Karson et al., 2006), thus there are still lack of understanding and information on how consumer react to online advertising in Malaysia (Aziz et al., 2008).

There are a lot of research has been done on online advertising in Malaysia, but most of the research mainly focus on consumers' attitude toward online advertising. In this study, we will focus on the consumer's behavior towards online advertising. But it consist of several research gaps. One of the research gap is lack of literature review of this research topic in the context of Malaysia. Thus, this has caused the researchers have difficulty in researching and examining this topic as there is lack of relevant information (Aziz et al., 2008). To overcome this problem, researchers need to have further research on this area based on the Malaysia context.

1.3 Research Objectives

The objective of the study were to:

- i. To determine how significant is the measures of online advertising effectiveness in terms of attitude towards the ads in explaining online purchase decision.
- ii. To determine how significant is the measures of online advertising effectiveness in terms of ability to recall ads in explaining online purchase decision.
- iii. To determine how significant is the measures of online advertising effectiveness in terms of frequency of clicking the ads in explaining online purchase decision.

1.4 Research Questions

In this study, there are three research questions which have been developed as shown below:

1. How significant is the measures of online advertising effectiveness in terms of attitude towards the ads in explaining online purchase decision?
2. How significant is the measures of online advertising effectiveness in terms of ability to recall ads in explaining online purchase decision?
3. How significant is the measures of online advertising effectiveness in terms of frequency of clicking the ads in explaining online purchase decision?

1.5 Significance of the Study

This study will benefit the marketers, entrepreneur, government sectors, and the academic researchers. This study is to target the marketers and advertisers on the consumer preference of the advertising media and to determine whether using online advertising would be effective in reaching and creating awareness among the target audience.

Nowadays, the internet has grown in recognition as an advertising platform because it allows 24 hours interactivity between the advertiser and the consumer. As more consumers has turn to the internet as their purchasing platform, it is important for the local businesses to look into internet advertising. A small enterprise that can offer online purchasing may be gain advantages among their competitors. Thus, it is imperative for the organizations to understand the characteristics of the online customers towards online advertising before adapting this new marketing practices.

Other the other hand, the government sector would understand the value of internet advertising and its influence on consumer behaviors from this study. In addition, the government can effectively regulate how internet advertising is delivered among the consumers by acting rationally on laws that could restrict data usage and at the same time protecting the consumers' interest and rights. For scholars and academic researchers, the study will act as a reference for future research on internet advertising. The findings of

this study can be resourceful in providing viable information to the researchers and consumers in the future.

1.6 Limitations of the Study

There are several limitations in this research that constrain the researcher to obtain the complete and important information.

Time constrain was the major limitation that restricted researcher from conducting the survey to a large sample size and geographical coverage. In addition, data collection was a time-consuming task. It has took around one month to gather all the responses from the target respondents. Besides, the accuracy of the result appeared to be another limitation of this study. Due to time constraints, the research study was just carried out in Malacca area and did not cover every state in Malaysia. This may subject to inefficiency of conducting survey and thus cause the demographic background of the respondent are similar.

On the other hand, due to the history of online advertising is not considering long as compared to traditional advertising, consumers' behavior towards online advertising may still evolving and changing over time.

1.7 Summary

The focus of the present study is to examine the effectiveness of online advertising in terms of its utilization to make online purchase decision. In this chapter, it clearly explains about the research objectives, research questions, significance and limitations of the research. This research will be carried out to determine the different variables that will influence the consumer behavior towards online advertising and the relationship between the variables.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter will begin with an evaluation of other articles as well as studies in relation to the research topic by briefly outlining the dependent and independent variables. It provides, through selective reference to some of the literature, a clearer understanding of Online advertising concept and outlines previous research findings on the effectiveness of online advertising.

2.2 Online Advertising

The emergence of internet technology has created online advertising as the significant approach of commercial communication everywhere in global (Nikhashemi et al., 2013). Advertising can be defined as any paid form of public communication of ideas and information about products in the media with the target of creating brand image (Kotler and Amstrong, 2010). The main purpose of advertising is to create awareness of a company, a brand, a website, or an event in order to stimulate sales and increase profits. For many years, television, radio, newspapers, and magazines have dominated the

channels of advertising. Now, online advertising is becoming the driving force in many advertising initiatives and efforts (Kotler and Amstrong, 2010).

Online advertising creates and provides new opportunities for marketer to motivate consumer towards purchasing. It effect on motivation of consumer behavior and assist the business and marketing segment in Asian country like Malaysia. A basic of online advertising model on market business is high growing of profit and enlarge them in international business (Zourikalatehsamad et al., 2015). Therefore, there will be an advantage for marketer and advertiser to communicate more directly with the consumers through this medium. Marketers will also be able to promote their products and services to their target market in this online advertising medium. In addition, by using this new interactive medium, wastage of advertising and marketing funds can be reduced compare to traditional advertising platform.

In an empirical study on measuring the effectiveness of online advertisement in recalling a product, Chaubey et al (2013) found that online advertising can be an effective tool in this new era of interactivity and creativity. From the study, they took a sample of 431 respondents and found that 82.6% of respondents able to recall the online advertisements. According to Chaubey et al (2013), there are many factors to be considered for online advertising that marketer or advertiser can use to drive a potential customer to the website. The factors like consumers, products, technology and media are to be given priority importance. This study is concluded with the findings that advertisers need to advertise their product or service on the basis of the needs and wants of their consumers.

Lim et al (2011) examined the effectiveness of online advertising in purchase decision and concluded that Malaysian consumers are quite receptive to online advertising with a positive attitude towards online advertising. They are quite active in searching for information on products and services by clicking through the online ads with an average of interaction rate of 23.8%. Furthermore, it has been found that consumers use the online advertisement to help with their purchase decision about 26% of the time, especially they are able to recall the online ads that they have seen and read. The findings of the study also shows that online advertising may be a powerful tool in the online environment.

Advertisers and marketers should focus more on the design, informativeness and credibility of the online ads to promote a positive attitude towards online advertising among the customers. A positive response to online ads will encourage consumers to buy products and services via the internet (Lim et al., 2011).

2.3 Effectiveness of Online Advertising

Unlike traditional media, exposure to advertising on the internet does not occur accidentally however deliberate and preferred through the customer who determines the duration of his visit and exposure. Several effectiveness indicators of advertising on the Internet have been developed specifically to measure the persuasive power of this form of communication (Nihel, 2013). Previous academic studies incorporates a vast spectrum of studies on internet advertising effectiveness measured via direct response and branding metrics (Robinson et al., 2015).

According to Robinson et al (2015), Internet advertising is a fairly new medium which has acquired large attention from academics and practitioners. The study of online advertising effectiveness has been carried out through two alternative paradigms. The primary, broadly used in academic research, argues that internet advertisement should be considered as a form of marketing communication used to elevate brand awareness. The second one, predominantly used in empirical studies, contends that the internet is a direct marketing medium, and subsequently a banner ad is likened to a coupon in print media (Robinson et al., 2015)

Numerous studies have examined the effectiveness of Online advertising in the past decade (Lim et al., 2011). There are few types of these common measures, attitudes toward the ad, ability to recall ad and clicks on ad, are the focus of the present study. The effectiveness of these three measures was assessed by their ability to predict online purchase decision (Lim et al., 2011).