

# Key factors influencing online shopping



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This study is done as it is to fulfill the MKT662, Industrial Training Report for final year student of Bachelor in Business Administration (Hons) Marketing from University Teknologi Mara (UiTM), Kota Kinabalu Campus. This study aims to establish preliminary assessment, evaluation and understanding of the key factors that driving or influencing consumers in Kota Kinabalu to shop through online. This study also will also differentiate the characteristics between public and private servants in the context of online shopping besides will reveal the correlation between demographic characteristics towards the key factors identified. This study will be a very useful for local businesses to get more information about the virtual marketplace trend in Kota Kinabalu before engaging into online businesses.

## 1. 2 BACKGROUND OF STUDY

The importance of the Internet as an advertising medium has generated a lot of attention in recent years where there are a lot of businesses have been using the internet in their marketing activities and somehow driving consumers all the way through the process and eventually persuading them to shop online (Goodwin, 1999) . Study on the adoption of internet activities by consumers has been done by many researchers. For example study done by E-revolution (2000) ; Haque A. et al., (2006) and Zhou et al., (2007), these study reported generally that internet activities are increasing over the year and expected to continue growing globally. Besides these study also reveals that businesses nowadays are ready enough to bring their businesses operation online. Moreover, Zhou et al., (2007) also summarized that the ability of internet users to shop online has also significantly improved from 16% to 32% since March 2001.

As in Malaysia, according to Lee (2000), the internet become a virtual places where people share their ideas, build communities, shape the future democratically, and promote a new way of doing business. Moreover, the study stated that the web has become the world's biggest shopping mall that allows local businesses to do their business with low cost involved, but yet covering global market. By looking back at the early stage of online activity in Malaysia, the year 1995 was considered as the beginning of Internet age. Back to the year 2000, it is reported that only 7% of the population was registered as Internet subscribers and only 701, 000 units of total number of computer sold (Lee, 2000).

As the competition in e-commerce is increasing nowadays (Haque A., et al., 2006), it becomes more important for online retailers to understand consumer acceptance of online shopping activities and what makes them to do so (Zhou, et al, 2007). Supported by Goodwin, (1999), Wu., (2003); Kolsaker, et al., (2004) ; Khatibi, et al., (2006), examining these factors are crucial as it has been suggested that they play an important part in determining the success or failure of online shopping business. Despite a host of studies on online shopping, there is no specific research done on the subject matter in Kota Kinabalu which contributes to lack understanding on the keys factors that influence customer to shopping online in the area.

In short, this study will investigate the keys factors that facilitate customer from Kota Kinabalu willingness to purchase online and for the purpose of this study, few factors will be identify from the literature review and however, only the most dominant factors will be examine.

### **1.3 SCOPE OF STUDY**

This study will specifically examine and identify the factors that directly and indirectly influence consumer the most specifically in Kota Kinabalu on purchasing decision through online. Researcher will also look into the demographic characteristic such as age, income level, profession, ethnic etc- of online users to be related to the identified keys factors influencing customer to shopping online. The research will be using data gather from selected samples which will include both career individual which includes both public and private servant in order to avoid of having bias data and maintain quality of the data besides to cooperates with time constrains.

### **1.4 PROBLEM STATEMENT**

At its core, the mission of marketing is to attract and retain customers. To accomplish this goal, a traditional brick and mortar marketer uses variety of marketing variables to satisfy current and new customers. As for online retailers, it is important for them to have a good understanding of the marketplace for their products and their target customers before engaging themselves in online retailing. Previous researchers found out that there is a rapid rise in the number of PCs as well as growth in the proportion of PCs hooked up to the internet each year which contribute to the growth in e-commerce in Malaysia (Legard, 1998). Despite the high potential of online shopping in Malaysia, however, there is no specific research done on the subject matter and its potential impact on local businesses (Kota Kinabalu area). Knowing the concept of “ bringing stores to shoppers instead of shoppers to stores” is not enough to be success in online businesses. Precise and deep understanding of key factors is critical to help online retailers and

entrepreneurs to develop more effective and targeted online retail operations that will meet the requirements and expectations of their new online shopping customers.

