

**THE FACTORS OF AI-BASED CHATBOT IN THE RETAIL SECTOR ON
PURCHASE INTENTION AMONG CONSUMERS IN MALAYSIA**

NUR ATHILAH BINTI OTHMAN



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**This thesis is submitted in partial fulfillment of the requirements for the award
of Bachelor of Technology Management and Technopreneuship with Honours
(Technology Innovation)**



**UNIVERSITI TEKNIKAL MALAYSIA MELAKA
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APPROVAL

“I hereby declare that I had read and gone through this thesis, and it is adequate in terms of scope and quality which fulfill the requirements for the awards Bachelor of Technology Management (Technology Innovation) with Honours”

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DECLARATION OF ORIGINAL WORK

I hereby declare that this thesis with the title “**The Factors of AI-Based Chatbot in the Retail Sector on Purchase Intention among Consumers in Malaysia**” is the result of my own research except as cited in the references.

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DATE: 21st January 2023



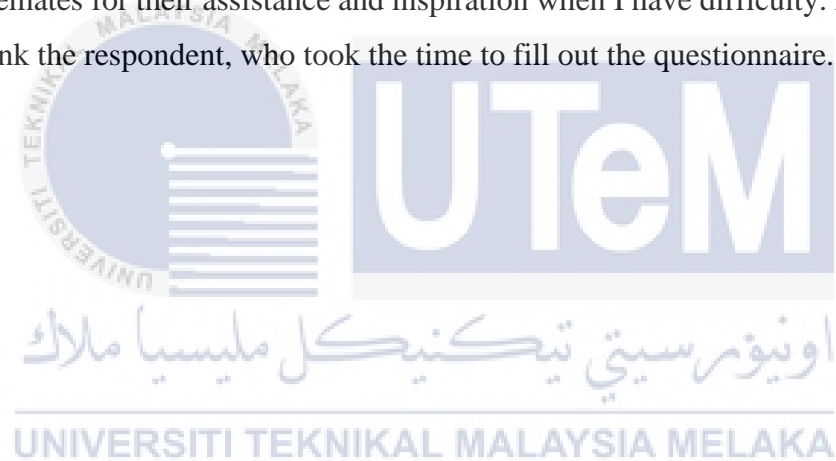
DEDICATION

I would want to express my gratitude to my family and friends, who were always encouraging and supportive as I worked on the research. In addition, my supervisor, Dr. Nor Ratna Binti Masrom, and panel, Ts. Dr. Nurulizwa Binti Abdul Rashid supervised my research and my coursemate assisted me in completing the research path.



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ABSTRAK

Memandangkan perkembangan baharu telah membenarkan pembangunan kaedah baharu untuk berkomunikasi dengan pelanggan dengan pantas, kecerdasan buatan (AI) telah menjadi lebih meluas dalam perniagaan perkhidmatan. Salah satunya ialah penciptaan chatbot berkuasa AI untuk penjagaan pelanggan dalam talian. Penyelidikan ini direka bentuk untuk menganalisis kesan chatbot berasaskan AI dalam sektor runcit terhadap niat pembelian dalam kalangan pengguna di Malaysia. Objektif kajian ini adalah untuk menganalisis hubungan yang signifikan antara kesan ciri chatbot berasaskan AI dan niat membeli pengguna runcit di Malaysia, untuk mengkaji faktor chatbot berasaskan AI yang mempengaruhi akan mempengaruhi niat membeli pengguna runcit di Malaysia, dan untuk mengesahkan faktor paling dominan chatbot berasaskan AI pada niat pembelian pengguna runcit di Malaysia. Pembolehubah bebas dalam rangka kajian ini adalah kesan chatbot berasaskan AI, manakala pembolehubah bersandar ialah niat membeli. Metodologi yang digunakan oleh pengkaji dalam penyelidikan ini adalah kaedah kuantitatif dan pengkaji mengambil sampel seramai 220 orang responden yang merupakan pembeli runcit Malaysia menggunakan chatbot berasaskan AI untuk mendapatkan data. Bagi analisis data, penyelidik menggunakan Analisis Deskriptif, Analisis Korelasi Pearson, dan Analisis Regresi Linear Berganda untuk menganalisis data. Penyelidikan ini boleh digunakan sebagai platform untuk mengkaji secara mendalam kesan sikap terhadap chatbot berasaskan AI terhadap niat membeli dalam kalangan pengguna di Malaysia.

