

**FACTORS INFLUENCING CONSUMERS PERCEIVED RISKS TOWARDS  
ONLINE GROCERY SHOPPING IN JOHOR BAHRU**

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**The thesis is submitted in partial fulfilment of the requirements for the award of  
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## DECLARATION OF ORIGINAL WORK

“I hereby declare that this report is the result of my own, except certain explanations and passage where every of it is cited with source clearly.”

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## **DEDICATION**

I would like to dedicate the appreciation to my family members who supported me in terms of spiritual and financial, beloved supervisor and panel who guided me throughout the research and course mates that assisted me through the journey of research.

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It is a great opportunity for me to study the research of “Factor Influencing Consumers Perceived Risks Towards Online Grocery Shopping in Johor Bahru”. At the time of preparing this research, I was gone through many available sources such as books, news, related journals which help me to gather more related information of the topic of my research.

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## ABSTRACT

Nowadays, the growth of online grocery platform has been more popular to public because e-commerce users had been growth rapidly. Besides that, online grocery shopping site also is one of the e-retailing businesses. Through shopping website, consumers can purchase different of grocery goods from the virtual grocery stores that showed the list of items and pricing of grocery goods. The online grocery shopping stores provided the delivery service after the proses of purchase grocery goods that can be deliver to the place which consumers had been assigned. Thus, the whole proses of purchases also include the proses of delivery that had the possibility regarding consumers unable to expect the result of shipment and purchase decision. Therefore, the research study aimed to study the factor influence of consumer perceived risks towards online grocery purchase intention in specified area of Malaysia which is Johor Bahru. The research objectives can be found in this research that is the relationship between factors of perceived risk and purchase intention of consumers towards online grocery shopping. Survey data will be collect via questionnaire from 384 respondents who had the purchasing experience on online grocery and carried out in some specified area of Malaysia. Conclusively, through this research can help the researcher to examine the factor of perceived risks that influencing consumer's purchase intention from online grocery shopping and give recommendation to the online grocery retailers which are the perceived risks they need to focus.

*Keyword: perceived risk, online grocery shopping, purchase intention*

## ABSTRAK

Pada masa kini, pertumbuhan platform runcit dalam talian telah menjadi lebih popular dalam kalangan orang ramai dengan adanya e-dagang yang telah berkembang pesat. Laman membeli-belah runcit dalam talian juga merupakan salah satu perniagaan e-runcit. Melalui laman web membeli-belah, pengguna boleh membeli barangan runcit yang berbeza dari kedai runcit maya dengan hanya menunjukkan senarai item dan harga barangan runcit. Perkhidmatan penghantaran disediakan selepas proses pembelian barang runcit sehingga ke tempat yang pengguna tugaskan. Jadi, pengguna tidak dapat mengjangkakan keputusan barangan yang akan diperoleh selepas segala proses telah dilakukan. Oleh itu, kajian penyelidikan ini bertujuan untuk mengkaji pengaruh faktor risiko pengguna terhadap belanja barangan runcit dalam talian di kawasan tertentu di Malaysia seperti Johor Bahru. Tiga objektif penyelidikan boleh didapati dalam kajian ini yang mengenalpasti risiko yang dilihat oleh pengguna, hubungan antara risiko yang dianggap dan niat tingkah laku pengguna ke arah membeli-belah runcit dalam talian dan risiko yang paling dirasakan pengguna di membeli-belah runcit dalam talian. Data tinjauan akan dikumpulkan melalui soal selidik dari 384 responden yang mempunyai pengalaman membeli barangan runcit dalam talian dan dilaksanakan di beberapa kawasan tertentu di Malaysia. Secara keseluruhannya, melalui penyelidikan ini dapat membantu penyelidik untuk mengkaji faktor risiko yang dirasakan yang mempengaruhi niat pengguna dari belanja runcit dalam talian dan memberikan cadangan kepada peruncit dalam talian terhadap risiko yang mereka meletakkan lebih perhatian.



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## **CHAPTER 1**

### **INTRODUCTION**

#### **1.1 Introduction**

This chapter will discuss the background of the research regarding the factors influencing consumer perceived risk on online grocery purchase intention. There are also problem statement, research questions and objectives, the scopes of the study, significant of study, the contribution of the research and limitation will be discussed in this chapter.

#### **1.2 Background of Study**

Internet had changed radically our daily lives. According to Consumer Barometer with Google, Malaysian who going online via smartphone, tablet or smartphone for personal internet daily usage is 83 percent in 2017. According to the Datuk Seri Dr. Uzir Mahidin who is the Chief Statistician of Department of Statistics Malaysia (DOSM) (2017), households in Malaysia who used computer and mobile phone access rose to 74.1 per cent and 98.1 per cent respectively, compared with 67.6 per cent and 97.9 per cent in 2015 engagement of Malaysia in online activities. The online tools will be increased and living attitudes influenced by the new global trend of the Internet (Khoshnampour & Norasti, 2011). With the advancement of

technology, it has change the way of society therefore the way of business had changed as well.