Therefore, this study aims to examine the key factors that influence current users of online shopping in Kota Kinabalu to shop online and in the same time assessing, evaluating and understand the characteristics of online shoppers in Kota Kinabalu.

## **1. 5 RESEARCH OBJECTIVES**

The objective of conducting this study includes;

To identify the critical factors that would influencing customer to shop through online.

To investigate the differences on the between public and private sector shopping online adoption.

## **1. 6 RESEARCH QUESTIONS**

In order to reach the objectives of this study, there are three (3) critical issues encountered. These issues are formed into questions that need to be answered. These issues including;

What would the factors influence customers in Kota Kinabalu to shop online?

What are the main characteristics of the customers who shop online?

Are there any differences between public and private sectors employees in shopping online context?

By having for the answer of these questions will help the local businesses to have better understanding on characteristic of the online customer especially factors benefits that make them buy products or services through online shopping, as well as their products or services preferences bought from online stores. In general, by having these question answered, this study will reveal the trend of online shopping in Kota Kinabalu.

## **1. 7 IMPORTANCE OF STUDY**

### **1. 6. 1 Local Businesses**

Planning on expanding businesses is not an easy job to be done. There are a lot of parts and divisions a business have to take into account especially when a business considering to go online. Therefore, this study will help local businesses to have a better understanding on the customers' attitudes, characteristics and preferences shopping online besides guiding the local businesses to utilize the existing advanced technologies in operating their business and go global.

### **1. 6. 2 The Consumers**

This study can help consumers to have a better understanding on the advantages and disadvantages to shop online besides identifying a new way of shopping channel. This study also will provide information on products and services preferred to be purchased through online store which eventually will help consumer to make online purchases.

### **1. 6. 3 The Academicians**

This study will help to enhance researchers to conduct more study regarding the subject matter as it is more focus on the factors that influencing

customers to shop online instead of traditional way of shopping. This study will provide the academicians with new information of online shopping trend in Kota Kinabalu specifically besides helping to enhance other researcher to do in depth review pertaining on the consumers' attitudes towards adopting this new shopping channel.

## **CHAPTER 2**

### **LITERATURE REVIEW AND THEORETICAL FRAMEWORK**

#### **2. 1 LITERATURE REVIEW**

In this chapter, relevant literature and research related to the scope of study will be reviewed and analysed to structure this study to present research findings in subsequent chapters. The current literature on consumer online purchasing decisions has mainly concentrated on identifying the factors which influence customer to engage in online shopping in order to truly ascertain what factors influence the online shopping activity adoption in Kota Kinabalu.

Study done by Margherio (1998) mentioned about E-commerce which cover any commercial transaction that is effected via electronic means, including such means as facsimile, telex, electronic data interchange (EDI), the Internet, and the telephone. Inter Agency Task Force on Electronic Commerce, IATFEC (1997) on the other hand define E-Commerce as “ All form of business transactions conducted over public and private computer networks. It is based on electronic processing and transmission of data, text, sound and video. E-Commerce includes transactions within a global Information Economy such as electronic trading of goods and services, online

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delivery of digital content, electronic funds transfer, electronic share trading, electronic bills of lading, commercial auctions, collaborative designs, engineering and manufacturing, online sourcing, public procurement, direct consumer marketing and after sales service. It includes both products (consumer goods, specialised medical equipment) and services (information services, financial and legal services, traditional services) and new activities (virtual malls). It involves the application of multimedia technologies in the automation and redesign of transactions and workflow, aimed at increasing businesses competitiveness”

In adopting the above definitions, it is involvement of face to face communication between consumers (Internet users) and companies (Internet sellers) via computer networks to facilitate any kind of commerce transaction (browsing or purchasing products or services) easier, faster and cheaper electronically beyond traditional geographical boundary (Norazah M. S, et al., 1997) while the term online shopping according to TonËœ ita Perea y Monsuwe, et al., (2004) defined as the use of online stores by consumers up until the transactional stage of purchasing and logistics.