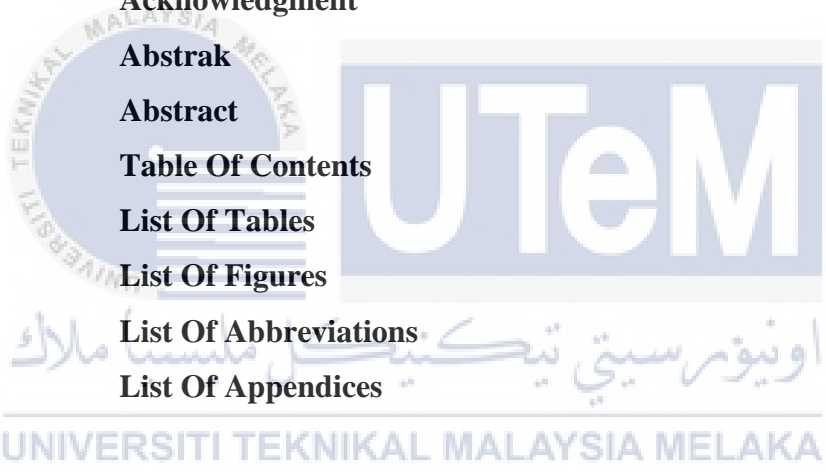
Kata kunci: Chatbot berasaskan AI, Niat Membeli, Sikap Dirasai Kemudahan Penggunaan, Dirasai Kebergunaan, pembeli runcit Malaysia

ABSTRACT

As new developments have quickly permitted the development of new methods for communicating with customers, artificial intelligence (AI) has become even more pervasive in the service business. One of these is the creation of AI-powered chatbots for online customer care. This research was designed to analyze the effect of AI-based chatbots in the retail sector on purchase intention among consumers in Malaysia. The objective of this study was to analyze the significant relationship between the effect of AI-based chatbot features and grocery consumer purchase intention in Malaysia, to examine the factors of AI-based chatbots that influence will affect grocery consumer purchase intentions in Malaysia, and to verify the most dominant factors of AI-based chatbots on grocery consumer purchase intention in Malaysia. The independent variable in the framework of this research was the factors of the AI-based chatbot, while the dependent variable is purchasing intention. The methodology used by the researcher in this research is a quantitative method and the researcher took a sample of 220 respondents who are Malaysian grocery shoppers using AI-based chatbots to obtain data. For data analysis, researchers used Descriptive Analysis, Pearson Correlation analysis, and Multiple Linear Regression Analysis to analyze the data. This research can be used as a platform to examine in-depth the factors of attitudes toward AI-based chatbots on purchase intention among consumers in Malaysia.

Keywords: AI-based chatbot, Purchase Intention, Attitude, Perceived Ease of Use, Perceived Usefulness, Malaysian grocery shoppers

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LIST OF ABBREVIATION

Abbreviations	Meanings
AI	Artificial Intelligence
GDP	Gross Domestic Product
IBM	International Business Machines
NLP	Natural Language Processing
SPSS	Statistical Package Social Sciences
TAM	Technology Acceptance Model
IQ	Intelligence Quotient
EQ	Emotional Quotient
PU	Perceived Usefulness
PEU A	Perceived Ease of Use Attitude
PUI	Purchase Intention
TRA	Theory of Reasoned Action
BLA	Business Level Agreement
DM	Direct Messages
MCO	Movement Control Order

