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The Determinants Affecting Customer Perceived E-Service Quality Towards E-Retailing Shopping Site in Malaysia

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THE DETERMINANTS AFFECTING CUSTOMER PERCEIVED E-SERVICE QUALITY TOWARDS E-RETAILING SHOPPING SITE IN MALAYSIA

LIM PEI SIAN

The thesis is submitted in partial fulfilment of the requirements for the award of Bachelor of Technology Management and Technopreneurship (Hons In High Technology Marketing)

**Faculty of Technology Management and Technopreneurship
Universiti Teknikal Malaysia Melaka**

JUNE 2018

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.”

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DEDICATION

I would like to dedicate the appreciation to my family members who gave me mentally and financially support, respected supervisor, Dr. Mohammed Hariri Bin Bakri and panel, Dr. Fararishah Binti Abdul Khalid who guided me throughout the research. Also not to forget my fellow friends from other universities and course mates that assisted me throughout my research.

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Abstract

In the new era of digital nowadays, e-commerce platform has been growth rapidly. There are one of the emerging parts which is the e-retailing business. The growing concern of public towards e-service quality of online shopping site have shown its important and the companies must understand the concepts of customer perception of e-service quality in terms of Servqual dimensions for maintaining their competitiveness in business profitability. Thus, it is vital for companies to know how to evaluate these constructs from the customers' perspective in order to better comprehend their needs and make them feel satisfied. Hence, this research aimed to study the determinants that affecting on customer perceived e-service quality (PeSQ) towards e-retailing shopping site in Malaysia. There are three research objectives which are identify the determinants that affecting customer PeSQ towards e-retailing site, the relationship between the determinants of e-service quality and customer PeSQ towards e-retailing shopping site and to examine the most significant determinants of e-service quality that influence on customer PeSQ towards e-retailing shopping site. In order to study this, the researcher has selected 384 respondents as sample framework with google form questionnaire distributed online. For finding analysis, the researcher used descriptive analysis, factor analysis, cross tabulation, pearson's correlation coefficient analysis, multiple regression analysis and hypothesis testing by SPSS software to analyse the data. The finding depicts that there is significant positive relationship between website design, customer service, privacy and website personalization (independent variable) towards the customer PeSQ (dependent variable) except for reliability factors. The researcher recommends the e-retailer to enhance their e-service quality in *website design* in terms of create the high quality of website content in order to generate fun and excitement to online customers. Besides, the future researcher study could cover more specific customer perception in online e-retailing shopping site and re-test of reliability factor to provide more useful and accurate data to e-retailing industry.

Keywords: E-retailing, Servqual Dimensions, Customer PeSQ

Abstrak

Dalam era digital ke-21, platform e-dagang telah berkembang dengan pesat. Terdapat salah satu bahagian baru muncul iaitu perniagaan e-peruncitan. Oleh itu, terdapat orang ramai telah menunjukkan pentingnya kualiti e-perkhidmatan laman web e-peruncitan dan syarikat-syarikat memahami penguatkuasaan konsep persepsi kualiti e-perkhidmatan pelanggan dari segi dimensi Servqual untuk mengekalkan daya saing mereka dalam keuntungan perniagaan. Oleh itu, kepentingan bagi syarikat untuk mengetahui bagaimana untuk menilai dari perspektif pelanggan untuk memahami keperluan mereka dengan lebih baik dan memuashatkan pelanggan. Oleh itu, kajian ini bertujuan untuk mengkaji faktor penentu yang mempengaruhi kualiti perkhidmatan pelanggan (PeSQ) ke arah laman web e-peruncitan di Malaysia. Terdapat tiga objektif penyelidikan iaitu mengenalpasti penentu yang mempengaruhi PeSQ ke arah laman web e-peruncitan, hubungan antara penentu kualiti e-perkhidmatan dan PeSQ pelanggan ke arah laman web e-peruncit dan untuk mengkaji penentu perkhidmatan yang paling penting mempengaruhi PeSQ pelanggan ke arah laman web e-runcit. Untuk pengajian ini, penyelidik telah memilih 384 responden sebagai kerangka sampel dengan soal selidik borang google diedarkan dalam Internet. Untuk mendapatkan analisis, penyelidik menggunakan analisis deskriptif, analisis faktor, analisis korelasi pearson, analisis regresi berganda dan ujian hipotesis oleh perisian SPSS untuk menganalisis data. Hasil dapatan ini menunjukkan terdapat hubungan positif yang signifikan antara reka bentuk laman web, perkhidmatan pelanggan, privasi dan laman web peribadi (pembolehkan bebas) terhadap pelanggan PeSQ (pembolehkan bergantung) kecuali faktor kebolehpercayaan. Penyelidik mengesyorkan e-peruncit untuk meningkatkan kualiti e-perkhidmatan mereka dalam reka bentuk laman web dari segi mencipta kandungan laman web yang berkualiti tinggi untuk menjana keseronokan kepada pengguna dalam laman web mereka. Selain itu, kajian penyelidik masa depan boleh merangkumi persepsi pelanggan yang lebih spesifik terhadap laman web e-peruncitan dan menguji semula faktor kebolehpercayaan untuk mendapatkan data yang lebih berguna dan tepat kepada industri e-peruncitan.