Study by Shwu-Ing Wu (2003) reported that a person’s buying choices are influenced by four major psychological factors: motivation, perception, learning and beliefs and attitude and through motivation, perception, and learning, attitudes are formed and consumers make decisions. Some researchers categorized influence factors into internal and external factors (Kaufman-Scarborough K, 2002 and Shwu-Ing Wu, 2003). Based on the idea, consumer purchase behavior is influenced strongly by cultural, social, personal, and psychological characteristics (Bellman, et al., 1999). The



internal factors are including beliefs and attitudes, learning, motives and needs, personality, perception, and values and the external influences upon consumer behavior includes demographic, economic, social, situational and technological factors (Shwu-Ing Wu, 2003).

In Malaysia context, study on Internet users are in abundance (Ramayah and Jantan, 2003; Ismawati and Ainin, 2004). However, there have been few studies carried out to understand their online purchasing behavior for example Haque A., et al., (2006); Ainin S., et al., (2005) and Razinah H. et al., (2009). Thus, the main objective of this study is to examine the key factors that influencing online shopping in Kota Kinabalu specifically.

Study done by Taylor Nelson Sofres, (2001) found that the penetration of Malaysians shopping online, i. e. people who bought or ordered goods and services online in 2000, 1% of the total adult population in Malaysia which according to the study is corresponded to 4% of the Internet users in the country at that time. There is high demand among Malaysians Internet users conducting online shopping due to Ecommerce provide enormous of consumers worldwide potential benefits (Ainin S., et al., 2005) and study have shown that many consumers have started to shop their desired products online (Sefton, 2000). This shows that online shopping is highly accepted by the consumers (Swaminathan, et al., 1999 ; Rowley J., 2000 ; Ainin S., et al., 2005 ; Zhou, et al., 2007 ).

Interestingly, in Malaysia context, Ainin S., et al., (2005) found that females were the dominant Internet shopper than males which contradict to the study done by Adeline Chua, et al., (2006). While according to study done in

different market by Gupta et al., (1995) ; Haque et al., (2007) and Zhou et al., (2007) on the basis of Stafford, et al., (2004) and Susskind (2004), these researchers found that man tend to make more purchases online compare to women. Zhou, et al., (2007) reported that consumer involved in online shopping are mostly university graduates, aged 35 years old and below, have full-time job, earning monthly personal income of between RM2000 – RM5000 and mostly single. This supports the study done by Shwu-Ing Wu, (2003) and Ainin S., et al., (2005) on the demographic profiles of online shopper.

Another issue on online shopping from the previous literature is the characteristic of products and services can be marketed online (Peterson, et al., 1997 ; Legard, 1998 ; Klein, 1998) which according to these researchers, there are two types of product and services marketed online and it is highly depends on the characteristics of the products and services to be able marketed online.

We are now seeing the emergence of an important new medium for commerce (Ainin S., et al., 2005 ; Adeline Chua, et al., 2006 and Zhou, et al., 2007). However, in Malaysia especially, even though sales growth rate suggests that the number of online consumers is growing however most research findings do not conclusively determine which key factors that influence consumer the most to shop online ( Ramayah and Jantan, 2003; Ismawati and Ainin, 2004). Examining these factors is important as it has been suggested that they play an important part in determining the success or failure of online shopping business (Goodwin, 1999 ; Wu, 2003; Kolsaker, et al., 2004; Khatibi, et al., 2006).

Studies have been done to investigate consumer acceptance of online shopping from the perspectives of technology acceptance whereby the perspective prescribes that beliefs about ease of use and usefulness of a technology predict attitudes towards the technology and subsequent acceptance and use, for example by Sejin Ha and Leslie S., (2008). Bruner and Kumar, (2005) however, suggests that beliefs on trust and enjoyment are among the key factors that influencing consumer acceptance of online shopping. While Hoffman and Novak, (1996) developed more abstract concept on the relevant context for example shopping values, quality of information, system quality, enjoyment, perceived usefulness and ease of use- in order to improve predictions about purchase behavior.

Factors that also influenced customer to shop online is product variety (Wolfenbarger, M. and Mary Gilly, 2001 ; Ainin Sulaiman, et al., 2005 ; Adeline Chua, et al., 2006) which categorized into good selection and wider availability of product choices offered by online stores. Online retailers are able to provide a wide range and assortments of products as compared to traditional channels simply because there is no physical space limit on the number of products that online retailers can display on their online storefronts (Delafrooz et al., 2009). Furthermore, the number of online stores that consumers are able to visit online compared to far physical stores, thus, exceeds the number of providing them with a wider selection of products to choose from (Harn et al., 2006).