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CHAPTER 1

INTRODUCTION

1.1 Introduction

Malaysia, a Southeast Asian country that is rapidly rising in lockstep with the rest of the region, has long viewed foreign direct investment as a source of prosperity (Nor Khalidah Abu & Rosmimah Mohd Roslin, 2008). Asia's burgeoning role as one of the world's fastest-growing retail penetration and expansion will keep the region at the forefront of global economic progress (Mohd-Ramly & Omar, 2017). For a fun shopping adventure. As a result, merchants must employ a combination of Industry technologies, such as robotics, cloud, and augmented reality, to meet the needs of their customers. As a result, the retail industry has become more modernized, and retail sectors have emerged (Sakrabani et al., 2019). To put it another way, retailing is the sale of goods and services to end-users by individuals or businesses. The supply chain is made up of retailers. A retailer buys vast amounts of commodities or products from manufacturers or wholesalers, then sells smaller amounts to customers at a gain (Vishal, 2014). Malaysia's retail industry has a low level of acceptance of information technology use in its operations (Bakri et al 2015). The retail business contributed the most to Malaysia's Gross Domestic Product (GDP) in FY2017, accounting for 44.8 percent, according to the Malaysian Department of Statistics (Sakrabani et al., 2019).

In the retail industry, AI can be helpful in a number of different ways, including predicting what customers will want, automating shop operations, engaging customers, personalizing products for customers, and optimizing prices. AI has already led to a 50% improvement in efficiency in the assortment, a 20% reduction in stock,

and a 30% boost in online sales for shops that are employing AI solutions (Bughin et al., 2017). AI is projected to bring about significant changes to both marketing strategies and customer habits, including chatbots (Davenport et al., 2020). The ability of artificial intelligence to overcome some of the computationally intensive, intellectual, and possibly even creative limitations of humans opens up new application domains within education and marketing, healthcare, finance, and manufacturing, with subsequent impacts on productivity and performance (Y.K. Dwivedi, et al., 2019). According to IBM (2019), the applications of AI-based advanced technology and automation in the retail industry include branding and the recruitment of new customers, sales forecasting, personalization and fealty, production planning, enhancing merchandising, labeling and product placement, boosting efficiency in service and customer engagement, and more.

It is anticipated that the use of chatbots powered by AI would significantly affect the connection between businesses and their customers due to the potential of chatbot to boost the comfort of customers when carrying out desired actions (Dawar, Bendle, 2018). The AI-based chatbot is a type of computer program that simulates human communication through the use of capabilities related to natural language; chatbots are frequently used as digital assistants on the internet (Fryer et al., 2019). As a result of the fact that this advancement in retailing offers customers a novel purchasing experience, it is necessary to investigate not only the technology but also the perspectives of customers regarding it. (Bleier et al., 2020). AI-based chatbot are pieces of software powered by artificial intelligence (AI) that, with the assistance of natural language processing (NLP), are able to connect with actual people (Watchravesringkan & Myin, 2021). The usage of artificial intelligence chatbot in the retail market is anticipated to expand from \$2.6 billion in 2019 to \$22 billion in 2023, according to a recent analysis (Tracy, 2019). If the usage of chatbots can have an effect on the level of pleasure a company's customers feel, then it is just as vital to understanding how those customers feel about the use of AI-based chatbot (Mun, Kittichai, 2020). The interaction between AI-based chatbot, including the intervention of purchase intentions and customer attitudes, was the primary focus of this research. In addition to this, it investigated how the ease of use and usefulness of an AI-based chatbot influences the connection that is mediated.

1.2 Problem Statement

AI technology can enhance the interactions not only among customers, products, or services, but also in interactive environments, and it can match demands quickly. AI-based chatbots, content recommendation systems, and consumer feature recognition have become artificial agents for AI marketing activities (Yin, J., Qiu, X, 2021). Equipped with AI, chatbots play a vital role in facilitating engagement because of their conversational, data-driven, and predictive nature (Sands et al., Chen et al., 2021). As a result, in order to choose the most effective method of deploying AI-based technologies, including AI-based chatbots, business executives and company stakeholders must expand their awareness of customer responses to the adoption of these technologies. As a result, businesses will be able to uncover ways to better how customers react to AI-based chatbots within their enterprises and increase their usefulness and efficacy.

