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FACTOR AFFECT YOUTH CUSTOMER SATISFACTION TOWARDS E-COMMERCE MALAYSIA

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This thesis is submitted in partial fulfilment of the requirements for the award of



I hereby acknowledge that this project paper has been accepted as part of fulfilment for the degree of Bachelor of TECHNOPRENEURSHIP

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DECLARATION OF ORIGINAL WORK

I hereby declare that all the work of this thesis entitled "FACTOR AFFECT YOUTH CUSTOMER SATISFACTION TOWARDS E-COMMERCE MALAYSIA" is original done by myself and no portion of the work encompassed in this research project proposal has been submitted in support of any application for any other degree or qualification of this or any other institute or university of learning.



ACKNOWLEDGEMENT

At first, I would like to fully appreciate my final year project (PSM) supervisor, PROFESOR MADYA TS. DR. MOHAMMED HARIRI BIN BAKRI for his continuous support and guidance from the start until the end of the final year project (PSM).

PROFESOR MADYA TS. DR. MOHAMMED HARIRI BIN BAKRI had been a very kind and helpful lecturer and supervisor. He always gave the clear instruction and provide appropriate guidance to helped me all the time since the start of this research and thesis writing. Other than that, he always gave me advice on my research phase, despite his busy schedule. I sincerely appreciate all his effort and guidance throughout the years, I wish him all the best and always be successful in his career of lecturing and life journey. In addition, I also sincerely thank all my fellow course mates, seniors, juniors, and friends from another course who had been supporting me.

Last but most importantly, I own this achievement to my family who are supporting me and encouraging since the start of my university life. Their love and motivation always cheer me up keep going to complete my Bachelor of Degree.

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ABSTRACT

In this modern age, e-commerce had become a culture and a purchase behavior in our daily life. However, the customers will feel unsatisfied when the service provider can't serve them appropriate. Thus, the current study was conducted to explain to determine the factor which will affect the youth customer satisfaction on E-Commerce Malaysia, the relationship between the youth customer satisfaction and E-Commerce Malaysia and the extent of the impact of the youth customer satisfaction toward E-Commerce Malaysia. Quantitative methods have been applied this research for data collection purpose. Data were collected on the five-point Likert scale through questionnaire survey from the youth residences Malaysia in Malacca. The data was gathered from 384 respondents located in Malacca, Malaysia. Statistical Packages for Social Sciences (S.P.S.S) version 21 had been used as a analyze tools to analyze the data. The reliability of the instrument was ensured by Cronbach's Alpha test. In addition, Pearson Correlation and multiple regression tests had been applied to measure the nature and size of the association between variables and research hypotheses.

Keyword: e-commerce, customer satisfaction, youth

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ABSTRAK

Pada zaman moden ini, e-dagang telah menjadi budaya dan tingkah laku pembelian dalam kehidupan seharian kita. Walau bagaimanapun, pelanggan akan berasa tidak berpuas hati apabila pembekal perkhidmatan tidak dapat memberikan perkhidmatan yang sewajamya kepada mereka. Oleh itu, kajian semasa dijalankan untuk menjelaskan untuk menentukan faktor yang akan mempengaruhi kepuasan pelanggan belia terhadap E-Dagang Malaysia, hubungan antara kepuasan pelanggan belia dan E-Dagang Malaysia dan sejauh mana kesan kepuasan pelanggan belia terhadap E-Dagang Malaysia. Kaedah kuantitatif telah diaplikasikan penyelidikan ini untuk tujuan pengumpulan data. Data dikumpul pada skala Likert lima mata melalui tinjauan soal selidik dari kediaman belia Malaysia di Melaka. Data dikumpul daripada 384 responden yang berada di Melaka, Malaysia. Statistical Packages for Social Sciences (S.P.S.S) versi 21 telah digunakan sebagai alat analisis untuk menganalisis data. Kebolehpercayaan instrumen telah dipastikan oleh ujian Alpha Cronbach. Di samping itu, Korelasi Pearson dan ujian regresi berganda telah digunakan untuk mengukur sifat dan saiz perkaitan antara pembolehubah dan hipotesis penyelidikan.

