

**FACTORS INFLUENCING THE CONSUMERS ADOPTION OF ONLINE-
TO-OFFLINE (O2O):
EMPIRICAL EVIDENCE FROM UTAUT MODEL**

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DECLARATION OF ORIGINAL WORK

“I hereby declare that this report is the result of my own and quotes that for everything I have explained the sources.”

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DEDICATION

I would like to dedicate my beloved family, friends and supervisor who have provided encouragement and guidance all the way during the completion of this research.

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ABSTRACT

The purpose of this research is to study the factors influencing the consumer adoption of Online-To-Offline (O2O). O2O is an innovation of the e-commerce which integrated offline with online shopping. The consumer's shopping experiences by using O2O platform will be different compare to the pure e-commerce and traditional shopping experiences. Therefore, this research is to study the factors influencing the consumer adoption of Online-To-Offline (O2O) and identify significantly factors influencing the consumer behavioural intention in O2O adoption. This research also analyse the moderating effect of consumer's age and gender on O2O adoption. This research is explanatory research and by using quantitative methods through questionnaire survey among 252 respondents. The regression results showed that there was a significant relationship between the factors influencing the consumer adoption of O2O. Furthermore, the result shows that the Performance Expectancy (PE) is the most significant factor that influencing the consumer behavioural intention toward O2O adoption. This research also found that there are not a significant moderating effect of age and gender on the relationship between the factors influencing the consumer adoption of O2O. This study is important to theoretical implication and managerial implication in order to bring more insightful in the knowledge of O2O.

Keywords: Online-To-Offline (O2O); Consumer Behavioural Intention; Unified Theory of Acceptance and Use of Technology (UTAUT); O2O adoption.

ABSTRAK

Kajian ini bertujuan untuk mengkaji faktor-faktor yang mempengaruhi penerimaan pengguna untuk Online-To-Offline (O2O). O2O merupakan inovasi e-dagang yang berinteraksi offline dengan online. Pengalaman membeli-belah pelanggan dengan menggunakan platform O2O akan berbeza berbanding dengan e-dagang dan tradisional. Oleh itu, kajian ini bertujuan untuk mengkaji faktor-faktor yang mempengaruhi penerimaan pengguna untuk Online-To-Offline (O2O). Dari keputusan itu, kajian ini dapat mengenal pasti faktor yang paling ketara mempengaruhi pengguna terhadap penggunaan O2O. Akhir sekali, kajian ini juga menganalisis kesan moderator umur dan jantina dalam penggunaan O2O. Kajian ini berbentuk kajian penerangan dengan menggunakan kaedah kuantitatif melalui soal selidik dalam kalangan 252 responden. Keputusan regresi menunjukkan bahawa terdapat hubungan yang signifikan antara faktor yang mempengaruhi penerimaan pengguna daripada O2O. Dari hasil kajian ini mendapati bahawa Performance Expectancy (PE) mempunyai hubungan yang paling ketara mempengaruhi pengguna terhadap O2O. Kajian ini juga mendapati bahawa tiada signifikan antara kesan moderator usia dan jantina dengan faktor-faktor yang mempengaruhi penerimaan pengguna terhadap O2O. Kajian ini adalah penting untuk implikasi teori dan implikasi pengurusan untuk membawa pengetahuan terhadap O2O.

Kata Kunci: *Online-To-Offline (O2O); Unified Theory of Acceptance and Use of Technology (UTAUT)*

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LIST OF ABBREVIATIONS

KEY TERM

O2O	=	Online-To-Offline
UTAUT	=	Unified Theory of Acceptance and Use of Technology
PE	=	Performance Expectancy
EE	=	Effort Expectancy
SI	=	Social Influence
FC	=	Facilitating Conditions
SPSS	=	Statistical Package For Social Science
FYP	=	Final Year Project

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CHAPTER 1

INTRODUCTION

1.1 BACKGROUND OF STUDY

Online-to-Offline (O2O) commerce is a combination between an offline business and online commerce, online website or mobile technology which results in offline purchases. While O2O platform is a website or mobile application that acts as a middleman between the physical stores and internet users. O2O platform not only providing information but also offering discounts and other services from physical stores to internet users and vice versa.

