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FACTORS INFLUENCING GENERATION Y'S  
ONLINE PURCHASE INTENTION OF COSMETIC  
PRODUCTS IN MALAYSIA

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I hereby declare that I have checked this thesis and in my opinion, this thesis is adequate in terms of scope and quality for the award of the Bachelor of Technology Management (High-Tech Marketing).

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

“I hereby declare that the work in this thesis is the result of my own research except for the quotations and the summaries which have been acknowledged.”

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## DEDICATION

I dedicate this research paper to my beloved parents, Norddin Bin Osman and Hasimah Binti Hamsan, who always support and encourage me to complete this research. Thank you for always supporting, give advice, give the financial and moral support in order to complete this study. I also would like to express my deepest thanks and sincere appreciation to my Supervisor, Dr. Murzidah Binti Ahmad Murad, my panel and my friends for helping me to complete this thesis.

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## **ABSTRAK**

*Pembangunan penembusan internet di Malaysia telah mengubah cara proses pemasaran perniagaan daripada cara tradisi kepada pembelian secara elektronik. Selain itu, ia juga telah mengubah cara pengguna untuk membeli barangan dan perkhidmatan. Kajian ini ingin mengenal pasti faktor-faktor yang mempengaruhi niat pembelian dalam talian Generasi Y untuk produk kosmetik di Malaysia. Generasi Y telah dipilih sebagai responden dalam kajian ini kerana mereka menggunakan sebahagian besar masa mereka untuk melayari internet kerana internet adalah salah satu segment pasaran yang paling menarik bagi membeli-belah dalam talian. Selain itu, Generasi Y merupakan kohort generasi yang terkaya dengan mempunyai kuasa belian melebihi generasi lain dan mereka lebih biasa dengan ICT. Kajian ini mengguna pakai kajian dengan kaedah soal selidik dan ia diagihkan kepada generasi Y yang berumur antara 20 hingga 40 tahun pada 2017 untuk mengukur niat mereka untuk membeli produk kosmetik menggunakan platform dalam talian.*

**Kata kunci:** *Niat pembelian dalam talian; Generasi Y; Produk kosmetik; Malaysia*

## ABSTRACT

The development of internet penetration in Malaysia has changed the business marketing process ways from traditional way to electronic purchasing. Besides, it also changed the consumer ways to purchase the goods and services. This research attempted to find out the factors influencing Generation Y's online purchase intention of cosmetic products in Malaysia. Generation Y are chosen as the respondents in this study because they used most of their time surfing the internet which it is the most attractive market segmentation for online shopping. Besides, Generation Y is the wealthiest generation cohort who has the purchasing power that exceeds the other generation cohort and they are more familiar with ICT. This research adopted survey by questionnaire method and it was distributed among Generation Y group with ages between 20 to 40 years old in 2017 to measure their intention to purchase the cosmetic products using online platform.

**Keywords:** Online purchase intention; Generation Y; Cosmetic products; Malaysia



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**LIST OF ABBREVIATIONS AND SYMBOLS**

SPSS	Statistical Package for Social Science
%	= Per cent
<	= Greater than
>	= Less than
=	= Equal
TR	= Trust
PR	= Perceived Risk
SE	= Security
POE	= Previous Online Shopping Experience
PU	= Perceived Usefulness
CV	= Convenience

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## CHAPTER 1

### INTRODUCTION

#### 1.1. Background of the Study

The development of information technology has changed the ways of the business marketing process from traditional way to electronic purchasing. According to Kotler and Armstrong (2012), online shopping is a purchasing process through electronic connections between buyers and sellers which usually online. Another definition for online shopping is a process of buying goods or services from traders that sell the thing on the internet (Ramlan & Omar 2011; Zuroni & Goh 2012). The development of technology has enhanced customers' information accessed through various media methods such as electronic media, broadcast, and print including the Internet. According to San, Omar & Thurasamy (2015), the internet is the extremely medium that are used among others media methods as stated above for providers of businesses and service in information interactive and delivering products and services to customers.

Besides, the number of smartphone and internet-enabled devices has been increased due to the rising of internet penetration (Limbu, Wolf & Lunsford 2012; Akroush & Al-Debei 2015). This has led to the massive growth of online shopping which subsequently has risen the level of competition in the internet marketplace (Limbu et al. 2012). This trend gives the opportunity for users to perform an online shopping via mobile devices, such as smartphones, tablets, e-readers, etc. (Hillman,

Neustaedter, Bowes & Antle 2012). The existence of technology such as tablets and smartphone make the online shopping being more convenience (Aquino 2012). This technology innovation has encouraged consumers to perform online shopping. Makhitha (2014) stated that the respondents of his research using their cellphones to access the internet.

Information technology (ICT), particularly for the online transaction is expected to be a culture and way of Malaysian people life towards digital by 2020 to 2025 (Sinar Online 2015). As stated by Kwek, Lau & Tan (2010), Malaysian consumers enable to purchase and find the information about the products or services from the internet because of the rapid growth of that technology. Besides, online shopping is being more and become a new trend among the Malaysian consumer as well as in rest global market but the rate of online shopping in Malaysia is sluggish as compared to the global market (Daud, Mohd, Shamsudin, Zaidan & Mohamed 2016). New phenomena of consumers' attention towards online shopping were created due to the growth of internet penetration (San et al. 2015). In Utusan Online (2016), Datuk Seri Hamzah Zainudin was stated that a total of 31,000 online traders have been registered with SSM after the ONE carnival has been launched in June 2015.