Users' views toward technical devices are influenced by their perceived convenience, which influences their propensity to utilize those items (Gümüş & Çark, 2021). Previous research has revealed that when new technology is deployed in the retail sector, a variety of factors influence customers' views toward it and inclinations to utilize it, including perceived ease of use and perceived usefulness. Unless the utilization of a chatbot has an effect on customer happiness, it is indeed crucial to know how customers feel about AI-based chatbots (Watchravesringkan & Myin 2021). There were also requests to determine whether or not the attitudes held by customers who communicate with AI-based chatbots in real-time boost consumer experience and fulfill expectations (Xuan Hung Nguyena, Hai Ly Tranb, Hue Anh Phanb, and Thi Thu Hien Phanc, 2020). Whenever it comes to the development of AI chatbots in retail, perceived simplicity of use and perceived usefulness may be key elements in determining customer behavior, adoption, and evaluation of AI-based chatbots. (Mon Thu Myin and Kittichai (Tu) Watchravesringkan, 2020).

Hence, the purpose of this research was to see how AI-based chatbots affected Malaysian consumers' purchasing intentions. The research looked at how perceived ease of use, usefulness, and attitudes toward AI-based chatbots influenced consumer sentiments. The assumption is that the perceived ease of use, usefulness, and attitudes toward AI-based chatbots increases the purchase intentions as well as the convenience

and optimism of consumers during AI-based chatbot interactions. Eventually, the plan was to give retail stakeholders in Malaysia a greater comprehension of buyer attitudes toward AI-based chatbots, as well as to assist them in gaining a greater understanding of the connections that enhance the implementation of AI-based chatbots that substitute skilled workers whilst also preserving and enhancing consumer buying behaviors.

1.3 Research Questions and Objectives

Normally, during the transaction or procedure seeking details information, there are major interactions between the staff and the consumers, usually with cashiers or customer care staff. The utilization of technology in customer services, such as AI-based chatbot technology, lessens interactions between people in a shop, particularly among staff and consumers. These technologies also could enhance customer service quality by delivering quick replies to queries or difficulties of consumers, rendering this service readily accessible all the time, and assisting customers throughout the purchase process, resulting in increased sales conversion and income. Nevertheless, integrating the latest technology may provide purchasers with ease, which may impact their ability to utilize it. Thus, the advent of innovative technical solutions by AI-based chatbots minimizes the amount of communication necessary between customers and staff of a company.

The objective of this research is to figure out an understanding of how the perceived ease of use, usefulness, and attitude toward using AI-based chatbot services influences the relationship with purchase intentions. Its goal is to see how varying levels of perceived ease of use, usefulness, and attitudes influence the customer's experience of AI-based chatbot services by purchase intentions. As an outcome, the following research questions have been proposed.

1. What are the factors towards AI-based chatbots that will affect grocery consumer purchase intentions in Malaysia?
2. What are the significant relationships between the effect of AI-based chatbot features and consumer grocery purchase intentions in Malaysia?
3. What is the most dominant factor of AI-based chatbots that influences grocery consumer purchase intentions in Malaysia?

The research's objective was to investigate the factors of AI-based chatbots in the retail sector on purchase intention among consumers in Malaysia. The following are the research objectives:

1. To examine the factors of AI-based chatbots that influence will affect grocery consumer purchase intentions in Malaysia.
2. To analyze the significant relationship between the effect of AI-based chatbot features and grocery consumer purchase intention in Malaysia.
3. To verify the most dominant factors of AI-based chatbots on grocery consumer purchase intention in Malaysia.

1.4 Significance Of Research

For emerging AI technologies to be effectively implemented in the marketing industry, it is necessary to have a thorough understanding of customer sentiments towards the technologies (Prentice C, Weaven S and Wong 1, 2020). The strategic objectives of retail settings in any civilization are to create pleasant attitudes about the retailer and, as a result, to expand the number of consumers, which will lead to a rise in buying intent (Shafique Ur Rehman, Anam Bhatti, Rapiah Mohamed and Hazeline Ayoup, 2019). It was the first research of its kind in Malaysia on consumer views

concerning AI-based chatbots. This research is significant because of its practical and theoretical contributions. According to the findings, AI-based chatbots provide shoppers with both practical and emotional benefits. The study also looked into the interaction between AI-based chatbots and attitudes, which influences their purchase intent. It is indeed beneficial to understand if there are any moderating elements that could hinder the success of AI-based chatbots as this information can help businesses design mitigation methods.

