DETERMINANTS OF CONSUMER'S LOYALTY IN C2C E-MARKETPLACE, CAROUSELL

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DECLARATION

I declare that this thesis entitled "DETERMINANTS OF CONSUMER'S LOYALTY IN C2C E-MARKETPLACE, CAROUSELL" is the result of my own research except as cited in the references. The thesis has not been accepted for any degree and is not concurrently submitted in candidature of any other degree.

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APPROVAL

I hereby declare that I have read through this report entitled "Determinants of Consumer's Loyalty in C2C E-Marketplace, Carousell" and certify that this thesis is adequate in terms of scope and quality as a partial fulfillment for the award of the Bachelor Degree in Technology Management (High Technology Marketing) with Honours.

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Date : 18. 1. 2023

DEDICATIONS

This research is dedicated to my beloved parents and siblings, who have always aided me with their time and knowledge. In addition, I would also like to express my gratitude towards my supervisor Ts. Dr. Yusri bin Arshad, who are willing to spend much time to patiently guide me through the whole process of this research. With their endless support and blessings, this study was able to complete smoothly.

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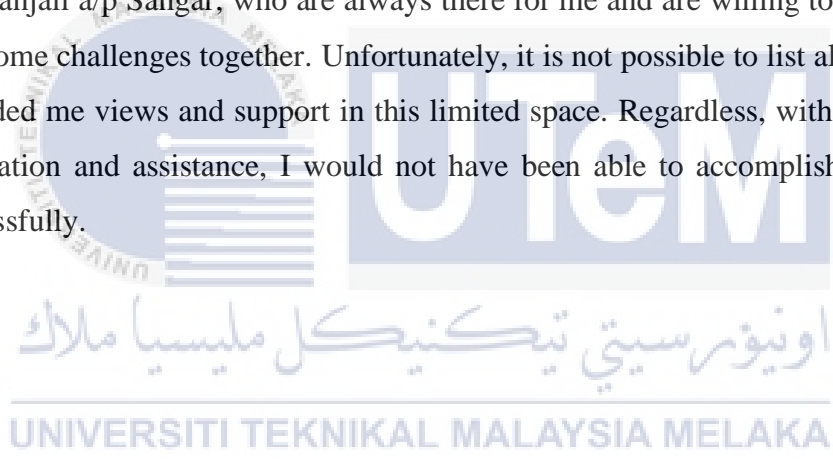
ABSTRACT

Various types of e-commerce have emerged where the Consumer-to-Consumer (C2C) e-commerce comprises one of them. Instead of the traditional market which involves businesses to consumers and/or businesses (B2C/B2B), the C2C market allows and provides consumers to interact with the other end-users through platforms such as *Carousell*, which is a mobile application and marketplace for consumers to buy and sell both new or preloved goods. Although the Carousell application has a steady increase in the number of users and is one of the most used e-commerce application, there has been numerous complaints on frauds, scams and other issues that led to consumers' dissatisfaction and the lack of consumers' loyalty towards the platform. Hence, this research aims to investigate the elements that affects consumer's satisfaction and loyalty in using the Carousell platform. **Methodology**: This research uses a mono method research type which involves a survey of a heterogeneous population. The sampling technique used is a non-probability purposive sampling technique which involves 110 respondents from Carousell. The results illustrates that convenience, perceived risks, and service quality had the most impact towards consumers' loyalty in the Carousell platform while information quality and system quality was found to be insignificant in this study. Future studies may look into other factors such as social capital, brand equity, etc., to be able to bring more insight on the determinants of consumers' loyalty towards the Carousell application.

Keywords: Website quality, Service quality, Information Quality, System Quality, Convenience, Perceived Risks, C2C, Loyalty

ABSTRAK

Pelbagai jenis e-dagang telah wujud di mana *Consumer-to-Consumer (C2C)* merangkumi salah satunya. Selain daripada pasaran tradisional yang melibatkan perniagaan kepada pengguna dan/atau perniagaan *(B2C/B2B)*, pasaran C2C membolehkan dan menyediakan pengguna untuk berinteraksi dengan pengguna akhir yang lain melalui platform seperti Carousell, sebuah aplikasi di mana pengguna dapat membeli dan/atau menjual barangan baharu atau terpakai. Walaupun aplikasi Carousell mempunyai peningkatan yang berterusan dalam bilangan pengguna dan merupakan antara aplikasi e-dagang yang paling banyak digunakan, terdapat banyak aduan mengenai penipuan dan isu lain yang membawa kepada ketidakpuasan hati pengguna dan kekurangan kepercayaan dan kesetiaan pengguna terhadap platform Carousell tersebut. Oleh itu, penyelidikan ini bertujuan untuk menyiasat unsur-unsur yang mempengaruhi kepercayaan pengguna dalam penggunaan platform Carousell. **Metodologi**: Penyelidikan ini menggunakan kaedah kuantitatif dengan jenis kajian yang melibatkan tinjauan populasi heterogen. Teknik persampelan yang digunakan adalah teknik persampelan bertujuan yang melibatkan 110 orang responden dari platform Carousell. Hasilnya menggambarkan bahawa kemudahan, persepsi risiko dan kualiti perkhidmatan mempunyai kesan yang paling besar terhadap kesetiaan pengguna dalam platform Carousell manakala kualiti maklumat dan kualiti sistem didapati tidak ketara dalam kajian ini. Cadangan untuk kajian pada masa hadapan termasuk melihat faktor lain seperti modal sosial, ekuiti jenama, dan sebagainya, untuk dapat membawa lebih banyak pandangan tentang penentu kesetiaan pengguna terhadap aplikasi Carousell.

