UNIVERSITI TEKNIKAL MALAYSIA MELAKA

# Faculty of Technology Management and Technopreneurship

**FACTORS THAT INFLUENCING ONLINE PURCHASING USING SOCIAL MEDIA AMONG GENERATION Y IN MELAKA**

**Nur Azilah binti Hashim**

**Bachelor of Technology Management (Innovation)**

**JUNE 2017**

**APPROVAL**

I hereby declare that I have read this thesis research and in my opinion this thesis is sufficient in terms of scope and quality for the award of Bachelor of Technology Management and Technopreneurship with Honours

Signature      :………………………………..

Supervisor    : Dr Murzidah binti Ahmad Murad

Date            :………………………………..

Signature      :……………………………………

Panel          : Datin Suraya binti Ahmad

Date            :………………………………..

# FACTORS THAT INFLUENCING ONLINE PURCHASING USING SOCIAL MEDIA AMONG GENERATION Y IN MELAKA

**NUR AZILAH BINTI HASHIM**

**Report submitted in fulfilment of the requirement for the degree of Bachelor of Technology and Technoprenuership with Honours (BTMI)**

**Faculty of Technology Management and Technopreneurship (FPTT)**

**UNIVERSITI TEKNIKAL MALAYSIA MELAKA**

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# DECLARATION

I declare that this thesis research project of title "factors that influencing online purchasing using social media among Generation Y in Melaka" is the result of my own research except the citied in the references. The research project has not been for any degree and is not concurrently submitted in candidature of any other degree.

Signature    :…………………………..

Name        : Nur Azilah Binti Hashim

Date        :……………………………

# DEDICATION

I would like to dedicate the successful of this project research especially to my parents which is my father Hashim bin Saad and my mother, Salmah binti Ahmad. This report will be dedicated to them because I want to thank that for all the sacrifices that they made for me while I have been studied at this university. Secondly, this dedication is given to my siblings who have helped in terms of advice, finance and encouragement support to make this report. Next, I would like to express a lot of gratitude to my supervisor, Dr Murzidah binti Ahmad Murad and my friends that give a lot of helped while completing this Final Year Project.

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# ABSTRACT

The objective of this study was to examine the factors that influencing online purchasing using social media among generation Y in Melaka. Hence, this study was conducted among the population of generation Y which familiar to the use of internet and online purchasing. Thus, most of the respondents are among student and working people as they must be familiar with the use of internet and get more exposure towards social media according to their daily activity as to complete the assignments and search for information from the internet and social media. Researcher used 300 respondents to complete the questionnaires of this research. This research study was done through the survey question. The data was gathered by the quantitative method which researcher had distributed the questionnaires to the respondents. Researcher had constructed 30 items of questions related to the independents variables (perceived usefulness, perceived ease of use, perceived enjoyment, trust, perceived risk) and the dependent variable (online purchasing using social media) of this research. Then, researcher had used Pearson Correlation Analysis and Multiple Regression Analysis. Through these analysis, researcher had identified the factors that influencing online purchasing using social media and the most critical factors that influencing online purchasing using social media among generation Y in Melaka. The finding of this research indicate the perceived usefulness, perceived ease of use, perceived enjoyment, trust and perceived risk as the significant factors influencing online purchasing using social media and perceived usefulness as the most critical factor that influencing online purchasing using social media among generation Y in Melaka.