Kata Kunci: E-peruncitan, Dimensi Servqual, Pelanggan PeSQ

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LIST OF ABBREVIATIONS

Perceived Electronic Service Quality	PeSQ
Malaysian Communications And Multimedia Commission	MCMC
Electronic Service Quality	E-Service Quality
Electronic Retailing	E-Retailing
Electronic Retailer	E-Retailer
Electronic Commerce	E-Commerce
Electronic Marketer	E-Marketer

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CHAPTER ONE

INTRODUCTION

This chapter will discuss the background of the research regarding the determinants from Servqual dimensions which affect customer perceived e-service quality (PeSQ) towards e-retailing shopping site by using Servqual Model. There are also problem statement, research questions and objectives, the scope of the study, significant of study, the contribution of the research and limitation will be discussed in this chapter.

1.1 Background Of Study

According to Kotler and Keller (2012), electronic commerce (*e-commerce*) can be defined as commercial transactions platform that conducted electronically on the internet. According to Menon (2014), e-commerce is covered aspects such as online retailing, M-commerce, internet marketing, online transaction and fund processing, electronic data interchange, automated data assembling systems and inventory management systems. According to Wong (2016), online retailing (e-retailing) which is the activity of selling of retail goods on the Internet as subcategories of e-commerce. Thus, getting more companies are attempting to use e-commerce as the business platform for their business start-up (Lee & Lin, 2005) as cited in (Chong, 2014). According to Murad and Salleh (2014), e-retailing which include B2B, B2C and C2C sector. In addition, e-retailing also refer as an online shopping process which customer purchase goods or services, accepting payment and delivering of the goods through

online (Murad & Salleh, 2014). For example, e-retailing shopping site such as Lelong.com and Mudah.my which are growing as a medium for e-retailers to sell products to customers recently (Norazah, Ramayah & Norbayah, 2008) as cited in (Murad & Salleh, 2014).

Although there is an estimated that the intensity of competition between e-retailers will make the sales growth to around US\$1506 billion in year 2018 recently (Lim et al., 2016). However, it stated that Malaysia still falls out from the list of Top 30th from Global Retail E-Commerce ranking in the year 2015 due to the flourishing of e-commerce globally (Lim et al., 2016). As the e-retailing channel starts to growth slow, most experience and success e-retailers are beginning to realize that determinants of electronic service quality (e-service quality) dimensions are much more important as the skeletal factor to be evaluated rather than using website and lower price as the only factor that drive success (Lee & Lin, 2005) as cited in (Chong, 2014). Thus, there is a challenge for e-retailers to meet the customer needs if they are incapable in delivering the applicable level of e-service quality (Chong, 2014).

The e-service quality refers to business which attempting to deal with customers in the electronic marketplace by having a strategic implication (Al-Nasser et al., 2013). According to Radziszewska (2013), e-service quality is a measurement of to what extent the customer judgement and experience to the delivery of online service in the virtual environment. It is the factor that will attract more online customers. Thus, there is previous study shown the use of Servqual model to measure e-service quality for identify the main factors contributing to customer's satisfaction (Al-Nasser et al., 2015). According to Shpetim (2012), stated that Servqual dimensions or e-service quality dimensions which is the determinants that customers always consider when assessing towards the online service quality performance.

There are 5 basic Servqual dimensions namely tangible, reliability, responsiveness, assurance and empathy which was discovered and revised by Parasuraman et al. (1988) as cited in (Chong, 2014). Even there are many criticism regarding the validation of Servqual dimensions used but still most of the researcher adopted it on their research (Chong, 2014). Thus, it is a need to revise the Servqual dimensions in order to check for the validity and enable better understanding of its

effect towards customer perceived e-service quality (PeSQ) which is customer perception so that e-retailers can provide best strategy for meeting the customer expectation. Customer PeSQ, which can be defined as how well a service meets or exceeds customer expectation (Rizwan, 2014). Nowadays, people are questioning on what factors lead customers to have a good experience of service quality towards e-retailing shopping site (Rizwan, 2014). Yet, there are enormous investment has been done in order to attract virtual customers which lead the e-retailer to comprehend more on customer PeSQ. This is because customer satisfaction is very important towards e-retailing business (Chong, 2014).

