



The Factors That Influence Consumer Purchasing Intention on Parcel Insurance

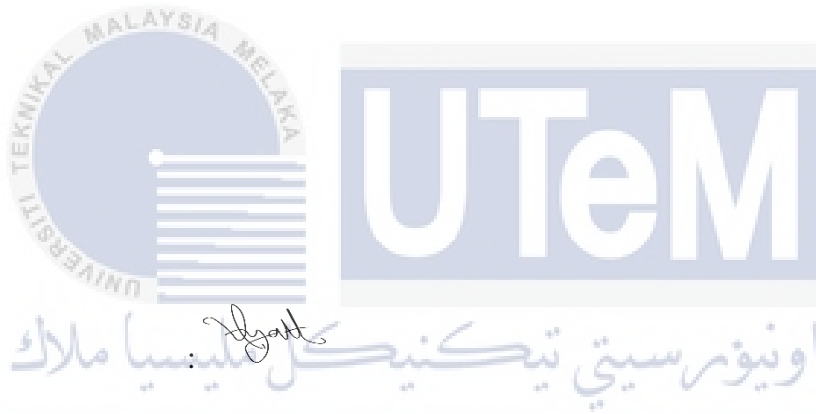
Coverage in Malacca



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Coverage in Malacca**

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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 give thanks to my family members who give full support for my education, beloved supervisor, DR. Nurhayati Binti Kamaruddin and panel, Datin DR. Suraya Binti Ahmad who encourage me and guided me with their knowledge throughout this research and course mates who have shared their experience in order to help me complete this research.



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ABSTRACT

Nowadays, logistics services are common around us. Every logistics service has certain risks during the journey. Parcel insurance coverage is a product used to manage risk in logistics services. Therefore, this research aimed to examine the factors influence consumer purchasing intention on parcel insurance coverage. This research explored the effects of attitude, subjective norms, and perceived behavioral control on the consumer purchasing intention of the parcel insurance coverage. This quantitative study collected the data from 106 respondents through Google Form shared on social media. Statistical Packages for Social Sciences (S.P.S.S) had been used to analyze the data. The results from the analysis showed that attitude, subjective norms and perceived behavioral control had a significant impact on consumer purchasing intention on parcel insurance coverage with a positive impact. Finally, this study should help relevant practitioners explore parcel insurance trends and identify clear target audiences in order to provide recommendations on how to maximize consumer awareness and positive attitudes toward parcel insurance coverage.

.Keyword: Attitude, subjective norms, perceived behavioral control, consumer purchasing intention, parcel insurance coverage.

ABSTRAK

Pada masa kini, perkhidmatan logistik adalah perkara biasa di sekeliling kita. Setiap perkhidmatan logistik mempunyai risiko tertentu semasa perjalanan. Perlindungan insurans bungkusan ialah produk yang digunakan untuk menguruskan risiko dalam perkhidmatan logistik. Oleh itu, kajian ini bertujuan untuk mengkaji faktor-faktor yang mempengaruhi niat membeli pengguna terhadap perlindungan insurans bungkusan. Penyelidikan ini meneroka kesan sikap, norma subjektif, dan persepsi kawalan tingkah laku terhadap niat membeli pengguna bagi perlindungan insurans bungkusan. Kajian kuantitatif ini mengumpul data daripada 105 responden melalui Borang Google yang dikongsi di media sosial. Statistical Packages for Social Sciences (SPSS) telah digunakan untuk menganalisis data. Keputusan terhasil daripada analisis menunjukkan bahawa sikap, norma subjektif dan kawalan tingkah laku yang dirasakan mempunyai kesan yang signifikan terhadap niat membeli pengguna terhadap perlindungan insurans bungkusan dengan kesan positif. Akhir sekali, kajian ini harus membantu pengamal yang berkaitan menerokai trend insurans bungkusan dan mengenal pasti khalayak sasaran yang jelas untuk memberikan cadangan tentang cara memaksimumkan kesedaran pengguna dan sikap positif terhadap perlindungan insurans bungkusan.

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Kata kunci: Sikap, norma subjektif, kawalan tingkah laku yang dirasakan, niat membeli pengguna, perlindungan insurans bungkusan.

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CHAPTER 1

INTRODUCTION

In the chapter 1, the background of the research on The Factors That Influence Consumer Purchasing Intention on Parcel Insurance Coverage in Malacca will come up. This chapter also include the problem statement that can used to facilitate our in-depth examination and thinking about the content of our research, research questions and research objectives that will answer through the research, importance of the study, scopes and limitations, and significance of the study.

1.1 Background Introduction

With the renewal of the times, online shopping has entered people's lives in a very short time. Compared with the traditional shopping mode, online shopping can be more convenient to buy items at lower prices. According to the survey, 76% of the population aged 16 to 74 in the EU used the Internet almost every day during 2015 and about 53% shopped online. Unfortunately, as buying patterns have shifted and the new concerns have followed. Thus, include privacy issues of personal information, quality issues of products, accidents in shipping, etc. (Nebojša Vasić, Milorad Kilibarda, Tanja Kaurin, 2018). Online shopping in Malaysia has shown a positive trend since 2016, with the growth value of e-commerce increasing to RM85.8 billion in 2017 from RM75 billion in 2016. In addition, the e-commerce market is still on the rise in 2017, contributing 6.3% with the increase in gross domestic product (GDP). The online shopping trend is growing for a variety of different reasons including convenience, ease of access, lower price, more choice, more product information and payment convenience. In addition to this, this is also due to the proliferation of smartphones and the increasing convenience of online payments with technology (Malaysian Communications and Multimedia Commission, 2018).

