# FACTOR CONTRIBUTING TO ONLINE SHOPPING CUSTOMER SATISFACTION AND E-LOYALTY



UNIVERSITI TEKNIKAL MALAYSIA MELAKA

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# FACTOR CONTRIBUTING TO ONLINE SHOPPING CUSTOMER SATISFACTION AND E- Loyalty

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Report submitted in fulfillment of the requirements for the Bachelor of Technology Management (Technology Innovation)

Faculty of Technology Management and Technopreneurship
UNIVERSITI TEKNIKAL MALAYSIA MELAKA

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## **DECLARATION OF ORIGINAL WORK**

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## **DEDICATION**

I want to thank my dear parents Shafiee bin Jusoh and Hatini binti Bidin for supporting me mentally and financially. Special thanks to the supervisor Dr. Nabil Hasan Saleh Al-Kumaim and team who guided me through the entire research work, and thank my friends for helping me during the research process.



#### **ABSTRACT**

More the online shopping buying online has become more important for customer to satisfied buying product and service online. Online shopping has more use by customer to purchase product. This research discusses the factor contributing to online shopping customer satisfaction and e-Loyalty and analyze the relationship of the factor and customer satisfaction. The research was held using quantitative research method between model variable, analyzed data, investigated the study model, and assessed the linkages between its component pieces using Structural Equation Modeling. Partial Least Squares (PLS) is the component-based SEM method for analyzing the correlations between dependent and independent variables. The results show that two hypotheses (service quality and website quality) are accepted, and three hypotheses (information quality) is rejected. Finally, determine the most critical factor. Quantitative research was used to conduct this research. online surveys provide quick insights. Depending on your target audience and the number of responses you'd like to collect, the results from an online survey project with our quantitative research. Therefore, the questionnaire will be distributed to 200 respondents the Malaysian public via social media. The social partial least squares (Smart PLS 3) are used to analyze the collected data. This study is aimed for customer satisfaction online shopping and e-loyalty that response in this study.

Keywords: Online Shopping, Customer Satisfaction, e-Loyalty, Information Quality, Website Quality, Service Quality, Malaysia

#### **ABSTRAK**

Lebih banyak pembelian dalam talian membeli-belah dalam talian telah menjadi lebih penting bagi pelanggan untuk berpuas hati membeli produk dan perkhidmatan dalam talian. Beli-belah dalam talian lebih banyak digunakan oleh pelanggan untuk membeli produk. Penyelidikan ini membincangkan faktor yang menyumbang kepada kepuasan pelanggan membeli-belah dalam talian dan e-Setia serta menganalisis hubungan faktor tersebut dan kepuasan pelanggan. Penyelidikan ini diadakan menggunakan statistik kuantitatif yang digunakan antara pembolehubah model, menganalisis data, menyiasat model kajian, dan menilai hubungan antara bahagian komponennya menggunakan Permodelan Persamaan Struktur. Separa Kuasa Dua Terkecil (PLS) ialah kaedah SEM berasaskan komponen untuk menganalisis korelasi antara pembolehubah bersandar dan bebas. Keputusan menunjukkan bahawa dua hipotesis (kualiti perkhidmatan dan kualiti laman web) diterima, dan tiga hipotesis (kualiti maklumat) ditolak. Akhir sekali, tentukan faktor yang paling kritikal. Kajian kuantitatif digunakan untuk menjalankan kajian ini. tinjauan dalam talian memberikan pandangan pantas. Bergantung pada khalayak sasaran anda dan bilangan respons yang anda ingin kumpulkan, hasil daripada projek tinjauan dalam talian dengan penyelidikan kuantitatif kami. Oleh itu, borang soal selidik akan diedarkan kepada 200 responden masyarakat Malaysia melalui media sosial. Kuasa dua terkecil separa sosial (Smart PLS 3) digunakan untuk menganalisis data yang dikumpul. Kajian ini bertujuan untuk kepuasan pelanggan membeli-belah dalam talian dan e-loyalty yang mendapat sambutan dalam kajian ini.

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## LIST OF ABBREVIATION

**ABBREVIATION MEANING** 

DV Dependent Variable

IV Independent Variable

SQ Service Quality
IQ Information Quality
We have a Complete Complete.