Kata kunci: Kualiti laman web, Kualiti Perkhidmatan, Kualiti Maklumat, Kualiti Sistem, Kemudahan, Persepsi Risiko, C2C, Kesetiaan

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LIST OF SYMBOLS AND ABBREVIATIONS

B2B	-	Business-to-business
C2C	-	Consumer-to-consumer
SEM	-	Structural equation modeling
SPSS	-	Statistical Package for the Social Sciences
r	-	Correlation coefficient
ANOVA	-	Analysis of Variance
Sig.	-	Significance
RO	-	Research Objective

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CHAPTER 1

INTRODUCTION

1.1   Background

Since the emergence and evolution of technology and the Internet, businesses and companies have been shifting, changing and adapting their structures or processes from the traditional marketing to exploring e-commerce in order to stay relevant in the industry. Not only has it altered many business operation modes, but it has also changed consumer's consumption habits and shopping behaviour.

According to the Department of Statistics Malaysia (DOSM), the e-commerce sector has contributed 11.5% to Malaysia's Gross Domestic Product (GDP) where the income generated by establishments soared to RM279.0 billion, which was a jump of 17.1% year-on-year in the third quarter of 2021. This was due to the rising usage of information and communication technology (ICT) which registers that at least 80.0% individuals uses computers while 89.6% individuals uses the internet.

This profound changes opens up multiple opportunities for various businesses such as the rise of C2C e-marketplace. Instead of the traditional market which involves businesses to consumers and/or businesses (B2C/B2B), the C2C market allows and provides consumers to interact with the other end-users such as through platforms like *Carousell*, which is a mobile application and marketplace for consumers to buy and sell both new or preloved goods.

Although the Carousell application has a steady increase in the number of users and is one of the most used e-commerce application, there has been numerous complaints on frauds, scams and other issues that led to consumers' dissatisfaction and the lack of consumers' trust and loyalty towards the platform. This could lead to an unfavorable effect towards the perceived usefulness of the website, visit frequency, purchase frequency, and the amount of time and money spent (Crespo et al., 2009; Forsythe et al., 2006).

Although online shopping has brought about a number of benefits, the Internet environment has prominent underlying uncertainties (Forsythe et al., 2006) and a study done by Lee & Tan, (2003) has also indicated that consumers have a higher perceived risk in online shopping.

Hence, in order to gain competitive advantage among other competitors, business owners are compelled to find out more ways to ensure sustainability in the market. Not only that, it has led to a number of researches for the identification of the antecedents of customer loyalty where in this research, several variables including convenience, perceived risk, service quality, information quality and system quality would be studied.

1.2   Problem Statement

Despite the fact that Carousell has an increasing number of users over the years, the platform remains unrecognized or unfamiliar to the majority of e-marketplace users in Malaysia. This can be seen in the rankings in Play Store where Carousell ranked 12th in the shopping category compared to other similar applications such as Shopee (Rank 1st), Lazada (Rank 2nd), and even a similar selling preloved items application Mudah.my which ranked 5th.

According to a research done by Putri et al., (2021), the researchers had discovered several reviews on the Carousell application regarding the complaints on the poor service quality provided. This poses as a huge issue where Stevens (2000) had highlighted that as the amount of competition heightens, the relationship between loyalty and competition also deepens. In order for Carousell to bridge this gap with other similar applications in the same category, gaining the consumer's trust is crucial to build a loyal customer base.

It was also prominent that much of the user's main concerns in using the e-commerce platform was due to the staggering number of scams or frauds reported. This could be due to the reason that most of the users in Carousell are either first-time or inexperienced users that wishes to declutter their belongings or to secure deals for

items that still could be given a second-life. Most of the cases are when users, be it sellers or buyers, are too desperate or carried away in wanting to close a deal that these users fall prey to such frauds. Hence, it has impacted other users in the form of reviews or complaints which plants the seeds of doubt and reluctance of the users including both the sellers or buyers in using the Carousell platform.

