DETERMINANTS OF INTENTION TO USE THE INTERNET FOR ONLINE SHOPPING AMONG CONSUMERS IN KOTA KINABALU

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IJAZAH: SARJANA PERNIAGAAN DAN PENTADBIRAN (MBA)


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DECLARATION

The materials in this research are original except for quotations, excerpts, summaries, and references, which have been duly acknowledged.

Calvin Benjie Liew
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ABSTRACT

The Internet as a medium for shopping is gaining interest from researchers and practitioners alike. This study presents an investigation on the determinants of intention to use the Internet for online shopping among consumers in Kota Kinabalu, Sabah. A model explaining the different determinants such as; attitude, subjective norms, behavioral control, personal innovativeness, perceived consequences, and demographic towards online shopping intentions was developed based on the Theory of Planned Behavior. The findings of this study demonstrated that there was a significant relationship between attitude, subjective norms, and perceived consequences towards the dependent variable of intention. The findings are useful in explaining consumers' buying intention via the Internet. Implications of the findings were also discussed in this study.
ABSTRAK

PENENTU-PENENTU BAGI NIAT UNTUK MENGGUNAKAN INTERNET BAGI TUJUAN UNTUK MEMBELI-BELAH SECARA DALAM TALIAN DI ANTARA PARA PENGGUNA DI KOTA KINABALU

### ABBREVIATIONS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>B2B</td>
<td>Business-to-Business</td>
</tr>
<tr>
<td>B2C</td>
<td>Business-to-Consumer</td>
</tr>
<tr>
<td>TPB</td>
<td>Theory of Planned Behavior</td>
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<td>TRA</td>
<td>Theory of Reasoned Action</td>
</tr>
<tr>
<td>SPSS</td>
<td>Statistical Package for Social Sciences</td>
</tr>
<tr>
<td>VIF</td>
<td>Variance Inflation Factor</td>
</tr>
<tr>
<td>R²</td>
<td>R Square</td>
</tr>
</tbody>
</table>
LIST OF FIGURES

Figure 2.1: The Theory of Planned Behavior 8
Figure 3.1: Conceptual Model of Intention and Its Antecedents 16
Figure 5.1: Conceptual Model of Intention and its Antecedents 33
LIST OF TABLES

Table 2.1: List of Variables Used By Researchers to Measure Behavioral Intention  

Table 3.1: Summary of Measures of Variables  
Table 4.1: Frequency of Respondents’ Gender  
Table 4.2: Description of Respondents’ Profile  
Table 4.3: Cronbach’s Alpha before Removal of Questions  
Table 4.4: Cronbach’s Alpha after Removal of Questions  
Table 4.5: Descriptive Analysis of Composite Variables  
Table 4.6: Levene’s Test for Intentions among Males and Females  
Table 4.7: The Output of the Study’s Multiple Regression Analysis  
Table 4.8: Summary of the Multiple Regression Analysis Findings
### TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>TITLE</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>DECLARATION</td>
<td>i</td>
</tr>
<tr>
<td>ACKNOWLEDGEMENT</td>
<td>ii</td>
</tr>
<tr>
<td>ABSTRACT</td>
<td>iii</td>
</tr>
<tr>
<td>ABSTRAK</td>
<td>iv</td>
</tr>
<tr>
<td>ABBREVIATIONS</td>
<td>v</td>
</tr>
<tr>
<td>LIST OF FIGURES</td>
<td>vi</td>
</tr>
<tr>
<td>LIST OF TABLES</td>
<td>vii</td>
</tr>
<tr>
<td>TABLE OF CONTENTS</td>
<td>viii</td>
</tr>
<tr>
<td>APPENDICES</td>
<td>xii</td>
</tr>
</tbody>
</table>

### CHAPTER 1: INTRODUCTION

1.1 Overview

1.2 Problem Statement

1.3 Objectives of Study

1.4 Significance of Study

1.5 Key Variables

1.6 Organization of Thesis

### CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

2.2 Definition of Key Concepts

   2.2.1 Internet
CHAPTER 3: RESEARCH METHODOLOGY AND FRAMEWORK

3.1 Introduction

3.2 Research Framework
   3.2.1 Dependent Variable
   3.2.2 Independent Variables

3.3 Hypotheses

3.4 Research Design

3.5 Unit of Analysis

3.6 Sampling Design
   3.6.1 Location of Study and Population
   3.6.2 Sampling Frame
   3.6.3 Sampling Technique
3.6.4 Sampling Size
3.7 Instruments Design
  3.7.1 Questionnaire
3.8 Data Collection Method
3.9 Data Analysis Methods
3.10 Summary