A survey by Ernst and Young (2000) also reported that one of the reasons why consumers use the internet is because of good product selection. Hyo-Joo Han, et al., (2006) found that product variety and quality of product

pictures were observed to more important. Indeed, easy access to an abundance of current and detailed information on products and services facilitates comparison shopping, aid in product selection and enables consumers to make more informed decisions (Adeline Chua, et al., 2006). Furthermore, the Internet users could receive more attractive sales promotional offers from Internet sellers and also through individual e- mail accounts (Norazah M. S. et al., 2002)

Consumer willingness to spend online also influence by privacy factor whereby online consumers are unwilling to reveal personal information over the web, despite assurances given by online merchants (Wolfenbarger, Mary and Mary Gilly, 2001; Ainin Sulaiman, et al., 2005). To most of the consumers, the issue of security and privacy over the internet is the most overwhelming barrier facing the online shopping adoption process that caused them not to make any purchase on the Internet (Norazah et al., 2002 ; Janice Tsai et al., 2007). Smith, et al., (1996) outlined four dimensions of privacy concerns for organizational practices which include collection of personal information, unauthorized secondary use of personal information, errors in personal information, and improper access to personal information.

According to Malhotra, et al., (2004), the dimensions of concern refer to the collection of personal information, the control over the use of personal data, and the awareness of privacy practices and uses of personal information. Janes et al., 1997 reported that consumers tend to be more comfortable providing sensitive information in a realm where they can see with whom they are dealing, revisit the physical location of the business if necessary, and thus, exert a perceived amount of control over the situation besides

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want to be assured that their communication and transactions will remain secured and private (Hoffman et al., 1999; Ainin Sulaiman, et al., 2005).

Janice Tsai et al., (2007) in their study found that, people will tend to purchase from merchants that offer more privacy protection and people even willing to pay for a premium to purchase from such merchants.

Kargaonkar and Smith (1986) ; Swaminathan, et al., (1999) ; Bellman, et al., (1999) ; Elliot and Fowell (2001) ; Eastin (2002), found that consumers who are primarily motivated by convenience are more likely to make purchases online. These authors proposed those consumers who have interface with the net and who are more time-constrained tend to buy online more frequently. According to Bellman, et al., (1999), “ wired lifestyle” consumers are consumers that use the internet as a routine tool to receive and send emails, to do their work, to read news, to search for information or for recreational purposes. Their routine use of the Internet for other purposes leads them to naturally use it as a shopping channels as well (Bellman, et al., 1999). Similarly, McGann (2004) also reported that the main reason why consumers shop online is because it is convenience. It is said to be the major factors that motivates consumers to shop online. Charles D., et al., (2002) also found that Internet shopping is convenient however it is never replace actual shops.

For years, information search has been one of the main marketing research topics (Kulviwat et al., 2004). Information is an important resource for consumers shop online especially for goal-directed fashion type of consumer (Wolfenbarger, M. and Mary Gilly, 2001). According to the study, the availability of information is one of the reasons that many buyers view

search and purchase online as a utilitarian activity and it is consistent with the finding by Ainin Sulaiman et al., (2005). As noted by Bakos (1997) Internet search enables consumers to reduce imperfect information about products. The study also supported by Rha (2002) where it were stated that consumers can easily find information about other consumers' experiences of products through internet.

The internet is a medium to search for product specification and product prices as well. In addition to product information, price was a piece of information that was usually sought by consumers (Wolfinbarger, Mary and Mary Gilly, 2001). Brynjolfsson and Smith (1999) found that prices online are 8 to 15 percent lower than the prices for comparable products in traditional retail outlets. According to McGann (2004), Ainin Sulaiman et al. (2005), Adeline Chua et al., (2006), competitive prices and deals offered by online retailers are one of the dominant factors that influence consumers to shop online. Rowley (2000) reported that the Internet is the most powerful search medium for products, services, and most other types of information because it lowers both search cost and search time.