1.3 Research Questions

1. What are the issues most commonly faced by users in the platform?
2. How well does the components in the Carousell application perform in aiding users' business dealings?
3. Which decisive factor affects the users' satisfaction and patronage in using the application?

1.4 Research Objectives

1. To determine the issues commonly faced by Carousell users.
2. To investigate the effectiveness of Carousell's services/features in strengthening consumers' loyalty to the platform.
3. To examine the magnitude of variables in achieving consumers' loyalty to the platform.

1.5 Scope of the Research

This study aims to analyze and look into the system of a C2C platform to research on the influences of consumer's loyalty towards the e-marketplace. The scope of this study is to focus on one of the community marketplace for buying and selling new and secondhand goods in Malaysia named Carousell. This research would explore on several determinants of consumer's loyalty such as perceived risks, convenience and website quality including system quality, information quality and service quality. A non-probability purposive sampling would be used in this research in which the respondents would only be the users of the Carousell application.

1.6   Research Significance

The understanding of consumer's main priorities in an e-commerce platform is crucial for both the development and growth of the platform and the industry. Through the recognition and knowledge of the determinants on consumer's loyalty and trust towards the Carousell application, the company would be able to improve their system and website quality in order to retain users in using the platform. Besides that, not only this research could benefit both potential and existing users of Carousell on the opportunities to sell either new or preloved items to a larger audience but could also use this platform as an experience to start a small business without having the burden to handle any transactional fees.

1.7   Summary

In summary, this chapter has explained on the background of this study. The research questions and objectives has also been developed along with the significance of this research.

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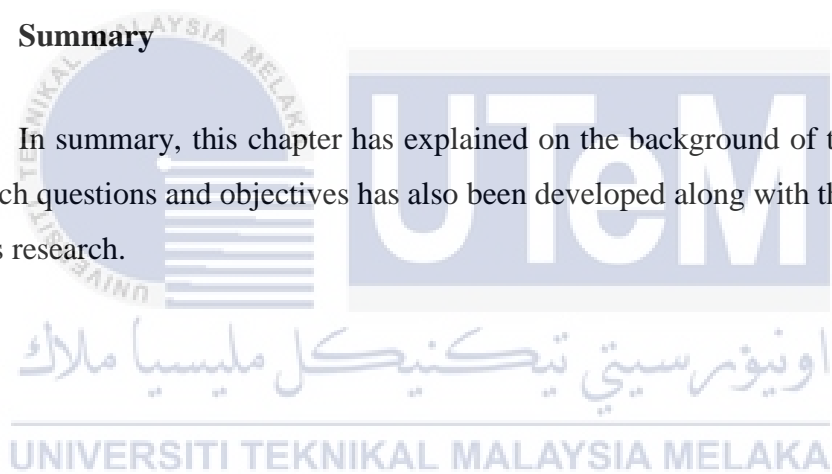
CHAPTER 2

LITERATURE REVIEW

2.0 Introduction

This chapter will discuss the literature review of this research, where a review of prior studies would be presented in this section. The purpose of this study is to examine the factors of consumers' loyalty towards the Carousell platform. Thus, this chapter would analyze published writings related to the factors of consumer's loyalty in a C2C setting. A conceptual framework is also developed at the end of the chapter to explain this research.

2.1 Website Quality

2.1.1 Service Quality

E-service quality has emerged as a critical aspect in an e-commerce success especially in the recent decades. According to relevant studies, webpage presentation and low pricing were regarded as success elements in the early days of Internet retail business. Unfortunately, in the long run, the negative impact of a poor service quality would even overshadow the best webpage designs or low price tags that the e-commerce could offer. Hence, in order to build customer loyalty, website merchants must shift their focus towards a quality e-service rather than on securing transactions (Zeithaml et al., 2002).

Lin (2007) defined service quality as the prospects' appraisal of the overall service delivered by the website. According to Parasuraman et al., (2005), an electronic service quality (e-SQ) must also encompass all phases of client engagement with the website. Factors that can be used to assess service quality are such as the reliability, responsiveness, assurance, and personalization aspects (Zhou, 2013).

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Potential consumers assess a seller based on their interactions with them as well as post-interaction service characteristics in which if the service quality meets their expectations, the seller's reputation also improves (Liang et al., 2011). In Carousell, buyers not only wants to have a flawless service quality from the seller, but also with Carousell's customer service in the case that assistance is needed.

Authors	Issue	Findings
Putri et al., (2021)	The influence of service quality and consumer trust on consumer loyalty in the Carousel application.	The authors analyzed the impact of service quality and consumer's trust on customer loyalty in the Carousell application. The findings showed that service quality and consumers' trust had a magnitude of 74.47% while the remaining were due to the other variables that was not addressed in this research.
Satria Wijaya et al., (2021)	E-commerce website quality towards customer loyalty (Study in Shopee)	The findings were that e-commerce management needs to consider attributes such as 'website design', 'easy-to-understand information', 'information follows a format and is detailed', 'secured transactions', and 'a positive experience for the users'.
Hsieh & Tsao, (2014)	Website quality perspectives	Higher system, information and service quality facilitates initial buying and continued patronage.