WQ Website Quality
H0 Null Hypothesis

H1 Alternative Hypothesis

AVE Average Variance Extracted

PLS Partial Least Squares

HTMT Heterotrait-Monotrait Ratio

SEM Structural Equation Modelling

R<sup>2</sup> Coefficient of determination of endogenous structure

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 $f^2$  Effect size

β Path coefficient

STDEV Standard Deviation

M Sample MeanO Original Sample

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#### **CHAPTER 1**

#### 1.0 Introduction

This research conducted to investigate the factor contributing to online shopping customer satisfaction. This first chapter is primarily concerned with the topic's introduction.

The first chapter will go through the specifics of the topic, which is factors contributing to online shopping customer satisfaction. The chapter includes background, problem statement, research for both questions and objectives, the study's scope, and significance, as well as a summary at the end of the chapter.

## 1.1 Background of the study

Industrial revolution 4.0 is the culmination of the incessant use of technology that has entered all activities of human life. Artificial intelligence, Big-Data, the Internet of Things, and Cyber-Physical Systems, are examples of several uses of technology adopted for human activities (Raguseo, 2018). Online shopping is the process of purchasing products, services, and other items directly from a seller through the Internet without the need for an intermediary provider (Horrigan, J., 2008). Shoppers may access web retailers from the comfort of their own homes and shop just as if they were sitting in front of a computer. Online retailers are often open 24 hours a day, and many consumers have access to the internet both at work and at home. As a result, shopping online is quite handy for them (C.K.SUNITHA, & Gnanadhas, Edwin, 2014).

For a variety of reasons, online buying is becoming increasingly popular. Outside reasons such as rising gas prices, difficulty in travelling to conventional stores, and the inconveniences sometimes connected with shopping malls and other traditional retailers all contribute to the increased interest in online shopping (HKTDC Research, 2022). Consumers may obtain complete product information by reading the reviews left by previous consumers. If a person wants to buy a product, he or she is no longer confined to asking friends and family because there are many product reviews on the web that provide perspectives of current users of the product. Online shopping sites offer a large range of items, both high and low quality while keeping people's budgets in mind.

In a world growing very fast, Customer satisfaction is an important metric that indicates how effectively a company's products or services satisfy the expectations of its customers. It's one of the most important predictors of future purchases and client loyalty nations (Anand, Ramachandran, Sambasivan and Batra, 2019). As a result, it aids in the prediction of business development and income. While the description above appears to be clear, it is not that simple to define what "happy customers" truly mean for the business. Consumer satisfaction is essentially a representation of how a customer feels about dealing with your brand, and businesses use customer satisfaction surveys to measure these sentiments (The Star, 2017a). These replies can provide insight into client loyalty and estimate the likelihood of customer referrals.

Digital retailing provides consumers with more shopping options and access to products and services than ever before. Online sales are taking a double-digit percentage of retail revenues in several regions, indicating that customers are enjoying the freedom to purchase whenever and wherever they choose (The Edge Market, 2017). Quality of service, customer satisfaction, trust, and behavioural intentions. Since the beginning of the service sector, new technologies have had a profound influence on conventional enterprises. With the late 1990s and early 2000s surge of technology innovation allowing more and more individuals to obtain access to the Internet, new types of business were developed in the online environment, which later is well recognized as electronic commerce activities (e-Commerce). When compared to traditional face-to-face commerce, e-Commerce, or more specifically -online shopping-, offers a plethora of distinct benefits to customers, such as exceptional convenience, lower pricing and a wide range of items.). The number of mobile shoppers doubled to 45.6% in 2014, placing Malaysia third in the Asia-Pacific region in terms of growth rate. The fact that only half of the population uses a mobile device to shop online may suggest that consumers must have access to the internet, an electronic device, and an online shopping platform, and there is no evidence to suggest that a person's self-confidence plays a role in their motivation to shop online (Rahman et al., 2018).

The Internet's fast expansion has created chances for corporate growth. As a new buying channel, internet shopping has developed globally in recent years. Malaysia is one of Southeast Asia's e-commerce marketplaces with the most rapid growth. Malaysia has the greatest Internet penetration rate in Southeast Asia, with a national Internet use rate of 85.7%; mobile network penetration has reached over 140%. This indicates that the growth of Malaysia's e-commerce business faces tremendous market potential (Marcom & Marcom, 2022). The growth of e-

commerce will contribute to the fast growth of its economy. It is crucial to examine the internet buying habits of Malaysian customers.

#### 1.2 Problem Statement

Any firm, regardless of industry, has a single objective: customer satisfaction. Customer satisfaction is a metric that quantifies the level of contentment a business's customers have with its products, services, and capabilities. Customer satisfaction is a representation of how a customer feels while engaging with a brand: dissatisfied customers will leave negative evaluations, while delighted customers will help expand the brand (What Factors Influence Customer Satisfaction? 2020).