Therefore, by referring to the available literature, factors that might influence customer to shop online can be conclude as widespread of product choices or product variety (Delhagen, 1997 ; Wolfinbarger, Mary and Mary Gilly, 2001 ; Ainin Sulaiman, et al., 2005 ; Adeline Chua, et al., 2006); enjoyment factors (Wolfinbarger, Mary and Mary Gilly, 2001 ; Bruner and Kumar, 2005); privacy factor (Wolfinbarger, M. and Mary Gilly, 2001; Norazah et al., 2002 ; Ainin Sulaiman, et al., 2005 ; Janice Tsai et al., 2007) which become one of the main concern to shop online; convenience factors

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(Kargaonkar and Smith, 1986 ; Swaminathan, et al., 1999 ; Bellman, et al., 1999 ; Elliot and Fowell 2001; Eastin, 2002 ; Chen and Chang, 2003 ; McKinney, 2004); product information factor (Wolfinbarger, M. and Mary Gilly, 2001 ; Rha, 2002 ; Ainin Sulaiman et al., 2005 ) and prices factor (Margherio, 1998 ; Strauss and Frost, 1999 ; Rowley, 2000 ; McGann, 2004 ; Ainin Sulaiman et al., 2005).

As stated in Delafrooz et al., (2009), consumers who value the convenience, prices and wider selection of Internet shopping tend to purchase more online and more often. Even though wider selection or product variety also mentioned as one of the major factors, for the purpose of this study, as regards to the time constraint, researcher will only focus on two most dominant factors from all the factors identified which are the convenience factor and price factors. Thus, these two (2) factors are further discussed below;

## **CONVENIENCE**

By referring to the studies done before, the main factors customer shop online is that it is more convenient than to shop in-store which also supported in current study by Delafrooz et al., (2009). Convenience reflects ease access of information about product, provision of in-depth information, ease of ordering product, potential for money saving, and timely delivery. (Mathieson 1991 ; Bruner & Hensel, 1996 ; Turban et al., 2002 ; Gurvinder and Zhaobin, 2005 ; Hui et al., 2006). Convenience is the most prominent factor that motivates consumers to shop through the internet.

In this study, convenience which refer to 24-hour availability of online storefront (time saving) and accessibility from almost any location (less moving) have been found to be significant explanatory factors for Internet shopping adoption (Karayanni, 2003) and also provides consumers with a powerful alternative channel for making purchases (Delafrouz et al., 2009). These factors (time saving and less moving) will be taken into account as part of convenience factor.

As contradict to the studies saying that convenience is the most prominent factor that motivates consumers to shop through the internet, study done by Razinah H. et al., (2009) reported that although the net offer convenience in shopping, online shopping, assurance in payment and lots of information, some group of online users are still reluctant to shop online even though these group of online users have limited time allocated for shopping due to their hectic' daily life.

## **PRICE**

Price in this study refers to the market value, or agreed exchange value, that will purchase a definite quantity, weight, or other measure of a good or service. Price of product offered online is one of the major factor that influencing customer to engage in online shopping and this supported by the finding in McGann, 2004. The idea is the simplest reason for consumers to buy through the internet is to save money from the cheaper prices offered by online retailers compared to traditional retailers. Contradict to the study by Brynjolfsson and Smith (1999), study by Lee (1997) and Bailey (1998) found that products are sold at higher prices in the Internet channel



compared to physical channels. Clay, K. et al., (2001) reported it may be due to unobserved quality variation.

Rowley (2000) stated in his study that, online retailers usually are able to offer cheaper prices because of the shrinking cost of information processing, lower operating cost and global reach provided by Internet. In addition, Strauss and Frost (1999) also identified the ease of comparing price as one of the most important factors to online shopping. To some extent, according to Clay, K., et al., (2001) price of online product has positive relationship with the availability and widespread of information.

Conventionally, shoppers will make comparisons and always go for the best value for price products (Ainin Sulaiman et al., 2005). Hanson (1999) reported the main reason that cheaper prices are offered to online shoppers is because of competitive pressure, especially from new online retailers. Study by John P. and Jackie L. (2001) found that even though more than half respondents mentioned price of the product or service as the primary factor when they consider buying on the Internet, however to some extent it would cost more to buy from online store than purchasing it from physical retail store.