Online commerce also known as e-commerce, which is using the internet and web to transact business (Hydzik, 2005). The rapid of the technology changes has affected the e-commerce market rise. E-commerce has been widely accepted and become more popular as a way to purchase the products and services online (Bourlakis et al., 2008). This is because e-commerce provides consumer more convenient and easy ways to seek the products or service information, compare the product's features and price through online (Butler and Peppard, 1998).

On the other hand, some of the consumers are prefer toward brick and mortar stores. Brick and mortar outlets are perceived as more tangible since they have the physical location and stores which enable consumer to visit, touch, feel and enjoying the products or services provided (Rajamma, Paswan, & Ganesh, 2007). In the other word, it's allowed the consumer to actually experience the products or services.

According to Wallace (2015), 85% of the 1,000 consumers said they prefer to shop in stores to experience the products or services before making a purchase decision and they are enjoying face to face interaction with the store associates.

Globally, O2O had risen and can be exemplified by services such as Groupon in food and hospitality industries, TripAdvisor and agoda.com in travel industries, Uber or Grab car in transportation industries (Xiao & Dong, 2015). Some of the brick and mortar retailers like Walmart and Popular Malaysia also evolved O2O platform to let their customers come to the stores first and purchase it online after.

From here, O2O can be in reversely known as Offline-to-Online. In the meantime, Offline-to-Online businesses also growing in this few years. According to TechCrunch (2010), although the frequent consumers buy products or services online but there still remain a large number of frequent consumers who spend their time in physical stores. This has created the opportunity to the traditional offline companies to transfer their marketing strategy to the online world. For example, Offline-to-Online recently providing QR code in their products which can allowing the consumer to scan those products and obtain the information online before they purchase (Shang & Yang, 2015).

According to the Shang & Yang (2015), there are five types of O2O business model. First is commerce O2O which provide products or services information online and complete products fulfilment offline such as pick up store and delivery. The second type of O2O business model is Try-On O2O. This type of O2O business model is e-commerce extends a physical channel or home-try service to enable consumers to experience the items with non-digital features before purchase. Mostly is suitable for the fashion industries. The third type of O2O business model is promotional O2O which attempt to persuade the online user to purchase offline by giving promotional information to them. The forth type of O2O business model is experience O2O is the offline companies provide mobile apps and places the item's information online to enable consumers easily access. Lastly is Crowdsourcing O2O, is and e-commerce companies lower their operating expenses by creating mobile apps to serve as a platform that connects with the consumers such as Uber and Groupon.

This research will focus on the factors affecting the consumers in O2O platform adoption based on the Unified Theory of acceptance and usage of technologies (UTAUT) model. UTAUT model was developed by Viswanath Venkatesh, and Morris in 2003. UTAUT was developed based on eight theories which are the theory of reasoned action (TRA) (Ajzen, 1988), technology acceptance model (TAM) (Davis, 1989), the motivational model (MM) (Davis, 1992), the theory of planned behavioural (TPB) (Ajzen, 1988), the PC utilisation model (Thomson, 1991), the innovation diffusion theory (IDT) (Rogers, 1995), the social cognitive theory (SCT) (Bandura, 1986) and the integrated model of technology acceptance and planned behaviour (Zhou, Lu, & Wang, 2010). This theory has been recently applied to explore user acceptance of the internet and mobile technologies.

1.2 PROBLEM STATEMENT

With the growth of the information technology, the numbers of customers to purchase on online shopping are increasing. In August 2010, three of the largest companies in China came together to create an e-commerce joint venture. These three companies had applied the O2O platform. O2O is about directing online users to physical stores which can allow the customers to seek or book the products or services online first then consume them in brick and mortar stores (Xiao & Dong, 2015). The terms O2O was coined by Alex Rampell which is the CEO and founder of TrialPay, in his article entitled “Why online2offline is a trillion dollar opportunity” in Tech Crunch (2010).