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CHAPTER 1

INTRODUCTION

1.1 Background of the Research

In the 21st century, the internet was popular and it had become a culture in our daily life. With the access of internet, everyone can search for the information anytime and anywhere using the device such as smartphone, tablet, and computer (N. Bahari, 2021). Normally, people use the internet by searching for the product information, educational purposes, comparison of price and quality, and fund transfer (Javadi et al., 2012). Department of Statistics Malaysia (2021) stated the usage of internet in 2020 had achieve about 89.6%. It was strong evidence shows that internet had been used by all the age groups from youth to adults.

According to EX-Youth and Sports Minister Syed Saddiq Syed Abdul Rahman, there is a change about Youth Societies and Youth Development Act (Amendment) 2019 (Act 668) which is "Youth" had been defined as the person between 15-30 years old (Arfa Yunus, 2019). In this age period, they will be easily affected by the things surrounding them such as people and environment (P. S. Ngo, 2021). The buying behavior of youth in Malaysia had been changed since the arise of internet. Usually, youth surf the internet for educational purposes, work, and social media (N. Bahari, 2021).

Customer satisfaction is a positive net perceived service value from suppliers (Oliver, 2000). Customer satisfaction with online shopping can motivate consumers to shop online and revisit the store. In order to retain existing consumers and attract potential consumers and stand out in the e-commerce market, there is a tendency to maintain a certain level of satisfaction (Karim, 2013).

E-commerce, it was a new purchase behavior for Malaysians. E-commerce is defined as customers visiting web stores with the access of internet and purchase

the products or services from a seller immediately through the internet (Vipin Jain, 2021). With the advent of e-commerce, we can purchase goods easily by tapping our fingertip on the device. According to Simon Kemp (2022), there are 66.6 percent of Malaysians purchase goods or services online weekly. Department of Statistics Malaysia (2021) found out the income of e-commerce in Malaysia are showing an upping trend and increase about 42.42 percent from RM 195.9 billion in Quarter 1 2020 to RM279 Billion in Quarter 3 2021. The report of Department of Statistics Malaysia had proofed the influence of e-commerce are not only created a new purchase behavior for citizen Malaysia but it also became an important sector towards Malaysia's economy.

According to (S, Praveen, 2015), online shopping is kind of similar as the customers purchase the products or services at a physical store and it called business to consumer (B2C). Other than that, a business purchases the products or services from another business, the process is called business to business (B2B). Higher levels of education and personal income are often associated with more favourable opinions about online shopping. Exposure to technology increases the possibility that consumers will develop favorable attitudes about new commerce channels. Many people prefer to shop online since it is convenient.

1.2 Problem Statement | TEKNIKAL MALAYSIA MELAKA

Nowadays, the cases about E-commerce fraud have been getting serious and it shows upping trend for the E-commerce fraud cases since 2018. Kah Boon.L(2021) finds out security is an important content to achieve customer satisfaction. The essential elements of customers purchasing goods or services online are safety of trade and the protection of personal information. The trust and satisfaction of customers will be destroyed by hackers who can create fake content and cause the customer to trust and purchase the products.

E-Commerce Consumers Survey 2018 stated that more than half of online shoppers which is 53.4 percent out of 2400 respondents are care about the online shopping fraud. There are the threats concerned by the respondents which are cards fraudulent, trust concern, fake online retailers, bank details theft, and identity theft. Among those threats,

the first 3 concern areas by the respondents were cards fraudulent, trust concerns, and fake online retailers. In addition, 25 percent of the respondents did not perform online transactions due to their concerns about security and privacy.

Majlis Keselamatan Malaysia (MKN) had listed the Cybercrime Statistics by offenses from Royal Malaysia Police the second higher cybercrime was e-commerce fraud. The number of e-commerce fraud cases in 2018 was 3,325 and it had increased to 3,520 cases in 2019. According to this government article, lack of awareness may be a main factor for most of the victims in fraud cases. Malaysia also facing a lack of workforce to ensure cyber security. It was a critical reason the e-commerce fraud case increased and security was important to e-commerce.