CHAPTER 4: ANALYSIS OF RESULTS
4.1 Introduction
4.2 Profile of Respondents
4.3 Reliability Test Analysis
4.4 Descriptive Analysis of Variables
4.5 Inferential Analysis
4.6 Hypotheses Testing
  4.6.1 Structural Equation Modeling
4.7 Summary of Findings

CHAPTER 5: DISCUSSION AND CONCLUSION
5.1 Introduction
5.2 Recapitulation
5.3 Discussion and Implication
  5.3.1 Attitude and Intention
  5.3.2 Subjective Norms and Intention
  5.3.3 Behavioral Control and Intention
  5.3.4 Personal Innovativeness and Intention
  5.3.5 Perceived Consequences and Intention
  5.3.6 Demographic
    5.3.6.1 Gender and Intention
5.3.6.2 Age and Intention 39
5.3.6.3 Education and Intention 39
5.3.6.4 Annual Income and Intention 40

5.4 Limitations of Study 40
5.5 Suggestion for Future Research 41
5.6 Conclusion 41

REFERENCES 43
APPENDICES

APPENDIX A: Research Instrument - Questionnaire
APPENDIX B: Reliability Analysis
APPENDIX C: Inferential Analysis
APPENDIX D: Regression Analysis
CHAPTER 1
INTRODUCTION

1.1 Overview
The purpose of this study is to identify the determinants of intention to use the Internet for online shopping purposes among consumers and to investigate their relationship towards consumers' intention. For some consumers, shopping online has become part of their daily lives whereas others are still considering it without taking any action just yet. What determinants can explain the online shopping intention among consumers? This study tried to identify those determinants that determine consumers' intention to shop online.

Previous studies on the related area that were done by previous researchers would be examined on their consistencies. Many researchers have done some research on the area of consumers' intention, online shopping via the Internet, as well as the relationship between consumers' intention and online shopping. Each of the area of studies has a significant contribution towards the body of knowledge.

1.2 Problem Statement
Since the commercialization of the Internet in the early 1990s, (Shim et al., 2001) indicates that online shopping is becoming more popular. Grant (2006) mentioned that, online retail spending from November through December totaled $19.6 billion, a twenty five percent surge from $15.7 billion the same period in 2004. The number of online buyers was also up by seventeen percent over a year ago, and the average amount spent increased by seven percent (O'Donnell, 2006).
Despite the explosive growth of e-commerce and the rapidly increasing number of consumers who shop online, very little is known about what actually determines consumers’ intentions to use the Internet for the purpose of online shopping and whether demographic would have any effects on consumers’ intentions to shop online. Li et al. (1999) mentioned that as e-commerce is changing the way consumers buy goods and services; an understanding of consumers' behavioral intention is therefore very important (Goby, 2006). International consumer research is needed for a better understanding of global online consumer behavioral intention (Jarvenpaa & Tractinsky, 1999).

What are the determinants of intention to use the Internet for online shopping among consumers? This is the primary research question in the current study; that is, this study intends to offer insights into what types of determinants that are actually related to consumers’ intentions to use the Internet for online shopping and whether demographic would have any relationship on consumers’ intentions to shop online. The findings for this study are useful in explaining consumers' buying intention in the electronic marketplace.

1.3 Objectives of Study

This study has two primary objectives. The first objective is to use current behavioral theories in the elaboration of a model that can identify key determinants influencing intention to use the Internet for online shopping. Such a model should also explain the relationship between the determinants and the individuals’ intentions to buy from the Internet. The second objective is to conduct a cross-sectional study to empirically test the validity of the proposed model.
1.4 Significance of Study

New technologies such as the Internet are affecting traditional attitudes towards shopping and challenging the traditional assumptions underlying conventional theories and models. The Internet, as a virtual medium for selling and buying services and products, is gaining increasing attention from people alike. Grant (2006) mentioned that, for the year, Internet spending rose twenty two percent to $143.2 billion. Growth is likely coming from more people shopping online as well as from experienced online shoppers increasing how much they spend (O'Donnell, 2006).

Online shopping via the Internet provides a distinctive form of shopping experience for consumers. Consequently selling online requires an understanding of consumer behavior. Limayem et al. (2000) finds that selling online is very different from selling in physical markets as it requires a critical understanding of consumer behavior, in addition, if cyber marketers know how consumers make these decisions, they can adjust their marketing strategies to fit this new way of selling in order to convert their potential customers to real ones and retain them. Consumers' buying behavior is not purely goal-directed or goal seeking as there is a shared agreement about the importance for understanding and directing of consumers' behavior online (Scarpi, 2006).