Poor customer satisfaction causes low client retention, then leads to a small customer base, which leads to negative word-of-mouth, which precipitates a precipitous decline in value. No longer is it sufficient to have the best product at the lowest price; that is just half the fight. Users still must advertise the offering during each phase of the customer's journey. Therefore, what elements affect consumer satisfaction?

Customer retention is simple in a less competitive market. However, this is not true with online shopping since consumers have a broad range of options for selecting web portals where items are supplied at low prices, goods are delivered in a shorter period, and discounts are available (Saleem & Ahmad Khan, 2020). As a result, client retention is a difficult issue for all E-Commerce companies. Thus, client retention is exclusively determined by customer satisfaction. Customers who purchase items online may be happy owing to the quality of the information provided on Web portals, the quality of goods supplied, products matching the product advertised on the website, the price charged for the product, and the time required for delivery (Nurcahyo, B. (2016).

If the customer's expectations are not met by the E-Commerce operators, they may move to another E-Commerce operator. As a result, it is the responsibility of E-Commerce operators to provide superior service quality to both existing and new clients to encourage repeat purchases (What Are Customer Expectations, and How Have They Changed? 2020). As a result, an attempt has been made in this study to determine the characteristics that increase customers' pleasure with online purchases and the elements that influence consumers' contentment with online purchases.

Various marketing researchers have conducted extensive research on loyalty. Customer loyalty is defined as a long-term relationship between a customer and a brand. It may be regarded as a refusal to transfer brands, regardless of the scenario or difficulty that arises during the business process. Furthermore, loyalty is defined as a customer's repeated purchase of the same brand. E-loyalty is defined in the context of online marketing as a customer's preferred attitude toward e-commerce that leads to recurrent purchasing behaviour (Chambers, S., & Chambers, S. 2022).

Customer feedback is essential since it guides the expansion of the business. The consumers are curious about potential customers see the advantages and disadvantages of their product they buy online. Users may uncover diamonds that make it simpler to change and adapt the client experience over time among the good and the poor. Feedback is the means what will through which lead the maintain the community at the centre of everything that business do.

## 1.3 Research Question

- 1.3.1 What is the current level of satisfaction in an online shopping among Malaysian consumers?
- 1.3.2 What are the factors contributing to online shopping customer satisfaction and e-loyalty?

## 1.4 Research Objective

1.4.1 To investigate the level of satisfaction in an online shopping among Malaysian customer.

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1.4.2 To analyse factors contributing to online shopping customer satisfaction and e-loyalty.

## 1.5 Scope of Study

The study aims to determine the factor of online shopping satisfaction among customers in Malaysia. The target audience for this study will be the young student around Melaka. Most of the target institutions study research in UTeM around 100 students, UITM about 50 and Politeknik Melaka 50 student use to answer question distribute where the relationship between the factors that contribute to online shopping use most in Malaysia and the satisfaction behaviour intention will be investigated in this report. This study will be a new level of

satisfaction of online shopping customers and the behaviour of response of the product that makes them satisfice.

## 1.6 Significant of Research

This study aimed to identify the factors of online shopping satisfaction among customers in Malaysia. The research will help company and student find the problem that face in online shopping buying that have been use for sells and buy. The researcher will be able to investigate the relationship between the factors that make the online shopping customer satisfice with the product or service they buy from the internet. As a result, this study can be a good resource for others to know about the current level of satisfaction situation in online shopping among Malaysian consumers.

## 1.7 Chapter Summary

The researcher addressed the background analysis of the research subject, problem statements, research issue and purpose, scope of the study, limitation of the study, and significance of research in the introduction for the topic.

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#### **CHAPTER 2**

#### LITERATURE REVIEW

#### 2.0 Introduction

Since most people are busy and have a demanding schedule, online shopping has attained a significant position in the 21st century. In this circumstance, internet shopping became the most convenient and appropriate method for their purchase (Vasić et al., 2022). The Internet has altered how consumers shop and has fast established a worldwide viewpoint. This is known as business-to-consumer online purchasing. In recent years, e-commerce has expanded dramatically. An e-commerce transaction begins when a vendor offers items on a website and buyers indicate approval, examine the products' characteristics, pricing, and delivery choices, purchase products of interest, and then complete the checkout process (Mofokeng, T. E., 2021). The importance of e-commerce in determining how effectively online retailers can leverage innovative technologies to deliver customer satisfaction value is exemplified by the fact that tailoring these products to specific markets and targeted customer groups increases online retail sales volumes and reduces costs for updated information that customers access (Reinartz, W. J., Wiegand, N., & Imschloss, M., 2018). Online shopping holidays are growing in popularity in several nations, including the United States (Black Friday and Cyber Monday), China (Singles' Day), the United Kingdom (Boxing Day), and Mexico (El Buen Fin). The most significant of these celebrations is Singles' Day (hereafter, SD).