Inspector-General of Police Datuk Seri Acryl Sani Abdullah Sani said that the online shopping fraud cases in 2019 was 3,520 cases and it had increased to 5,846 cases in 2020. For the first 10 months in 2021, the reported cases had risen to 8,162 cases. Acryl Sani was worried about the rise of online shopping fraud cases because the number of cases hasn't included other related scams such as parcel and love scams. He also said the current number of online shopping fraud cases may not be accurate because some of the consumers may not report it due to a small amount of losses (Kalbana Perimbanayagam, 2021). Bukit Aman Commercial Crime Investigation Department (CCID) assistant director (telecommunications criminal investigation) Supt Rozeni Ismail from Kementerian Komunikasi dan Multimedia Malaysia (KKMM) said some of the victims never heard or knew the information about the fraud case. There are 1,500 suspicious websites have been blocked by the Malaysian Communications and Multimedia Commission (MCMC) until 10 March 2021.

1.3 Research Questions

Based on the explanation about the background of the study and problem statement, the present research aims to answer three (3) questions linked to the relationship between factor affect youth customer satisfaction towards e-commerce Malaysia.

- 1. What are the factors will affect the youth customer satisfaction in e-Commerce Malaysia?
- 2. Do the youth customer satisfaction have a positive effect to e-Commerce Malaysia?

3. To what extent do the youth customer satisfaction impact E-commerce Malaysia?

1.4 Research Objectives

In guiding the intent and direction of this study, the following research objectives are formulated:

- 1. To determine the factor which will affect the youth customer satisfaction on E-Commerce Malaysia.
- 2. To analyze the relationship between the youth customer satisfaction and E-Commerce Malaysia.
- 3. To examine the extent of the impact of the youth customer satisfaction toward E-Commerce Malaysia.

1.5 Significant of the Study

Since the appearance of e-commerce had become popular in Malaysia, there is a lot of e-commerce websites launched in Malaysia such as Shopee- Lazada, Mudah.my, ZALORA and so on. Customer satisfaction is becoming more important for every e-commerce website and online seller to retain existing customers or attract new customers. Therefore, this study aims to identify the factor affect youth customer satisfaction towards online e-commerce Malaysia.

By identify these factors affect youth customer satisfaction towards e-commerce Malaysia, this study contributes to understand better the factor influence customer satisfaction. Furthermore, the result can help online sellers have a better understanding about customer satisfaction and improve their business by having their own strategies.

1.6 Structure of the Thesis

This thesis is structured into five themed chapters.

"Chapter One has explained briefly about the definition about the keyword which have related to the study, factor affect youth customer satisfaction towards e-commerce Malaysia. This chapter also focus on the explanation about the popular of internet and important of e-commerce in Malaysia. In addition, this chapter presented the research questions and objectives in addition to presenting the aim of the study and research implications."

"Chapter Two presents the literature review which is SERVQUAL research framework by PARASURAMAN. Also present own research framework by add one new variable which is security."

"Chapter 3 provides an overview of the methodology used in this study. In this chapter, it describes the research design and research hypotheses which is the relationships between independent variables and dependent variable. In addition, the procedures used to implement the structure in the theoretical model of the study. Finally, appropriate statistical methods for data analysis are explained in detail."

"

discusses the results and discussion of this study according to the chosen statistical method. The discussion starts with the presentation of descriptive statistics and followed by factor analysis. Reliability analysis of variables is presented, then correlation and regression analysis and correlation results are discussed."

"Chapter Five presents the conclusions and implications of this study. In this chapter, it also discussing the contributions of the findings, along with limitations of the research. Finally, this study provides the suggestions for future research, and concluding remarks."

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

This chapter explain the relevant of the topic in this research to meet the objectives of this research. In this chapter also discuss the chosen theory, which is SERVQUAL Model by Parasuraman, Zeithaml and Berry and the selected independent and dependent variables. The end of this chapter presents the research framework and hypotheses.

2.2 Customer Satisfaction

Based on Oliver (1980), customer satisfaction had been defined as a customer's rating towards a company by taking into consideration the needs and expectations of customers. Even though customer satisfaction is an important element to measure a success of an organization, satisfaction also important in the customer competitiveness to differentiate between other company. Customer satisfaction had been proofed as a key role to ensure a company to continue maintain own position in the marketplace especially for the company which are more focusing on the competitiveness of customers (Nawi, 2012). As a result, customer satisfaction as one of the important things should be considered for a company. In addition, the research of Mascarenhas (2018) said customer feel satisfied and it was called as customer satisfaction when a company fulfill the customer needs. So, customer satisfaction is a factor which will influence revenue and productivity of a company and it also determine the future of a company. Furthermore, Carlson and O'Cass (2010) stated that companies can gain more competitive advantage from the customer satisfaction. It means the feelings of the customers after purchase the products or services and the customer expectation towards products or services will be defined as satisfaction. The customers will feel unsatisfied and tell another such as friends and families about the worse experience when a company didn't achieve the customer expectation (Lang, 2011).