Hence, it is important for e-retailers to understand the *determinants* that affecting customer *PeSQ* towards e-retailing shopping site as well as customer shopping outcome in Malaysia (Lee & Lin, 2005) as cited in (Ha & Stoel, 2012). This paper is going to study about customer perception because *customers PeSQ* always the key factor to help e-retailers to get a better understanding on how to maintain and improve their e-service quality performance through the online channel for attracting more customers to visit their site. Also, this study will identifying on customer perception of how well the e-service quality dimensions meet their expectation which mean high quality of the shopping site and in conversely. Lastly, this study is going to measure the validity of Servqual dimensions based on revised *Servqual dimensions and Servqual Model theory* as framework throughout this study.

1.1.1 Overview Of E-Retailing (E-Commerce) Shopping Site In Malaysia

As we all know, the growth of e-commerce are getting more popular recently. This is due to the e-retailing online business in Malaysia can offer many advantages for both e-retailers and customers. According to the statistic of ASEANUP (2017), e-retailing expected to grow to double digits in the coming years as it has represented two percent of all sales in Malaysia now. According to the research of MCMC (2016), there are few popular e-retailing sites that Malaysian visit often such as Lazada, Zalora, Mudah, Lelong, 11Street, Shopee, Qoo10 and others.

According to the research of 11Street (2016), there is a growth of men tend to shop online more than women (ASEANUP, 2017). Therefore, it can be concluded that male and female customers are cannot be neglected by e-retailers as both are very important customers. Besides that, there are findings shown that East Malaysians are 2.6 times more likely to shop online rather than West Malaysians and consists of 59% of online shoppers who shop at least once a month from user profiling.

For finding from product categories performance, categories such as fashion and clothing are considering as the largest category that consists 27% (Figure 1.1) in foreign site while as the second largest in the local site which consists 50% (Lee, 2014). It is surprising that online customers in Malaysia tend to buy electronics in online channel rather than conventional stores. The high sales and profits on this category make those e-retailing business growth more stable.



Figure 1.1: Profile of Product Categories Preference

Sources:(Lee, 2014)

Hence, it is important to study the determinants from Servqual dimensions that affecting customer PeSQ so that e-retailers can improve their weakness on quality service provided as customer nowadays concern about e-service quality of shopping site rather than the price. Thus, less e-retailer facing the crisis of closing down as GEMFIVE in year 2017.

1.1.2 The Categories Of E-Retailing Shopping Site

The figure 1.2 below shown an overview of existing e-retailing shopping sites in Malaysia and there are few example of different categories of e-retailing shopping sites which popular among Malaysian as table 1.1 below.



Figure 1.2: Overview of Malaysia E-Retailing Shopping Sites

Source: (Wong, 2013)

Table 1.1: The Categories of E-Retailing Shopping Sites

Source: (Murad and Salleh, 2014)

Categories	E-Retailing Example
Fashion and Apparel	Zalora, Shopee, Lelong
Commodity and Electronic Gadgets	Superbuy, Lazada, 11Street
Travel	Airasiago, Citytrip, Expedia
Movies and Entertainment	GSC, TGV
Food	Food Panda, Domino
Deal	Fave by Groupon, LivingSocial
Book and Magazine	iBooks, Amazon.com

1.2 Problem Statements

There is an increasing attention on e-service quality assessment recently. However, there are only one related previous research the researcher found from Agarwal and Bhati (2016), which study customer PeSQ across gender difference towards online shopping with finding shows that different perspective between gender on shopping website. According to Kim, Kim and Lennon (2011) in Korea, identified that if there is lack of relevant information in a website, online customers would not buy anything from the e-retailer shopping site. In addition, there was a finding result shown that perceived website usability and fulfillment have no significant effect towards purchase intention in Hong Kong (Chan & Donald, 2013). In Pakistan, there was a research concluded that *perceived e-service quality (PeSQ)* have a significant effect on customer satisfaction in the telecom industry (Rizwan, 2014). This can be concluded most researchers have *ignored the finding on examining the effect of determinants from Servqual dimensions affecting customer perception of e-service quality as they was mostly focus on the determinants affecting repurchase intention (Chan & Donald, 2013) , customer satisfaction and loyalty (Ong et al., 2016). Also, there are less related study in e-retailing Malaysia context.*

Besides, the debate of using Servqual dimensions to evaluate PeSQ is still existing. According to Al-dweeri et al. (2017), have stated that there is a need for revised the previous dimensions measure from Servqual in order to best fixed to the online environment. This is because Servqual dimensions cannot be replicated on their conceptual structure and hard to fit for the new industries such as online environment (Daniel & Berinyuy, 2014). There are research that used Servqual dimensions consisting of efficiency, system availability, privacy, responsiveness, compensation and contact affecting towards online shopping (Al-Nasser et al., 2013). Similar study also proved the use of Servqual dimensions such as website usability, fulfillment, trust, for a study on an e-retailer shopping site, Taobao (Chan & Donald, 2013). *Since there are too many different dimensions have been used to be tested in online environment but there is still needed for the researcher to identify the most appropriate determinants that best suit to be examined affecting customer (PeSQ) towards e-retailing shopping site in Malaysia.*