E-commerce originated as a standard for the exchange of business documents, such as orders or invoices, between suppliers and their business customers. Those origins date to the 1948–49 Berlin blockade and airlift with a system of ordering goods primarily via telex. Various industries elaborated upon that system in the ensuing decades before the first general standard was published in 1975 (Zwass, V., 2019, August 15). The resulting computer-to-computer electronic data interchange (EDI) standard is flexible enough to handle simplest electronic business transactions.

With the wide adoption of the Internet and the introduction of the World Wide Web in 1991 and the first browser for accessing it in 1993, most e-commerce shifted to the Internet. More recently, with the global spread of smartphones and the accessibility of fast broadband

connections to the Internet, much e-commerce moved to mobile devices, which also included tablets, laptops, and wearable products such as watches.

The impact of electronic commerce on daily living, business, and government operations has been profound. Commerce is performed through electronic marketplaces (or marketspaces) and Internet-Web-based supply chains. Large e-malls (such as Amazon), consumer-to-consumer auction platforms (such as eBay), multichannel stores (such as L.L. Bean), and millions of e-retailers are examples of consumer-oriented marketplaces. Alibaba and other corporations have established enormous business-to-business marketplaces. The so-called sharing economy facilitates more effective use of resources, such as Airbnb's online home rentals. On-demand platforms provide services with almost immediate accessibility (Sharing Economy Definition, 2020, October 3).

Online purchasing is growing in popularity for several reasons. Increasing petrol costs, the difficulty of travelling to conventional shops, and the difficulties often associated with shopping malls and other traditional retailers all contribute to the rising popularity of online shopping. Existing users' reviews provide consumers with comprehensive information about the product. If a person wants to purchase a product, he or she is no longer confined to asking friends and family for advice, since there are many product reviews on the Internet that provide the perspectives of the product's current users. Keeping in mind the level of the consumers, online shopping sites provide a vast selection of both high- and low-quality items (M., L.,2020).

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## **2.1 Types of Online Shoppers**

#### 2.1.1 Conservative Shoppers

Conservative Shoppers see physical shops as the primary shopping venue. Because the goods are desired to be viewed and touched before making a purchasing choice, physical businesses are favoured over online retailers. Only some purchases that "cannot go wrong" may be done online, and in these instances, the price must be much cheaper (Kettunen, E., Kemppainen, T., Lievonen, M., Makkonen, M., Frank, L., & Kari, T., 2020). The search for information and assessment are conducted in physical shops, yet a cheaper price online may result in an online purchase. Typically, travel and event tickets, as well as clothes and other low-priced items of daily living, may be purchased online. Conservative Shoppers dislike managing their lives online, and hence, online buying activity is minimal.

#### 2.1.2 Rational Shoppers

Rational Shoppers' online purchasing behaviour is characterised by activity and caution. Numerous items and services are purchased online, but only after considerable deliberation and study (Petcharat, T., & Leelasantitham, A. (2021b). Behind every purchase is a real need, and considerable effort may be spent researching product details, payment methods, and shipping options, as well as evaluating them in depth. Thus, the initial visit to an online store is seldom followed by a purchase. Even if a suitable product, price, and online store are discovered, it may not result in a purchase soon or at all.