In our country, there are many retailer, businessman and wholesalers transferred their traditional business into online store as online shopping can bring benefits to consumers such as time saving and convenience (Massyazwani & Saravanan, 2015). According to head of e-commerce of Nestle Malaysia Joshua Zhu stated the new essential profit source is e-commerce in a company (New Strait Times, 2017). The numbers of online grocery users are continue increasing so most of the online retailers are improving their system to increase their sales target like Shopee (New Strait Times, 2017).

From the report of Household Income and Expenditures, the mean monthly household consumption expenditure radically increasing around 11.28 per cent from RM 3578 in 2004 to RM 4033 in 2016 (Department of Statistics Malaysia, 2018). In addition, one of the categories which are food and non-alcoholic beverage that raised around 6.89 per cent from RM 676 in 2014 to RM 726 in 2016. From the data, it is showed that the purchasing powers of household have been increasing on the grocery goods in recent years. For fulfilling the demand of consumers, cold storage have opened a new grocery store at Penang and provide the online grocery shopping service to citizens in Penang.

Tesco become the prior grocery chain in Malaysia to increase the awareness of online grocery shopping two years ago in 2013 (Toh, 2017). Tesco is providing the biggest categories of products on Tesco online groceries website, even fresh food and frozen food also be able to purchase from the website (iMoney, 2016). As the percentage of household who access the internet via smartphone usage increased from 97.5 per cent in 2015 to 97.7 per cent in 2017. Follow the trend of smartphone usage, Tesco online groceries mobile application platform had been launched to fulfil the marketplace.

Besides Tesco has their own online stores and delivery services provided, most of other online groceries stores no provide the grocery delivery services and make collaboration with grocery delivery platform like HappyFresh or Honestbee

such as Cold Storage, Giant, Mydin, Village Grocer, BMS Organics, Tesco, AEON and so on. The grocery delivery platforms are offering the home delivery services from multiple online stores in one order. In addition, HappyFresh and Honestbee developed their own digital platform such as mobile application and website services to customers for ordering in convenience way (HappyFresh and Honestbee of website, 2018). The mobile application is the delivery app that customers no need to spend hours in giant lines at supermarkets.

### **1.3 Problem Statement**

Consumers perceive higher risks in online shopping compared to the physical retail form (Lee and Tan, 2003). According to Mansour and Ali (2009), one of the perceived risk theories is including almost all kinds of consumer products and services. For example, the consumer product categories are coffee, detergent, furniture, automobiles and services.

According to CEO of Tesco Malaysia, Malaysians are still in the progress of adopting e-commerce in their lives. The online grocery shopping trend is growing much slower as consumers in Malaysia more likely to visit the physical aspect of grocery stores than online grocery shopping. However, Tesco in United Kingdom is the leading online grocery retailer in the United Kingdom compared with other grocery retailers in 2015 (Statistics portal, 2016). The average value of weekly online sales in predominantly food stores in United Kingdom (UK) has more than doubled from 69.7million GBP in 2010 to 161.3 million GBP in 2016 (Statistics portal, 2016). Although the success case occurred in United Kingdom (UK), but it might not reflect the Malaysian do online grocery shopping.

As we know that many consumers interested in online grocery however there is still a concern what the risk is perceived that influence online grocery purchase intention. Online grocery shopping also may lead some different kind of risks that customers are aware of when using the online grocery services such as functional risk, time risk, privacy risk, physical risk and product risk (Pauzi et. al., 2013).

Nevertheless they do also understand that using online grocery service bring some advantage to them such as convenience, time saving and quickness. Thus, this study will be conducted on what is the most perceived risk by consumers on online grocery purchase intention and will provide useful information to retail stores to improve their online groceries services provided.

#### **1.4 Research Questions**

The research question was the fundamental aspects of this research since it would focus on the area of concern, determine the suitable methodology and continuously guide this research into the stages of research which mainly consisted of inquiry, analysis and reporting. This study attempts to address the following research questions:

1. What is the risk perceived by consumers on online grocery shopping in Johor Bahru?
2. What is the relationship between perceived risk and purchase intention of consumers towards online grocery shopping in Johor Bahru?
3. What is the most perceived risk by consumers on online grocery shopping in Johor Bahru?