Keywords: Online purchasing, social media, generation Y

# ABSTRAK

*Objektif kajian ini adalah untuk mengkaji faktor-faktor yang mempengaruhi pembelian dalam talian menggunakan media sosial di kalangan generasi Y di Melaka. Oleh itu, kajian ini dijalankan di kalangan penduduk generasi Y yang biasa dengan penggunaan internet dan pembelian dalam talian. Oleh itu, sebahagian besar daripada responden adalah antara pelajar dan orang yang bekerja kerana mereka mesti biasa dengan penggunaan internet dan mendapatkan lebih banyak pendedahan terhadap media sosial mengikut aktiviti harian seperti untuk melengkapkan tugasan dan mencari maklumat dari internet dan media sosial. Penyelidik telah menggunakan 300 responden bagi menjawab soalan kajian ini. Kajian penyelidikan dijalankan melalui soalan kaji selidik. Data dikumpul melalui kaedah kuantitatif dan penyelidik telah mengedarkan soal selidik kepada responden. Penyelidik telah membina 30 item soalan yang berkaitan dengan faktor utama (kegunaan dilihat, mudah dilihat penggunaan, keseronokan dilihat, amanah, risiko dilihat, pembelian dalam talian menggunakan media sosial) kajian ini. Kemudian, penyelidik telah menggunakan "Pearson Correlation Analysis" dan "Multiple Regression Analysis". Melalui analisis ini, penyelidik telah mengenal pasti faktor-faktor yang mempengaruhi pembelian dalam talian menggunakan media sosial dan faktor yang paling kritikal yang mempengaruhi pembelian dalam talian menggunakan media sosial di kalangan generasi Y di Melaka. Dapatan kajian ini menunjukkan kegunaan dilihat, mudah dilihat penggunaan, keseronokan dilihat, amanah dan risiko dilihat sebagai faktor penting yang mempengaruhi pembelian dalam talian menggunakan media sosial dan kegunaan dilihat sebagai faktor yang paling kritikal yang mempengaruhi pembelian dalam talian menggunakan media sosial di kalangan generasi Y di Melaka.*

*Kata kunci: pembelian Online, media sosial, generasi Y*

# TABLE OF CONTENTS

| CHAPTER | TITLE | PAGE |
|---|---|---|

**CHAPTER 1    INTRODUCTION**

CHAPTER 2    LITERATURE REVIEW

CHAPTER 3    RESEARCH METHOD

**CHAPTER 4        RESULT AND DISCUSSION**

**CHAPTER 5     CONCLUSION AND RECOMMENDATION**

# LIST OF TABLES

# LIST OF FIGURES

# CHAPTER 1

# INTRODUCTION

## 1.1 Introduction

This chapter explains about background of the study, research problem, research question, research objectives, scope, limitation and importance of the study. To complete a Bachelor Degree Dissertation (Projek Sarjana Muda PSM) in Faculty of Technology Management and Technopreneurship (Bachelor of Innovation), researcher chooses to investigate the factors that influencing online purchasing using social media among Generation Y (Gen Y) in Melaka.

## 1.2 Background of the study

Internet has played an important role in our daily life. By the widely use of internet, people can talk within the people of other side of earth. Other than that, internet will help people to send emails without limit of time which they can send email at every time that they want, find information and details and the most important is internet also use by people to buy items which called online purchasing. Meanwhile, Internet shopping has been widely accepted as a way to buy the products and services it has become a more popular way in the Internet world (Katawetawaraks & Wang, 2011).

The development of the internet in recent years has made new systems available to business which is social media. The enhancement of internet technology has given individuals the opportunity to use social media such as email, Twitter, Facebook and Instagram to interact with other person without physically meet (Hajli, 2013)

According to prior research (Hashim, Nor, & Janor, 2016) as said by Kirschner & Karpinski (2010), social media has become the most crucial element in every part of everyone's life nowadays, especially among students, academics and practitioners. Some of the reason is because through social media, people can share their daily activities, market or type of society in need, and that which has not been achieved by other initiatives. Hoffman & Novak (2012) stated that social media continues to gain in popularity; marketers are looking for a solid foundation for their strategic decision-making regarding on how to use social media to attract and influence their customers.