Marketing Interactive.com (2011) reported that only 21.2 percent of the generation Y in the segment people who like to do the online purchasing in Malaysia. According to Ariff, Sylvester, Zakuan, Ismail & Ali (2014), the size of market growth for Malaysia online shopping in 2013 is RM1.8 billion. The development of online purchase is not in line with the development of internet usage among Generation Y although Internet use among Generation Y showed an increase (San et al. 2015). As mention in the Retail Research (2012), the spending power of generation Y is high, which they spend almost MYR 841.00 billion a year. To conclude with, this research purpose is to study factors influencing Generation Y's online purchase intention of cosmetic products in Malaysia.

The cosmetic industry has become one of the industry's leading in the world. The industry of cosmetic market in Malaysia is growing quickly with a rate of growth is 13% annually and the valued at about MYR 3 billion (Hassali, Al-Tamimi, Dawood, Verma, & Saleem 2015). Cosmetic products in Malaysia can be purchased through the department store, direct sale, pharmacy, supermarkets, and specialty store. By the rapid growth of the internet, the cosmetic consumer has another option to purchase the cosmetic products that they desire. Besides, it also creates the opportunity for the online marketers to promote and sell their product via the internet (Lim, Teo, Tan & Ng 2012).

## **1.2. Problem Statement**

The existing of the internet has changed the industry structure from traditional physical store to electronic purchasing. In 2013, the size of Malaysia online shopping market is RM1.8 billion (Ariff et al. 2014) and is become more popular and become a trend among the Malaysian consumers' especially Generation Y. According to Ho (2011), fashion and beauty are one of the top 7 things that Malaysian purchase through the internet. Based on the sociological or physiological perspective of the need, youths like Generation Y naturally tend to put more interest in maintaining their self-images (Norudin, Desnika Efni & Mohd Rafi 2010) Therefore, the researcher takes this opportunity to study the factors influencing Generation Y's online purchase intention of cosmetic products.

Trust is one of the crucial factors influencing Generation Y purchasing intention towards online shopping (Galeziowska 2014). As mention in Aliyar & Mutambala (2015), the definition of trust is the degree to which a consumer believes that the trader will behave in the interest of consumer when buying a product online. As mention in Kwek et al. (2010), trust is very complex since individuals do not know the intentions or motives of another person. Thus, trust can be one of the problems why Malaysian still doubtful about online shopping. So, trust is most important things to make sure that consumer feels comfortable during purchasing items online.

Therefore, there is a need to study the significant impact of trust towards Generation Y's online purchase intention of cosmetic products.

Besides that, the other factors that influence Generation Y's online purchase intention of cosmetic products is perceived risk. Perceived risk can be defined as the loss potential in pursuing the desired outcome while performing an online shopping which it is a merging of uncertainty with the probability of serious outcome (Muda, Mohd, & Hassan 2016). It will reduce the willingness of consumers to purchase items over the Internet. As stated in (Zhang, Tan, Xu & Tan 2012), perceived risk in online shopping has a negative consequence towards shopping behavior on the Internet, attitude toward usage behavior and intention to accept e-commerce. As a conclusion, the researcher intends to study the effect of perceived risk towards Generation Y purchasing intention for online shopping of cosmetic products.

Perceived security also influences Generation Y's online purchase intention of cosmetic products. Security became one of the concerns that prohibited internet users from shopping online because they worried that they will become scam victims of online traders or their personal information being misused (Katawetawaraks & Cheng 2011). Fraud of credit card, non-delivery risk, privacy factors, and after sale service are the cause that makes several users avoid to purchase items through online (Sultan & Uddin 2011). Thus, this study is held to examine Generation Ys' emphasis on the security of the online shopping.

Lastly, the factor that influences Generation Y's online purchase intention is previous online purchase experience. As mention in Daud et al. (2016), previous online purchase experiences such as experience bad quality, experience late delivery, experience bad service, and experience no warranty will influence the consumer behavior towards online shopping. This research shows that the consumer of online shopping will totally depend on the quality of experience that they get during perform online shopping in the past. Therefore, this study is intended to examine the effect of previous online purchase experience towards purchasing intention of online shopping among Generation Y.

Since there are so many providers, the most important thing for organizations is to understand the consumer needs and wants in this competitive business environment. So, they can produce the product and services that will satisfy individuals and achieved the organization goals.

### **1.3. Research Questions**

Research questions which need to be addressed in this study are:

1. What are the factors that could influence Generation Y's online purchase intention of cosmetic products in Malaysia?
2. Which is the most significant factor that may influence Generation Y's online purchase intention of cosmetic products in Malaysia?

### **1.4. Research Objectives**

The purposes of this research project are as follows:

1. To determine the factors that could influence Generation Y's online purchase intention of cosmetic products in Malaysia.
2. To identify the most significant factor that may influence Generation Y's online purchase intention of cosmetic products in Malaysia.