Customer expressed concern associated with high shipping cost, high pricing, lack of opportunity to examine the product prior to purchase, confidentiality of credit card and purchased information also mentioned in the study by Razina H. et al., (2009) on the basis of study done by Goldstein and O'conner, (2000).

## **2. 2 THEORITICAL FRAMEWORK**

Based on the existing literature connected directly to the scope of this study, there are few factors identified to have significant effect towards online shopping namely convenience, price, product variety, widespread of product information and etc. However, only two the most dominant factors will be the ultimate key that will used to aid and examine the key factors that influencing consumers to engage in online shopping.

### **CONVENIENCE**

### **ONLINE SHOPPING**

### **PRICE**

## **2. 3 SUMMARY**

Based on the review on the related literature review, researcher found few dominant factors why consumer do engage in shopping online is generally influence by the factors of feeling of convenience, product prices sold online is relatively lower than existing retail stores, the widespread of information availability and also variety of product offered online.

Moreover, this study will also look into the characteristic of customer especially in terms of profession, as regard to meet the objective to investigate the differences on the between public and private sector shopping online adoption.

In summary, consumer purchasing behaviour through online can be examine in different model and generally, the factors that influence them to engage in online activities may be vary. However, for the purpose of this study, researcher will only look into the most significant factors – convenience  
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factors which include the time saving and less moving, and also the price factor on the basis of key factors that influencing customer to shop online in Kota Kinabalu.

## **CHAPTER 3**

### **RESEARCH METHODOLOGY**

#### **3. 1 METHODOLOGY**

A structured questionnaire will be used to collect the necessary data. It will be designed to specific information of the respondents. It serves as primary data to answer the research questions and objectives pertaining to online shopping in Kota Kinabalu. The survey questionnaire consists of few distinct sections, each of which contains questions which lead to answer the research question of the study. In view of time and cost constraints as well as the large population of Internet users in the country, random sampling was used to collect data from the consumer from Kota Kinabalu area. Even though the sampling method adopted might have limitations in terms of generalisability compared to other sampling methods; it is assumed that the sample represents the whole population of consumer in Kota Kinabalu.

#### **3. 2 SOURCES OF DATA**

This study will be based on both primary and secondary data. The primary data will be from the structured questionnaires which will be distributed to the appropriate sample to collect necessary information regarding the subject matter. The secondary data will be gathered by reviewing web sites, business magazines, journals, publications and other relevant document related to the subject matter.

### **3. 3 INSTRUMENT**

#### **Sample data**

The sample in this study will be selected from different groups of people including non-executive, executive, students, and housewife in order to avoid collecting bias data.

#### **Mode of administration of survey**

Face to face and video call interview may be used in this study to gather appropriate information. This study will also be conducted by a constructed questionnaires with consumer selected as sample and all participants will be voluntarily.

#### **Nature of Questionnaires**

The questionnaires consist of 20 questions. Both open ended and fixed-response-alternative question will be used. Fixed-response-alternative question include multiple choice and also dichotomous. The questionnaire was self-administered, where it contains simple question with detailed instructions. The questionnaires were collected back after the respondents completed them. A copy of the questionnaire is provided in the appendices.

#### **Scope of the Study**

300 questionnaires will be distributes by hand to the random sample of consumer in Kota Kinabalu area which will include both female and male from all groups plan.

### **3. 4 RESEARCH APPROACH**

A descriptive research is being proposed to perform this study. Prior literature provides with a rich foundation on which to build a research <https://assignbuster.com/key-factors-influencing-online-shopping/>

framework for the study. As suggested by previous researcher, strong theoretical and conceptual framework can be developed through an integration of constructs from different research traditions and disciplines.

In this study, the literature search was based on the keywords such as Internet Shopping, Internet Marketing and Online Shopping. Each article was reviewed and screened to eliminate the articles that were not pertinent to the study.

### **3.5 LIMITATION OF RESEARCH**

In order to conduct the research, the researcher is confronted this problem:

time constrain

Basically, research need to be done in longer period of time, unfortunately this study might only have few months given to complete be completed. Ample of time is needed to complete this study properly. Thus researcher only focus on two factors to be examined in this study.

lack of expertise

As beginner in the marketing research, the researcher level of competency and sophistication not is compared with experienced researcher. Researcher will have to refer on several books and seek guidance