## 2.2.3 Hedonistic Shoppers

Online buying is constantly and conveniently accessible. This affords Hedonistic Shoppers the chance to buy whenever they like. Online stores provide a convenient way to explore and compare items or prices without having to visit a real store, and online shops act as a continual supply of purchasing inspiration. However, emotional impulsive purchasing occurs more often in physical stores. The online purchases of hedonistic consumers are not usually motivated by need; rather, they are often motivated by personal desire, price offers, and targeted ads. Hedonistic shoppers often purchase clothing, cosmetics, and similar things in many sizes, intending to return at least a portion of the items. Risk minimization and convenience in the form of free shipping and delivery. The return policy, flexible payment options, and familiar home store are valued. Hedonistic Shoppers like online stores that are aesthetically pleasing, user-friendly, give simple product comparison options and include gamification (Mokhtar, M., Yusoff, S., Asmuni, S., & M. Fauzi, N. A., 2020). The personal style must be reflected in online stores, and customer service is crucial. To give Hedonistic Shoppers the impression that they are cherished, an online store should take care of the whole buying experience, from the first visit to the online store through post-purchase support (Anand, Ramachandran, Sambasivan, & Batra., 2019). On the other side, poor customer service is grounds for discontinuing usage of the online store. A web store should also provide several communication options. Online chats are seen as simple and quick, and they are valued as a means of communication with online merchants. Hedonistic Shoppers are interested in membership and loyalty programmes, and as a result, they are also loyal to online retailers that treat them well.

#### 2.2 DeLone and McLean's Model in the Online-Service

Client satisfaction has a positive and significant influence on customer loyalty. The determined Information System (IS) attributes are defined by three factors: "the quality of the system, the quality of service, and the quality of information" (Delone & Mclean, 2003). These three elements are thought to be essential in affecting customer happiness. the system, information quality, service quality, user experience, happiness, and profit "(Delone and Mclean, 2004). Based on their evaluation of earlier studies conducted between 1981 and 1987, DeLone and McLean constructed the taxonomy of IS success. Six factors of IS success were recognized in 1992, including system quality, information quality, utilization, user happiness, individual impact, and organizational effect. However, they are not independent but interrelated. This model is based on prior research on Shannon and Weaver's communication theory, which claims that technical levels describe how information may be created depending on the accuracy and efficiency of the system, while the semantics level measures the effectiveness of information delivery. Mason proposed the Information "Effect" Theory, which places a focus on the influence of information. Mason then substituted influence for effectiveness. This level of influence includes the sequence of influence events, including information reception (receiving), effect on the receiver, and influence on the system. DeLone and McLean then utilized this model to produce six variables or features of information systems. System quality, information quality, utilization, user happiness, individual impact, and organizational impact are the components. After the release of the success model by DeLone and McLean, numerous researchers updated the model.

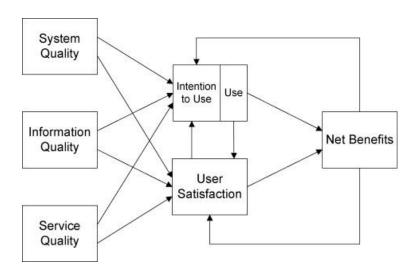


Figure 2.1: DeLone and McLean's Model

#### 2.3 Customer Satisfaction

Consumer satisfaction is the end consequence of achieving a consumer's performance expectations for a product. Most delighted consumers often intend to repurchase a product if its performance matches their expectations (Abdallah, N.,2021). Numerous elements may impact consumer pleasure. Numerous studies have been undertaken to discover the factors that influence customer happiness online (Jun, Yang and Kim, 2004; Ballantine, 2005; Cappelli, Guglielmetti, Mattia, Merli and Renzi, 2011). Online merchants must have a thorough grasp of the antecedents of consumer happiness in the online environment to enhance company performance and raise customer satisfaction.

Li and Zhang (2002) defined customer satisfaction as the degree to which consumers' evaluations of their online buying experience correspond to their anticipations. The European Public Administration Network (EUPAN) explained consumer satisfaction with a model based on the theory of disconfirmation, which suggests that consumer satisfaction with a service is proportional to the magnitude of the disconfirmation experience; where disconfirmation is related to a person's initial expectations. If customers' experience with the service considerably surpasses their expectations, and the service is exceptional had the service, then customer satisfaction would be quite high.

Before obtaining additional products and services online, consumers must be happy with their e-commerce buying experience. Numerous research has been conducted to determine the causes of customer satisfaction with online purchasing (Jun, Yang, and Kim, 2004; Ballantine, 2005; Cappelli, Guglielmetti, Matteo, Merli, and Renzi, 2011). It is shown that customers' attitudes and views about ease and security have a substantial impact on their willingness to buy online (Limayen et al., 2000). Shanker et al. (2003) also argued that service delivered during and after the transaction is vital for repeat purchases by e-consumers. In addition, Christian and France (2005) identified three kinds of factors that might influence customer satisfaction with online buying. They include technical aspects such as security, usability and site design, and privacy; shopping considerations such as ease, trust and dependability, and delivery; and product factors such as merchandising product value, and product customization.