In the journal from (Balakrishnan, Dahnil, & Yi, 2014), social media usage is being increasingly embraced by Generation Y "Boomerang Kids" as stated by Beresford Research, 2009; Kaplan & Haenlein, (2010). Every generation has its own characteristics which had been influenced by the changes of world. The old ways of communication and accessing tools have to redesigned and adapt a new demands according to most of information nowadays are on a cell phone. In the negative point of view, these generations are labelled as lazy, irresponsible, impatient and selfish but from a positive point of view; they are labelled as open minded, technology savvy, social and innovative person (Ordun, 2015)

Most of people nowadays life in a modern globalization within the technology facilities improvement and due to the increase in number of online purchasing users, researcher use to do a research on identifying the factors influencing online purchasing among Generation Y in Melaka. In order to determine the factors that drive consumer's adoption or rejection of online shopping, researcher use a theory of Technology Acceptance Model (TAM) (Davis, 1989). The TAM is commonly used to explain the person's intentions and actual use of information technology (IT). Social media is also a form of IT, thus, online shopping behaviour can be partially explained by the TAM (Chiu, Chang, Cheng, & Fang, 2009)

**1.3 Problem statement**

Despite of the development in information technology and the increase in internet technology users, there only some number of then that use internet technology to do online purchasing. This is because the trust on using online purchasing. Most of them felt doubtful to purchase using social media due to some aspects such as protection, security and privacy(San, Omar, & Thurasamy, 2015). Then, as cited by Abdulghader et.al., (2012) there is increasing concern over online shopping because of insecurity, lack of customer's protection and trust which are the crucial aspects for a successful online transaction between countries, organizations as well as individuals. Other than that, Guardian (2014) said that nearly half of consumers who bought goods online over the past two years had problems with their purchase. The problems included late delivery of items, item received in a damage or faulty conditions or even worst, items not arriving at all (Dhanapal, Vashu, & Subramaniam, 2015).

Other than that, some of internet user does not have enough knowledge as they did not know the entire use of internet technology. Some of them just use the internet as a basic function in communication, research and education. Individuals able to communicate with other people in a distance place by using internet. People nowadays can also do the video conferencing despites of chatting and it became more easily to communicate with vital person. Then, people also use internet to do research and education. They can get a lot of information through journal, books or article provided by internet. Although from that, some of them did not practicing on using internet in financial transaction and online purchasing due to the lack of knowledge on using the internet.

**1.4 Research questions**

1.4.1   What are the factors that influencing online purchasing using social media among Generation Y in Melaka?

1.4.2   What is the most critical factor that influencing online purchasing using social media among Generation Y in Melaka?

**1.5 Research objectives**

1.4.3   To identify the factors that influencing online purchasing using social media among Generation Y in Melaka.

1.4.4   To analyze the most critical factor that influencing online purchasing using social media among Generation Y in Melaka.

**1.6 Scope of study**

This study is to identify the factors that influencing online purchasing using social media among Generation Y. The respondents use in this research is focusing on Gen Y because Gen Y is the most extremely user of technology. Most of them are technology savvy due to the environment they grew up. Thus, there is a high tendency among Y Gen that will use social media as a platform to do online purchasing. This research will be conduct in Melaka Tengah, Melaka.

**1.7  Limitation of study**

In conducting this research, researcher faced with some limitations such as time constraint, lack of skill and knowledge and the cooperation from respondents. Researcher has limit time of research due to the short period given in implementing

her study. Researcher has some difficulties to find as much as information and details related to her study in a given timeframe.

Then, in conducting a research, a researcher must have enough knowledge and skills meanwhile in this study, researcher have lack of skill and knowledge because researcher does not have any experience in conducting a research. Moreover, researcher has difficulties in getting the cooperation from respondents. Cooperation from respondents included respondents' obligation to fulfil the questionnaires. Most of them are not answering it completely and other limitation from respondents is related to honesty. Researcher is not able to know the honesty of the answer that given by respondents.

## 1.8 Significance of study

This research will reduce negative perception towards online purchasing. Most of consumer thought that online purchasing may be associated with negative results that are not found in traditional way of purchasing such as consumers' inability to value the quality of the of the product directly, the costs of learning how to use the internet, the lack of personal communicate with salesperson, the uncomfortable feel of using internet technology and the security of payment as cited by (Salo & Karjaluoto, 2007; Zhou et al., 2008) in a journal from (Muda, Mohd, & Hassan, 2016)

Then, this research will help to generate the knowledge related to the online purchasing hence will maximizing the utilizing of social media to make online purchasing. Since there have some number of people who lack of knowledge to do online purchasing, this research will increase the awareness of using social media in online purchasing people will more concern about online purchasing.