To obtain a representative sample of the research population, the research utilized experimental randomly selected data collecting. Consumers' sentiments toward AI-based chatbots were measured using scales that can be utilized in effective promotional research to examine customers' experiences. This is one of the first studies to look at how the perceived ease of use and usefulness possibilities of AI-based chatbots influences consumer purchase intentions. This study considers AI-based chatbots to be a substantial benefit to the consumer experience and investigates their link to consumer purchase intentions based on perceived ease of use and usefulness. This research will benefit academics and business practitioners by expanding the literature on technology adoption and facilitation, as well as assisting businesses in determining whether they need to build strategies to address customer concerns. As a result of this research, marketers will be able to be more successful in getting consumers to embrace these technologies and use them to drive increased buy intentions. Customers' perceptions toward AI-based chatbots in Malaysia were investigated in this study. Acknowledging these attitudes can aid efforts to increase company profitability by providing the most efficient purchasing environment for customers, as well as assist companies in developing strategies for mitigating unpleasant experiences as AI-based chatbots are implemented, thereby enhancing the retail shopping experience.

1.5 Methodology

The research was conducted during the Covid-19 endemic, necessitating the use of digital methods to ensure validity and dependability. This research was conducted in two different trials using random sampling. IBM SPSS simple regression was utilized to examine the relationship between AI-based chatbot and purchase intentions, whereas using PROCESS macro in SPSS (Model 1, 10,000 bootstrapped samples; Hayes, 2018) was selected to conduct the moderation analysis utilizing perceived ease of use and perceived usefulness.

1.6 Definition of Key Terms Used in the Thesis

The AI-based chatbot is a term used to describe technologies that let customers or website viewers communicate with a business chat program that replies to client inquiries in real-time and context-relevant information through the use of artificially intelligent bots and in which no direct employee input is required for any of the operations (Zumstein and DHundertmark S, 2018)

Perceived ease of use refers to the customers' perception of the level of positive influence that can help them be free without difficulties when purchasing goods or services or interacting with the AI-based chatbot (Wicaksono & Maharani 2020)

Perceived usefulness refers to the customers' perception of the extent of positive influence person or organization that believes in a system that can facilitate their work when making purchases of goods or services or interacting with the AI-based chatbot (Adi Wicaksono and Anita Maharani, 2020)

Attitude refers to a person's established way of thinking or feeling, (Yaakop et al., 2021), and "human beings have an evaluation method for the effects of doing a certain conduct" (Kasilingam 2020). Aside from that, the term attitude toward the implementation of AI refers to preferences on intentions to embrace AI services, which

may include positive feelings, negative feelings, or anxiety (Andrews, Ward & Yoon 2021).

Purchase Intent indicates the likelihood of customers making buying decisions with the business by AI-based chatbot online or outside of it during a real-time contact in an e-commerce context (Yen & Chiang 2021).

1.7 Thesis outline

There are six chapters that make up this thesis's organization. The first chapter focuses on the goals of the study as well as the relevant research words, settings, targets, difficulties, and questions. The second chapter presents an in-depth literature assessment, as well as a discussion of the TAM model and research hypotheses. The third chapter explains the technique and tactics that were utilized in order to gather the data and construct the measures, and also the analytical procedure and the approval process for ethics. In the fourth chapter, an analysis of the data along with quantitative assessments of their accuracy, the use of SPSS software to examine the correlations amongst some of the research variables, and the implementation of the mediating effect analysis to test the research hypotheses are presented. The fifth chapter contains a discussion of the results of the research, specifically focusing on the extent to which the discoveries supported the study hypotheses, as well as the accomplishments of the research in terms of practical, procedural, and conceptual aspects. The limitations of the research, some ideas for further study, and some concluding thoughts are presented in the final chapter.