People buy various products online. According to the report, 68.7% of consumers prefer to buy clothing and accessories from e-commerce. 56.1% of shoppers also purchased gadgets, sports-related goods and home appliances through online shopping. 43.7% of shoppers also order groceries, medicines and online food through online shopping (Malaysian Communications and Multimedia Commission, 2018). The

survey also found that to buy cars and auto parts with (89.4%), computer software including paid apps with (85.6%), computer equipment with (81.4%) and expense for online games (81.3%). At the same time, women are more likely to buy cosmetics (64.7%), children's products (51.2%) and fashion apparel (47.5%) (Malaysian Communications and Multimedia Commission, 2018). The findings show that transportation has a strong impact on online customer satisfaction. Customers expect products to be well packaged, to match the quantity, quality and specification as ordered, and to deliver at the right time and place. The basic requirements of online customers for online shopping are reliable and safe shipping services in the shortest possible time. When consumers are more inclined to shop online, they need items to be delivered to their destination safely and quickly, otherwise it will lead to customer dissatisfaction and loss of customer confidence and loyalty to online shopping (Nebojša Vasić, Milorad Kilibarda, Tanja Kaurin, 2018).

Ensuring that the product is delivered to the customer intact is critical to shipping services. During transportation, various environmental factors can lead to some problems. Damaged products can lead to increased costs and dissatisfied customers. In transit, in addition to man-made accidents, there are situations that lead to damage to goods that are considered uncontrollable (Stefan Reidy, 2020). With the advancement of technology, people will rely more and more on online shopping, so in order to let people use logistics services with more confidence, the insurance coverage of the parcel should be paid more attention.

1.2 Problem Statement

With the popularity of online shopping, the number of users who use online shopping is increasing, and the increase in online shoppers also means that people are more and more dependent on the logistics industry. However, the accidents that will occur in logistics on the way of transportation are unpredictable. Every year there are more than a thousand complaints about various claims for damage to goods (Stefan Reidy, 2020). The UK P&I Club lists the types of cargo damage including physical damage, wet damage, contamination damage, referrer related damages and infestation damage (Stefan Reidy, 2020).

The survey shows that during the "circuit breaker" period, some logistics companies encountered a surge in online orders. This leads to delays in delivery times

and even cases where packages get lost in transit. Some delays have even dragged on for as long as three weeks, according to responses from some customers who encountered problems. For some customers, this means that their purchases were misplaced and could not be found. In addition to this, as the demand for shipping services continues to increase, more and more packages are delayed, lost or damaged in transit (Lena Loke, 2020).

Furthermore, fulfillment and delivery services are one of the services that online shoppers care about. Shipping methods, logistics companies, and shipping costs can all influence a shopper's desire to buy. For example, the survey found that 12.0% of shoppers decide to abandon their carts because of unexpected shipping costs. Some people are willing to choose a longer shipping service with lower price while some shoppers are willing to pay a higher price in order to receive the goods in a short time (Malaysian Communications and Multimedia Commission, 2018). Through the survey, 23.8% of people have had the experience of returning goods. Of these, 54.2% returned it for a full refund, while 52.5% requested a replacement. Thus cause the reasons for returns include receipt of faulty product, damaged or defective product and receipt of the wrong item. In addition, 58.3% of people said they would encounter many problems during the return process, including taking a long time to receive refunds or replacements and needing to pay for return shipping (Malaysian Communications and Multimedia Commission, 2018).

All the way of transporting goods has certain risks. Cargo insurance is an insurance that allows consumers to use logistics services with more confidence (Wouter Marees, 2019).

1.3 Research Questions

This research aims to answer the following research questions:

1. What are the factors influencing of consumer on purchase insurance coverage for parcel?
2. What is the most effective factor for consumers to buy package insurance?

1.4 Research Objectives

The objective of the study was to identify the factors that influence consumer purchasing intention on parcel insurance coverage in Malacca. Based on the research questions above, the objectives of this research are:

1. To examine the factors influence consumer purchasing intention on parcel insurance coverage in Malacca.
2. To evaluate the factors influence consumer purchasing intention on parcel insurance coverage in Malacca.

1.5 Importance of the Study

This research aims to determine the factors that influence consumer purchasing intention on parcel insurance coverage in Malacca. For the research, the responses from online shoppers will be collected. This research will help logistics companies understand customer concerns and insurance coverage needs then provide corresponding services. Logistics companies can be more attractive to customers by finding and providing the insurance coverage that consumers want. The insurance coverage required by the consumer also allows the logistics company to understand the customer's concerns and find ways to address or reduce them. Customer trust is one of the hallmarks of any successful company. It is expected that the results of the study will be used to enable logistics companies to identify common problems encountered by their customers and to provide them with the required parcel insurance.