#### **1.5 Research Objectives**

The objective of the study was to identify the factors influencing consumer perceived risk on online grocery shopping in Johor Bahru. In order to fully achieve the study purpose, research objectives were developed to guide through this research. The research objectives were stated as below:

1. To identify the risk perceived by consumers on online grocery shopping in Johor Bahru.
2. To analyse the relationship between perceived risk and purchase intention of consumers towards online grocery shopping in Johor Bahru.

3. To examine the most perceived risk by consumers on online grocery shopping in Johor Bahru.

### **1.6 Scope and Limitation**

The scope of the research is to identify the factors influencing consumer perceived risk on online grocery purchase intention in Johor Bahru. The respondents will be targeted on the online grocery shopping user age range between 20-60 years old chosen to conduct this research. This research is more focus on respondents in the age range of consumers because the respondents has more buying power and always interested on online grocery shopping.

However, the study was focused on the certain state in Johor Bahru. The data collection was carrying out in fixed certain areas only in Johor Bahru. This is because online grocery delivery services just provided from online grocery retailers and covered the certain areas only caused the studies result has not including some state in Malaysia such as Kelantan, Perlis, Pahang, Perak, Terrenganu and so on.

There are also some limitations in conducting in this research such as time constraints, limited location and honesty of respondent. The researcher will only have 3 months only to do data collection. Whereas as for honesty of respondent also was one of the limitations when they answered the questionnaire about the past experience of online grocery shopping.

## **1.7 Summary**

This chapter comprises the principles for this research. It concluded the background of the study which related the factors of consumer perceived risks on online grocery purchase intention. There are also problem statements about the reason why conduct this research. Besides that, there are three research questions and objectives have been discussed in this chapter. The scope of this study is investigating variables such as functional risk, time risk, privacy risk, physical risk and product risk influencing behaviour intention of consumers towards online grocery purchase intention. There are some limitation of the study which is time constraints in collecting the data and completing the report.

## **CHAPTER 2**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This section presented the issues, factors, idea, viewpoint and the findings of the research that others had undertaken in the study area. This literature review will discuss about the online grocery purchase intention, online retailer and its statistic in Malaysia, and definition of perceived risk. The factors of consumers perceived risks will be discussed, as representing independents variables such as product risk, financial risk, privacy risk, time risk and delivery risk that affecting customers purchase intention towards online grocery shopping in Johor Bahru. The research framework is the best described the theory with the relevant variables identified and discussed how they were related.

#### **2.2 Online Grocery Purchase Intention**

Purchase intention is defined that the possibility of the customers will target or aim to buy any product or service later and it is describe as the standard step to reward the real purchasing behaviour (Pauzi et. al., 2013). Online purchase intention is a situation that customers show their feeling of want to undertake an online transaction. According to Pauzi et. al., (2013), the results of purchase intention is

estimating about the demand of production quantity, production schedule management, advertising and costing policy.

Consumers can buy groceries through the internet from their home as E-grocery is the new form of grocery shopping (Phang, 2016). Online grocery shopping is the service of purchasing groceries on digital platform through online (Yadaganti and Jayasankara, 2017). Online grocery shopping is significantly rising although it is a new environment (Yael et. al., 2015). In Singapore, consumers had using Internet as their main delivery platform to purchase fresh fruits such as FreshDirect.com and Mart.com. Nevertheless, e-grocers in Malaysia had provide the delivering service in perishable foods such as vegetables, meat, fruit and fish through the several grocery retailers such as PasarBorong, SubangGrocer and CGdeMART (Ghazali et. al., 2003).

According to Chief Operating Officer of 11street Chuljin Yoon, the important step of e-commerce industry is the digitalisation of grocery shopping. Malaysia is one of the leading e-commerce markets in South East Asia in 2017 as consumers are using the most convenient websites to make purchases anytime and anywhere by using their smartphones (Marketing Magazine Asia, 2018). In additional, the 11street's Year End Outlook Survey in 2017 showed that purchasing household and grocery items online a surge around 158 per cent from 7.8 per cent to 40.4 per cent within the same period of January to August compared to 2016. The result had showed that online grocery shopping is in the process of adopting by Malaysian.

The operational cost of traditional grocery channel is higher than the virtual grocery stores (Kristina and Amanda Larson, 2014). The Internet grocery shopping trend adopt by the younger generation who apply the new innovation, relative advantage and service-oriented features. From the research by Gurpit (2014) found that the respondents more frequent grocery shopping stores which are focusing on service of home delivery. Although home delivery service brings convenience to consumers offered from online groceries stores, but consumers would not immediately get their groceries after payment. The convenience of delivery services is essential aspect of online grocery's value proposition is attractive by Europeans but quality and pricing of products also need to be considered (Galante, 2013). The key factor of effect the consumers' purchase intention buy grocery from online stores