While this study provides valuable insights into the determinants of consumers' intentions in making online product purchases, further research will be needed to obtain a deeper understanding of consumers' actual purchase behavior in online shopping. Nevertheless, this study is an initial attempt to examine comprehensive determinants factors influencing intentions for online product purchases and lays a significant foundation for future research in this field.
1.5 Key Variables

Goby (2006) have adopted the research instrument of (Limayem et al., 2000) to measure the Internet usage, attitude, and intention towards online shopping among consumers. After an extensive literature review, she identifies six constructs; subjective norms, attitude, intentions, perceived consequences, perceived behavioral control, and personal innovativeness. Her adopted instrument has 27 items which are grouped into six different categories according to the six constructs. Adopted versions of her instrument will be used for this study.

Bellman et al. (1999) mentioned that demographic do not predict whether or not someone buys online but (Li et al., 1999) argue that they do. There are some demographic differences among consumers. For this study, demographic would also be included as one of the predictor constructs in view that it might have some influence on consumers' intention to use the Internet for online shopping. Kuratko & Hodgetts (2004) explained that demographic constructs which includes items such as gender, purchasing power, and educational background also helps determine the composition and makeup of consumers living within the community. The demographic items included in this study are gender, age, education, and annual income.

1.6 Organization of Thesis

This study is presented as follows. Chapter 2 reviews the current literature on consumers' intention to use the Internet for online shopping. Chapter 3 outlines the research methodology and describes the framework of this study. Chapter 4 presents the results and describes the data analysis. Finally, Chapter 5 concludes this study by describing the limitations of the current study and by providing several suggestions for future research in this area.
CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

Following are definitions gathered from various sources along with the author's own understanding and perception of the terms and jargons used. These terms and jargons are widely used within the discussion of this study.

2.2 Definition of Key Concepts

2.2.1 Internet

It seems like everyone's talking about the Internet these days. The Internet is revolutionizing our society, our economy and our technological systems (Kahn & Cerf, 1999). But what is it really?

According to the encyclopedia of Wikipedia, the Internet is a worldwide collection of computer networks, cooperating with each other to exchange data using a common software standard. The Internet, as an integrating force, has melded the technology of communications and computing to provide instant connectivity and global information services to all its users.

Kahn & Cerf (1999) mentioned that, ten years ago, the world knew little or nothing about the Internet, whereas today, the Internet's magnitude is thousands of times what it was only a decade ago. The Internet allows a greater flexibility in working hours and location in which the Internet can be accessed virtually anywhere by numerous means. It is the fastest way to spread information to a vast amount of people simultaneously.
The Internet is the wave of the future as it is still growing faster than all the other technologies that have preceded it (Tschohl, 2001). The global nature of the Internet makes it a perfect vehicle for international interactive marketing (Park & Jun, 2003) while at the same time as the most significant and greatest marketing tools for the global marketplace (Samiee, 1998).

The Internet also subsequently revolutionized shopping; commerce through the Internet which is also known as e-commerce allows a company doing business online an equal chance to reach customers globally through the Internet, and hence accelerate its global marketing. The relevant factor for success in e-commerce seems to be the knowledge of consumer behavior on the Internet.

### 2.2.2 Online Shopping

E-commerce is becoming more and more important in our world. Electronic commerce or e-commerce is considered as the new wave of transacting business of which it consists of marketing, promoting, shopping, and selling of goods and services online via the Internet (Kuratko & Hodgetts, 2004). The most popular segments in e-commerce are the Business-to-Business (B2B) segment and the Business-to-Consumer (B2C) segment.

While the Internet is used as a special form of commerce and shopping, online shopping can be further referred to as the B2C relations of distribution and the trade of goods (Penz & Kirchler, 2006). The definition of B2C logically describes transactions between companies and consumers.

According to the encyclopedia of Wikipedia, online shopping is a process whereby consumers go online over the Internet to purchase products or services. Online shopping is popular mainly because of its speed and ease of use. Tschohl (2001) explained that online shopping has become the standard method of buying goods and services for millions of people throughout the world, in addition, the attraction of using the Internet for online shopping is speed, price, and convenience.
Online shopping is driven by consumer markets, in which consumers behave according to their shopping preferences and values (Gibbs et al., 2003).