## 1.9 Summary

Throughout this chapter, researcher had explained on some elements in this research which are background of the study, problem statements, research questions, and research objectives, scope of study, limitation and significance of study.

**CHAPTER 2**

**LITERATURE REVIEW**

**2.1 Introduction**

In this chapter, researcher will determine on how the use of previous research will generate the information and details thus can construct the theoretical framework. The theoretical framework in this study is use based on the fundamental theory of internet and social media technology. This research is specifically done to online purchasing activity and what is the suitable theory to manage customer purchasing decision using social media technology. This study also able to find a right barrier that prevent customer online purchasing related to the advance type of social media sites accordance to the current issues regarding increase of online purchasing activity and increasing number of internet user among Y Generation in Malacca.

In this chapter, researcher will explain about the factors that influences online purchasing among Y generation using social networking sites by referring to the previous research which are perceive usefulness, perceive ease of use, perceive enjoyment, trust and perceived risk. This study uses the theory of Technology Acceptance Model (TAM) (Davis, 1989).

**2.2 Technology Acceptance model**

In the study of the factors influencing online purchasing using social media among Y generation, Technology Acceptance Model (TAM)(Davis, 1989) is used to identify and construct research framework as this theory is the most related to the development of technology.

Among the existing theory use to explain the adoption of information technology (IT), TAM is widely accepted and use by most previous researcher as a framework to understand the process of users; acceptance. Moreover, TAM has proven to be the most relevant model that explains of the variance in users' behavioural intention related to IT adoption and usage across a wide variety of contexts. According to Mathieson, TAM is preferred over alternative models such as the Theory of Reasoned Action (TRA) in diverse user contexts. In addition, "substantial theoretical and empirical support has accumulated in favor of TAM," compared to alternative models such as the Theory of Reasoned Action (TRA) and the Theory of Planned Behaviour (TPB) (Hong, Thong, & Tam, 2006).

According to (Jambulingam, Sorooshian, & Selvarajah, 2016), TAM proposes that the two factors that are important for the actual usage of a technological innovation are Perceived Usefulness (PU) and Perceived Ease of Use (PEOU). According to (Venkatesh & Davis, 2000) TAM theorizes that the effects of external variables for example, system characteristics, development process and training on intention to use are mediated by perceived usefulness and perceived ease of use. Figure 2.1 shows the original Technology Acceptance Model by Davis 1989, Davis et al. 1989.
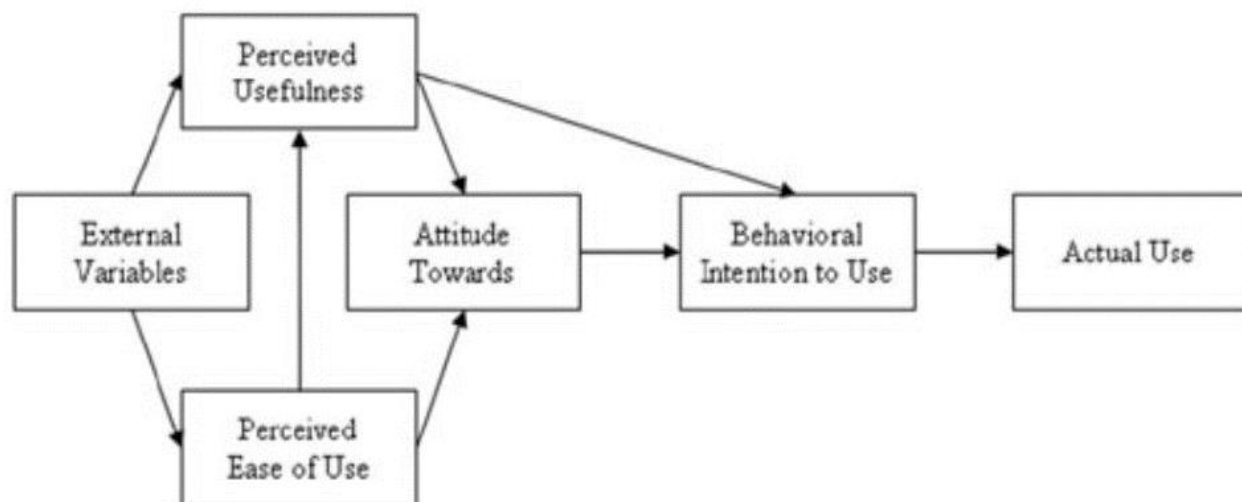