However, customer satisfaction in the marketing terms defined as how a company provide their products or services to achieve the customer's needs and expectation (S. Praveen, 2015). Customer satisfaction is important for marketers and business owners. This is because customer satisfaction is an important metric to manage and improve their business. Without the high customer satisfaction, the profit margin will be low and hard to develop new products or services. In his studies, a company which have high customer satisfaction can generate about 18 times of revenue than a company which is low customer satisfaction. As a result, customer satisfaction had a huge influence towards a business either physical store or online business.

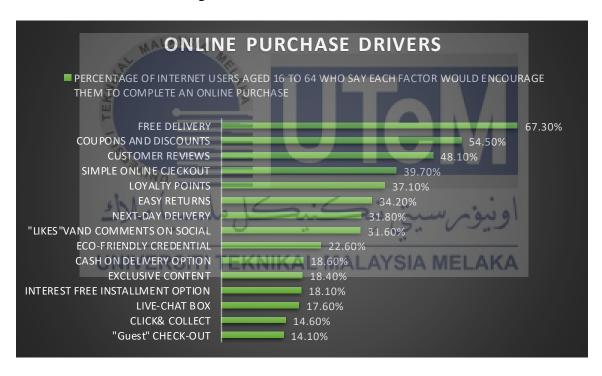


Figure 2.1: Online Purchase Drivers in 2022

Based on <u>Simon Kemp (2022)</u>, the top three of online purchase driver are free delivery, coupons and discounts, and customer reviews. Especially free delivery is very attractive to online shoppers.

According to (S, Praveen, 2015), a satisfied customer will introduce the products or services to their family and friends and it will increase the sales of the company. Unsatisfied customer will influence the growth and the profit of the company. Negative review from the customers has more influence on a business and it is out of expect from

owner. Next is about advertisement, The company always spend a lot of money for advertisement. Word of mouth is a best way from the customers promote the products or services without any cost. The company must evaluate the customers about the needs and the complaint through the questionnaire survey and solve the problem immediately. According to Li & Zhang (2002), most of the consumers will have expectations towards the products, vendor, services, and quality of the website before make purchase through online shopping. All the expectations will influence the customer satisfaction and intentions of the consumers towards online shopping.

2.3 Young Shopper

Based on the research of Mishra & Ayatham, 2017, young shoppers had been targeted in this study. This is because more than half of Malaysian population had responded positively and had a positive image towards online shopping in the previous 3 years. Most of the Malaysians populations who had responded positively are belongs to youth shopper who are overwhelmed with social media website such as Facebook, Instagram, and WhatsApp. This age group had been influenced by the huge impact of the increase of buying power in Malaysia and they assume themselves can adopt the new technology immediately.

In addition, most of the company believe consumers will prefer for social shopping compared to traditional shopping. This is because it had let the consumers feel satisfied and convenience especially view and purchase the products and service with a click. Company also believe consumers will always purchase their products if they can fulfill the customer satisfaction and customer loyalty (Han et al., 2018).

According to Nazaria et al., (2020), there are a lot of young persons in Malaysia able to accept and adopt the new technology in industry. This is because the median age of Malaysians for male and female was around 25 to 26 years old. Malaysians have a wonderful potential to adopt e-commerce because to the influence of young people on social media. Many Malaysians are computer savvy and able to speak in a variety of

languages, including Malay, English, Chinese, Tamil, and other languages, allowing them to easily interact with individuals from all over the world.

Figure 2.2: Age of Online Shopper in 2018



Based on ecinsider report (2019), there are 51% which means more than half of the online shoppers in Malaysia are the persons between the ages from 25 to 34 years old. The second higher quarter was 24% which is people from 18 to 24 years old. As a result, we can know that there is a strong purchase power around 75% from the young shoppers in Malaysia. Based on the research of Kim & Ammeter (2008), young people can proceed the website information up to five times quicker than older people because young people are familiar with e-commerce.