### 2.2.3 Theory of Planned Behavior

The Theory of Planned Behavior is the successor of the similar Theory of Reasoned Action by (Fishbein & Ajzen, 1975). The succession was the result of the discovery that behavior appeared not to be one hundred percent voluntary and under control, which resulted in the addition of perceived behavioral control. With this addition the theory was called the Theory of Planned Behavior (TPB).

The TPB is a theory about the link between attitudes and behavior. Ajzen (1991) mentioned that the direct measures of attitude, subjective norms, and perceived behavioral control should be used to predict intentions. This is because, according to the theory, the summative indices of behavioral, normative, and control beliefs capture, respectively, the underlying determinants of these constructs. So basically (Ajzen, 1991) tries to explain that, attitudes, subjective norms, and perceived behavioral control are related to appropriate sets of behavioral, normative, and control beliefs about the intention and behavior.

In combination, attitude, subjective norms, and perceived behavioral control lead to the formation of a behavioral intention. As a general rule, the more favorable the attitude and subjective norms, and the greater the perceived behavioral control, the stronger should be the person’s intention to perform the behavior in question. Figure 2.1 shows (Ajzen, 1991) Theory of Planned Behavior.
2.2.3.1 Intention
The best predictor of behavior is intention. Ajzen (1991) explained that intention is the cognitive representation of a person's readiness to perform a given behavior and it is considered to be the immediate antecedent of behavior. In addition, intention is determined by three things; their attitude toward the specific behavior, their subjective norms and their perceived behavioral control.

2.2.3.2 Attitude
It is the first determinant of behavioral intention. The TPB holds that only specific attitudes toward the behavior in question can be expected to predict that behavior (Ajzen, 1991). It is the degree to which the person has a favorable or unfavorable evaluation of the behavior in question.
2.2.3.3 Subjective Norms

In addition to measuring attitudes toward the behavior, we also need to measure people's subjective norms. It is considered the second predictor of behavioral intention.

Ajzen (1991) mentioned that subjective norms refer to people's beliefs about how people they care about will view the behavior in question and in order to predict someone's intentions, knowing these beliefs can be as important as knowing the person's attitudes. Beliefs that underlie subjective norms are termed normative beliefs.

2.2.3.4 Perceived Behavioral Control

Ajzen and other researcher realized that the TRA was not adequate and had several limitations (Godin & Kok, 1996). So (Ajzen, 1991) modified the TRA by adding a third antecedent of intention called perceived behavioral control. With the addition of this third antecedent, he re-named this the TPB.

While perceived behavioral control is determined by two factors; control beliefs and perceived power, (Ajzen, 1991) also add that perceived behavioral control refers to people's perceptions of their ability to perform a given behavior. Perceived behavioral control indicates that a person's motivation is influenced by how difficult the behaviors are perceived to be, as well as the perception of how successfully the individual can, or can not, perform the activity.

2.2.4 Personal Innovativeness

One of the factors that can affect consumers' decisions to purchase from the Internet is personal innovativeness (Limayem et al., 2000). Personal innovativeness could be used to help explain behavioral intentions among consumers. Limayem et al. (2000) further explain that it is important to include this construct in order to account for individual differences. Shopping on the Internet is an innovative behavior and those
who were more innovative were more likely to intend to shop online than those who were less innovative.

Considerable attention has been received on personal innovativeness among consumer researchers (Hirschman, 1980; Rogers, 1995). Personal innovativeness has been of particular interest in the innovation research, in the domain of marketing and recently in the domain of information technology. The construct of personal innovativeness in the domain of Information technology is a recent construct defined by (Agarwal & Prasad, 1998) which is designed to measure the willingness of an individual to try out any new information technology.

Personal innovativeness has also been conceptualized as an individual trait where it captures an individual's willingness to try out any new information technology. Rogers (1995) conceptualized personal innovativeness as the degree and speed of adoption of innovation by an individual.

Citrin et al. (2000) adopted the measures of innovativeness to explain consumer adoption of Internet shopping. The inclusion of personal innovativeness has important implications such as it furthers our understanding of the role of personality traits that is possessed by all individuals in the innovation adoption. Joseph & Vyas (1984) argues that this kind of innovativeness is an important predictor of the adoption of innovations.

2.2.5 Perceived Consequences
In order to identify the specific consequences of online shopping among consumers, (Limayem et al., 2000) and (Goby, 2006) decided to include perceived consequences to the TPB. According to them, perceived consequences were borrowed from (Triandis, 1979).

Triandis' theory is a comprehensive theory of social behavior. The theory further explains that perceived consequences may be positive or negative, and are often dependent on previous experiences. Triandis (1979) intended that the theory be
REFERENCES