2.1.2 Information Quality

According to DeLone & McLean, (2004), a successful e-commerce are those where the buyer or supplier are able to access the transaction data for any moment and that the contents are personalized, complete, relevant, and easy to understand. Now, consumers are more focused towards and desires an efficient information transfer as well as an immediate yet sufficient amount of information via the Internet. As a result,

customers are more demanding that e-commerce websites supply high-quality information (Bauer et al., 2002).

Information quality was considered a crucial condition for the success of an information system (Wu & Wang, 2014). In a study conducted by Ahn et al., (2004) it was shown that websites that provide high quality of information helps consumtableers enjoy their shopping experience and also aids them in making better purchasing decisions.

Authors	Issue	Findings
(Satria Wijaya et al., 2021)	E-commerce website quality towards customer loyalty (Study in Shopee)	The findings were that e-commerce management needs to consider attributes such as 'website design', 'easy-to-understand information', 'information follows a format and is detailed', 'secured transactions', and 'a positive experience for the users'.
(Hsieh & Tsao, 2014)	Website quality perspectives	Higher system, information and service quality facilitates initial buying and continued patronage.

2.1.3 System Quality

System quality refers to an individual's perception of the overall performance of a website system (Zheng et al., 2013). Lin (2007) has also noted that an excellent system quality allows users to perceive a sense of friendliness when using the site.

According to Delone & McLean, (2004), system quality is an essential condition in an e-commerce system. This includes elements that reflects the system's usefulness (ease of use and navigation), response time (degree of access speed that could instantly respond to customer demands, quick webpage loading times) and visual appeals (Zhou, 2013). In addition, DeLone and McLean also included elements such as the system's availability (simple interface that allows customers to accomplish

certain purposes) and reliability (the system is stable and does not crash easily). Their study has also shown that a strong system quality not only could boost the use of e-commerce websites, but also the overall sales and market value of the company.

Zheng et al., (2013) also added that the users would have to block junk information and filter out irrelevant information if the system is difficult to use, resulting in an information overload. This could cause miscommunications or misconceptions, in which the company are expected to provide well-organized and clear navigation and search tools.

Authors	Issue	Findings
(Satria Wijaya et al., 2021)	E-commerce website quality towards customer loyalty (Study in Shopee)	The findings were that e-commerce management needs to consider attributes such as 'website design', 'easy-to-understand information', 'information follows a format and is detailed', 'secured transactions', and 'a positive experience for the users'.
(Hsieh & Tsao, 2014)	Website quality perspectives	Higher system, information and service quality facilitates initial buying and continued patronage.

2.2   Convenience

Convenience refers to customers' perceptions of saving time and effort when using online services (Berry et al., 2002). Convenience is also linked to service accessibility and availability, and it has an impact on perceived usefulness (Kim et al., 2009). According to Berry et. al. (2002), convenience also affects consumer's evaluation of the services, satisfaction, and service quality.

Most of the buyer's purchase intentions are influenced by the platform's transactional and operational convenience (Jih, 2007). Some of the aspects that are included are such as the depth and quality of information, interactivity, ease of use,

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and security (Parasuraman et al., 2005). Khan & Khan, (2018) also added that access, search, evaluation, order, and logistics/reverse-logistics are also vital in the terms of convenience.

This shows that convenience is one of the key features for prospects in online shopping, which also adds to the client's satisfaction (Roy et al., 2016). Not only that, convenience related to home delivery is also important as it affects the consumer's post-purchase behavior (Mehmood & Najmi, 2017).

Authors	Issue	Findings
(Satria Wijaya et al., 2021)	Impact of website quality on customer loyalty with satisfaction as moderation variable.	Satisfaction indicators include product quality, service quality, emotional, price, cost, and convenience.
(Wu & Wang, 2014)	A study of the influential factors on customer loyalty in C2C mode	When customer value such as convenience of shopping process are added, the company's effort in gaining customer's loyalty can be obtained.
(Hsieh & Tsao, 2014)	Website quality perspectives	Inconvenience can be referred to as the time wasted in browsing webpages and even delayed product delivery.

2.3   Perceived Risks

Despite having a variety of benefits to online purchasing, numerous aspects of the Internet environment intensifies the underlying uncertainties of it (Forsythe et al., 2006). These uncertainties has an adverse consequences towards consumers' perceptions when purchasing a product or service, which are referred to as perceived risk.

Nonetheless, perceived risk is a critical component that determines a consumer's perceived value (Teas & Agarwal, 2000). Forsythe and Shi (2003) defines