2.4 E-commerce

There are different definition and understanding towards e-commerce, some of them include electronic data interchange (EDI), electronic funds transfer (EFT) and all credit/debit activities (Collecchia, 1999). The different definition towards e-commerce is because the meaning itself are comes from the understanding of researcher without rely on the elements of e-commerce. There are some researchers such as Turban et al., 2002 had defined e-commerce is a process of purchasing and selling products or services by using the Internet. In addition (Collecchia, 1999) state that the meaning of e-commerce can be different depend on three key elements which is activities or transactions, applications, and

communication networks. In simple words, the meaning of e-commerce must include the features which is cover the issues of transforming the economic activities, focusing on certain technologies, and not only justify the recent attention given by policymakers. Therefore, (Collecchia, 1999) will asked by own self which is three before making any definition. For example, why we want to measure, what do we want to measure and what can we measure.

Based on the research of Whiteley (2001), e-commerce had been defined as the provision of information and purchasing and selling products or services among business stakeholders by the using of Information System, Information Technology or Information and Communication Technologies. One of the impacts of e-commerce is internet-based technology that provides the widest network of information systems. Other than that, Doernberg et al (2001) had another understanding about e-commerce. E-commerce is a business activity by using a computer include online trading of products or services, electronic fund transfers, online trading financial instruments, electronic data exchanges between companies and electronic data exchanges within a company.

The scope of e-commerce had extended from simple web presence to sharing business processes connecting different organization. Nowadays, the World Wide Web ("www" or simply "the web") has become a mainstream because it had moved across its original presence. It has caused the rapid growth of the web because of the organization start to sell the web-based products and services and it has required for e-commerce application (Gaedke and Turowski 2000).

2.5 Customer Trust

With the advent of e-commerce, the concept of trust becomes complex. According to several previous study (Corritore et al., 2003; Grabner Krauter & Kaluscha, 2003; Mittal & Kamakura, 2001), the researchers believe that further study on various forms of trust in online environments is needed. Nevertheless, each of the field have examines trust from its own distinct perspective and there are literally thousands of definitions of trust such as from the economic field, finance field, marketing field, personality, and social psychology field. Based on several previous study Grabner Krauter & Kaluscha, 2003;

McKnight & Chervany, 2001), trust was hard to define and become a difficult concept. According to the study from Ling et al (2010), e-commerce is seen to be riskier and more dangerous. Hence, trust is a important things in e-commerce. To put it another way, trust is the assurance a person has in anything coming from someone else and is based on that person's sense of integrity, their approaches, and their abilities (Madjid et al(2018).

Customer trust is commonly defined as the desire to rely on an exchange partner in whom one has faith in a vulnerable scenario (Moorman et al., 1992). Based on the research from Mayer et al (1995), online store trust has been defined as a consumer's readiness to depend on the seller and take action in situations when doing so puts the consumer at risk of being exploited by the seller. According to several studies (Doney & Canon, 1997; Ganesan, 1994; Ganesan & Hess, 1997; Shankar, Urban et al., 2002), There are two important underlying elements of online trust which are credibility which means the buyer's belief in the expertise of seller to do the job effectively and benevolence which means the buyer's belief in the seller's positive intention.

In addition, consumers trust in online shopping has been modelled by Lee and Turban (2001) using four groups of factors as antecedents:

- (1) Online merchant trustworthiness, which includes perceptions of the merchant's ability, integrity, and benevolence;
- (2) Online shopping medium trustworthiness, based on perceptions of the Internet merchant's technical competence and performance level (e.g., reliability, speed, and availability), as well as understanding of the Internet shopping medium;
- (3) Contextual factors such as the perceptions of effectiveness of third-party certification and public key security infrastructure systems; and
- (4) Other factors, such as company size and demographic variables.

Lastly, Shopee as a good example of e-commerce platform in Malaysia. The good reputation of Shopee come from the innovation to keep the consumers trusted. Other than that, Shopee was mainly focused on the development of mobile application. As a result, Shopee had provide a good shopping experience for the customers and feel satisfied and