**Figure 2.1: original Technology Acceptance model**

## 2.3 Generation Y (Gen Y)

According to (Saroja Dhanapal , Deeparechigi Vashu, 2015), generation is a strong determinant of online purchasing behaviour. This phenomenon has been proven in the past researches where they found that Gen Y contributes to the largest percentage of online purchasing, followed by Generation X and Baby Boomers. According to Lachman & Brett (2013), Gen Y spend a lot of times on using internet to do researching, checking out on latest outfit, fantasizing, and updating with the current promotion. This statement is supported by the Consumer Behaviour Report (2008) which stated Gen y is more influencing in online and mobile activities including social networks (86%), podcasts (57%), blogs (50%) and text messaging (96%) than any other generation (Dhanapal et al., 2015).

Gen Y is a group of people who born between 1978 and 1994 which this generation was born in the era of technological development. Most of this generation is technology savvy and highly dependent on complex technology. Generation Y plays the largest number of internet user. They willing to accept new technologies and has the ability to establish and maintain close relationships with other person through internet. Other characteristic of Gen Y they have eagerness to online purchasing activity and have higher purchasing power compared to other generations. This is because they are more familiar in the uses of internet technology (San et al., 2015)

## 2.4 Social media technology

Social media is a platform where people interact to each other which they create, share or exchange the ideas and information in virtual way of communications. Social media also helps user to keep in touch with other person in a distance way and make users can follow the breaking news. ITU (2010) cited that Some experts suggest that social media will become the internet's new search function on predicting that people will spend less time navigating the Internet independently and instead search for information or make decisions based on "word-of-mouth" recommendations from their friends, the so-called "friend-casting".

Nowadays, people can access to social media at every time that they need due to they can access the social media via smartphone, tabs or computers (Hashim et al., 2016)

According to (Vinerean, Cetina, Dumitrescu, & Tichindelean, 2013), in the development of technology, social networking sites and social media have increased in popularity at a global level. In this journal, Trusov, Bucklin & Pauwels (2009) said that the social media can be described as network of friends for social or professional interactions. Social media have some uniqueness which are the popularity of this technology have revolutionized marketing activities such as virtual communication between seller and buyer, way of promotion and advertising. Some previous research also define social media as a group of internet based applications that builds on the ideological and technological foundations of web 2.0 and it allows the creation and exchange of user-generated content as explained by Kaplan & Haenlein (2010, p.61) . According to (Dhanapal et al., 2015) , the internet and social media allows consumers to access an unlimited range of products and services from company and sellers without boundaries.

## 2.5 Perceived usefulness

Davis 1993 explains that Perceived Usefulness (PU) is defined as the individual's perceptions that using the new technology will improve their performance. In the term of online purchasing, usefulness describes to the degree to which consumers believe using the internet as a medium will improve their productivity or performance, thus will enhance their shopping experience. Main benefit of using online purchasing is the accessibility and speed as well as availability of inexpensive and convenient purchases. Other than that, the useful features of online purchasing using social media are the accessibility and speed. Chu and Lu had explained that perceived usefulness of an online music site is a significant predictor of purchase intention of Gen Y respondents in their study. Thus, the following hypothesis is propose according to the finding in this research that there is a significant positive relationship between perceived usefulness and intention of Gen Y to purchase online (Muda et al., 2016)