1.6 Scope and Limitations

The scope of this research to the factors that influence consumer purchasing intention on parcel insurance coverage in Malacca. Respondents were targeted at Internet users aged 18-60. The study will focus on Malacca.

Some unavoidable constraints are encountered in the process of conducting this research such as time constraints, location constraints, honesty and awareness of the respondents. Since of limited time, researchers need to complete data collection and analysis in a short time. Apart from this, the honesty and understanding of the respondents is also a limitation in conducting the research. The researchers didn't know if they understood and answered honestly about the factors they bought package insurance. In addition, not everyone is willing to accept the questionnaire, which may lead to the inaccuracy of the data.

1.7 Significant of the Study

The study is expected to make logistics and insurers aware of what insurance coverage of parcels consumers need. Logistics companies can also learn about customers' concerns about logistics and improve them, so as to gain more trust from customers and more loyal customers. In addition, understanding the customer's biggest concerns about the parcel on the road can also allow logistics and insurance companies to customize the most suitable plan for customers so that customers are not afraid of what they will lose. If the customer's demand for cargo insurance is not high, logistics companies can also consider reducing investment in this area.

1.8 Key Concepts

1.8.1 Insurance Coverage

Shipping insurance is a precautionary measure to ensure that the product can reach the customer safely. With shipping insurance, the insurance company or courier company will bear the unexpected risk of the customer's package being stolen, damaged, lost, etc. (Mariluz Sampalo, 2022). Transportation insurance will provide financial protection against all risks of physical loss or damage to the goods due to various reasons during transportation. (Deutsche Post AG, 2021). All shipments of packages are subject to the General Conditions of Carriage 2002 (within the Netherlands) or the CMR Convention (cross-border shipments), which imposes a limit on compensation for all packages damaged or lost in transit. Customers who purchase shipping insurance can keep the value of the goods in transit with greater security and gain protection against damage or loss. Despite the best efforts of shipping companies on the way, accidents sometimes occur. The shipping insurance

policy will pay the replacement value of the lost or damaged goods and the cost of shipping. (DHL Parcel, 2020)

1.8.2 Consumer Purchase Intention

Purchase intention is the probability that a customer chooses to buy a product under a specific situation. (Lim Phui Guan, Dayang Hasliza Mohd Yusuf, and Mohd Rosli Abdul Ghani, 2020). Through purchase intention, customers' purchase behavior can be predicted based on the customer's behavioral propensity for goods or services. Accidents are omnipresent, and no one can avoid all risks, so buying insurance is one of the ways for people to minimize their losses when the accident comes. There are many factors that influence a customer's willingness to purchase insurance, including product quality, company reputation, service quality and perceived risk capabilities. A customer's intention to purchase insurance will vary based on various factors. Customers buy high-value, low-risk insurance company products. Customers also pay attention to whether the company has a good reputation when purchasing a product. At the same time, the customer's purchase intention will also be affected by whether the company's service is good. (Adinoto Nursiana, Fongnawati Budhijono, Muhammad Fuad, 2021)

1.8.3 Attitude

Attitude is one of an individual, is a psychological tendency to evaluate entities with varying degrees of preference (Maiyaki & Ayuba, 2015, cited in Jonathan Ooi Wei Keat et al., 2019). According to Business Dictionary, attitude refers to an individual's feeling that respond positive or negative towards an idea, object or person. Attitude also affects an individual's behavioral choices. According to research, attitude is one of an individual is a psychological tendency to evaluate entities with varying degrees of preference (Maiyaki & Ayuba, 2015, cited in Jonathan Ooi Wei Keat et al., 2019). Therefore, we can observe people's attitudes to understand their intentions and behaviors (Phau & Teah, 2009, cited in Jonathan Ooi Wei Keat et al., 2019).

1.8.4 Subjective Norms

Subjective norms refer to an individual's "perceived social intangible pressure to perform or not to perform behavior" (Hsu et al., 2017; Norman & Conner, 2005, cited in Abdullah Al Mamun et al, 2021). Subjective norms are predictors that may influence consumers' behavioral intentions to purchase health insurance (Abdullah Al Mamun et al, 2021). The social invisible pressure gold includes whether to support, like or dislike a specific behavior or decision made by an individual (Song Chen et al, 2019). Therefore, whether an individual is willing to take a specific behavior will be influenced by important people around him, such as parents, elders, teachers, professors, classmates, friends and social environment (Song Chen et al, 2019).

1.8.5 Factor Influencing on Perceived Behavior Control

Perceived behavioral control refers to "perceived ease of execution of behavior" (Hsu et al., 2017, cited in Abdullah Al Mamun et al, 2021). Required skills and talents, availability or lack of time, money and other resources, others' cooperation, and more are controlling elements that affect perceived behavioral control (Icek Ajzen, 2020). This means that future challenges are less for the people who have more opportunities and resources. The impression of future behavioral control is more stable (Cai Lixu, 2018).