Recently, the online shopping become more convenient to the consumer to purchase online. However O2O platform becoming new trend to enter Malaysia in retail industry by offering free voucher and the lowest price through online purchase and after that the consumer can enjoy these benefits in the physical retail and stores. O2O platform allows customer to easily access products and services information through the mobile application and perform online transactions. Therefore, it allows customers to be more convenient in finding and reviewing the substitute products and services offered when browsing some interesting deals.

Recently, some of the brick and mortar stores are formulating their marketing strategies by applying O2O platform in order to enlarge their new market segment and enhance the consumer shopping experiences. O2O is an innovation of the e-commerce which integrated offline with online shopping. The online component becomes supplements or additional to the physical stores shopping which can viewed as an incremental changes to the traditional shopping. The consumer's shopping experiences by using O2O platform will be different compare to the pure e-commerce and traditional shopping experiences. This is very important to know what factors contribute to consumers acceptances of O2O in order to enhance consumer shopping experiences and finally to increase their level of satisfaction. Therefore, this research will study about the relationship between the factors influencing the consumer adoption of O2O and the consumer behavioural intention. This research also will investigate the consumer behavioural based on UTAUT model.

1.3 RESEARCH QUESTIONS

This study is to identify and analyse the factors that affecting the consumers in O2O platform adoption. Therefore, the followings are the research question for this study:

1. What are the factors influencing the consumer adoption of O2O?
2. What are the significant factor influencing the consumer behavioural intention in O2O adoption?
3. What are the moderating effect of consumer's age and gender on consumer behavioural intention in O2O adoption?

1.4 RESEARCH OBJECTIVES

Research Objective is critical towards the research background and problem, this study will focus to achieve on three research objective.

1. To determine the factors influencing the consumer adoption of O2O.
2. To identify the significant factors influencing the consumer behavioural intention in O2O adoption.
3. To analyse the moderating effect of consumer's age and gender on consumer behavioural intention in O2O adoption.

1.5 SCOPE OF RESEARCH

O2O platform also can be defined in two situations which is an Online-to-Offline and Offline-to-Online. However, this research only focused on Online-to-Offline commerce. This research was studying about the relationship between the factors influencing the consumer adoption of O2O and the consumer behavioural intention. This research was conducted within 2 semesters which from September 2016 to June 2017. This study was focused on the consumer who have enjoyed O2O services experience before. Other than that, the method that used for this research is quantitative method which distributed the questionnaire and online survey. The targeted respondents were the online users which included students, working women and men, household, senior citizens those are interested purchase online.

1.6 IMPORTANT OF RESEARCH

This research is significant for academic and practical perspective. For the academic perspective, this study hope to provide better understanding of O2O which is a combination of the offline retailers and advance information technology online. It's not merely to provide the consumers more easily in finding and reviewing but also allow consumers to enjoy the services offline. This research is important to study the consumer's adoption of O2O. In a nutshell, this research will more insightful in the knowledge of O2O.

While this research also significant for the practical perspective in Malaysian industries and consumers. As the study shows how the O2O influencing the consumers behavioural intention. So that this research is important for the industries to test whether to develop or formulate their marketing strategy in O2O in order to fulfil the consumer's satisfaction.

1.7 SUMMARY

In this chapter is focused on the O2O platform introduction and its business models, the research problem statement, questions and objectives. Other than that, this chapter also focused on research scope, research limitation and importance of the research.

CHAPTER 2

LITERATURE REVIEW

2.1 INTRODUCTION

This chapter will discuss about the previous studies which related to the model used for this study, the study of O2O platform and the factors that influencing the consumer behavioural intention based on UTAUT model. In addition, the review of this chapter also included the theoretical framework and hypothesis development would be discussed.

2.2 THE STUDY OF ONLINE-TO-OFFLINE (O2O)

With the rapid growth of mobile device and online social community in these recent years. Social media and mobile device not only allow people to communicate with their friends but also gave an opportunity for business to communicate with their consumers (Tsai, Wang, Lin, & Choub, 2015). According to Wu (2016), the evolution of technology not only change our daily lives but also the business environment. Thus, new consumption experiences are delivered through rapid change of technology.

Business models are always changing due to the evolution of technology. From the most common service model which is bricks and mortar to dot-com