

**FACTORS INFLUENCING CONSUMER
PERCEPTIONS TOWARDS ONLINE PURCHASE
INTENTION: A STUDY IN KOTA KINABALU,
SABAH**

STEPHANIE KUNSIONG



UMS

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FULFILLMENT FOR THE MASTER DEGREE OF
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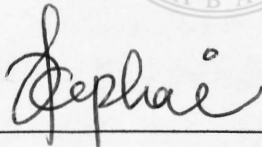
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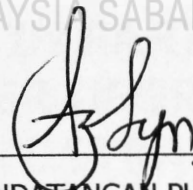
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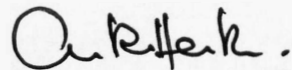
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DECLARATION

I hereby declare that the material in this thesis is my own except for quotations, excerpts, equations, summaries and references, which have been duly acknowledged.

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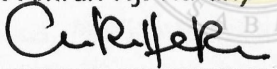
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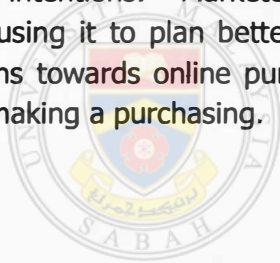
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ABSTRACT

FACTORS INFLUENCING CONSUMER PERCEPTIONS TOWARDS ONLINE PURCHASE INTENTION: a Study in Kota Kinabalu, Sabah

The purpose of this study is to test the relationship between factors (security, brand awareness, word of mouth, good online experience and quality of information) that might influence customer perceptions to online purchase intention. The framework of this study was adapted from (Ha, 2004). This study will be conducted in Kota Kinabalu, Sabah with working female and male or also known as Working Age Group ages from 18 until 64 will be a sample to complete this study. 384 questionnaires were distributed to the government and private sector and only 309 were valid for data processing. 54 respondents' answer 'no' in screening question and could not be processing. From the result get, it was discovered that not all the online purchase intention determinants were found to be significant in the relationship between online purchase intentions. Marketers may find this information beneficial as they can consider using it to plan better marketing strategies to attract and retain customer perceptions towards online purchase intention until they perform into final behavior which is making a purchasing.

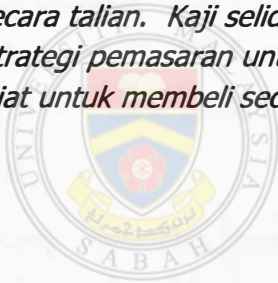


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ABSTRAK

FAKTOR YANG MEMPENGARUHI PERSEPSI PENGGUNA TERHADAP PEMBELIAN ATAS TALIAN: Kajian di Kota Kinabalu, Sabah

Tujuan kajian ini dijalankan adalah untuk mengkaji hubungan antara beberapa faktor (keselamatan, kesedaran jenama, menyampaikan maklumat secara tidak formal (Word of Mouth) , pengalaman dan kualiti maklumat terhadap persepsi pengguna ke atas niat untuk membeli secara talian. Rangka kerja dalam kajian ini diadaptasi dari kajian (Ha, 2004). Kajian ini dijalankan di Kota Kinabalu, Sabah dengan sample sebanyak 384 lelaki dan perempuan yang bekerja dengan sektor kerajaan dan swasta berumur 18 hingga 64 tahun. Hanya 309 borang kaji selidik yang boleh digunakan untuk tujuan memproses data dan 54 borang kaji selidik tidak boleh digunakan kerana sampel menjawab tidak pernah melayari laman sesawang 'mudah.my'. Daripada keputusan kajian yang telah diperolehi, bukan semua dimensi niat untuk membeli secara talian yang didapati mempunyai hubungan yang positif dengan niat untuk membeli secara talian. Kaji selidik ini membolehkan satu perancangan yang lebih baik terhadap strategi pemasaran untuk menarik dan mempertahankan persepsi pengguna terhadap niat untuk membeli secara talian sehinggalah pengguna membeli secara atas talian.



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TABLE OF CONTENTS

	Page
TITLE	i
DECLARATION	ii
CERTIFICATION	iii
ACKNOWLEDGEMENT	iv
ABSTRACT	v
ABSTRAK	vi
TABLE OF CONTENTS	vii
LIST OF TABLES	viii
LIST OF FIGURES	ix
LIST OF APPENDICES	x
CHAPTER 1: INTRODUCTION	
1.1 Overview	1
1.2 Mudah.my website background	3
1.3 Online Advertising Definition	3
1.4 Problem Identification	4
1.5 Problem Statement	6
1.6 Research Question	7
1.7 Objective of study	7
1.8 Scope of the Study	8
1.9 Significance of the Study	9
2.0 Definition of variables	10

2.0.1	Online Purchase intention	10
2.0.2	Security	10
2.0.3	Brand Awareness	10
2.0.4	Word of Mouth	10
2.05	Good Online Experience	11
2.0.6	Quality of Information	11
2.0	Summary	11

CHAPTER 2: LITERATURE REVIEW

2.1	Introduction	12
2.2	Theory of Reasoned Action (TRA)	12
2.3	Conceptual Definition of Online Purchase Intention	13
2.4	Conceptual Definition of Independent Variables	15
2.4.1	Security	15
2.4.2	Brand Awareness	15
2.4.3	Word Of Mouth	16
2.4.4	Good Online Experience	18
2.4.5	Quality of Information	19
2.5	Relationship between Independent Variable and Dependent Variable	
2.5.1	Relationship between Security and Online Purchase Intention	22
2.5.2	Relationship between Brand awareness and Online Purchase Intention	23
2.5.3	Relationship between Word of Mouth and Online Purchase Intention	24

2.5.4	Relationship between Good Online Experience and Online Purchase Intention	24
2.5.5	Relationship between Quality of Information and Online Purchase Intention	25
2.7	Summary	26

CHAPTER 3: RESEARCH FRAMEWORK AND METHODOLOGY

3.1	Introduction	27
3.2	Theoretical Framework	27
3.3	Research Hypotheses	30
3.4	Unit of Analysis	33
3.5	Research Design	33
3.6	Sampling Size	33
3.7	Sampling Design	34
3.8	Instrument/Measurement Design	35
3.9	Organization of Questionnaire	35
3.9.1	Section A: Demographic Profile	36
3.9.2	Section B: Online Purchase Intention	36
3.9.3	Section C: Security	38
3.9.4	Section D: Brand Awareness (Recognition)	39
3.9.5	Section E: Brand Awareness (Recall)	40
3.9.6	Section F: Word of Mouth	42
3.9.7	Section G: Good Online Experience	43
3.9.8	Section H: Quality of Information	44
3.10	Data Collection	46
3.11	Data Analysis	46

3.12	Summary	47
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CHAPTER 4: RESEARCH FINDINGS

4.1	Introduction	48
4.2	Respondent Profile	48
4.2.1	Age of Respondents	48
4.2.2	Occupation of Respondents	49
4.2.3	Education Level	49
4.2.4	Monthly Household Income	50
4.3	Factor Analysis	51
4.3.1	KMO & Factor Loading for Independent Variables	51
4.3.2	KMO & Factor Loading for Dependent Variables	54
4.3.3	Revised Framework and Hypotheses	55
4.3.4	Revised Hypotheses	56
4.4	Reliability of Measures	56
4.5	Descriptive Analysis	58
4.6	Correlation Analysis	59
4.7	Multiple Regression Analysis	60
4.7.1	Hypotheses Testing	61
4.8	Summary	66

CHAPTER 5: DISCUSSIONS AND CONCLUSIONS

5.1	Introduction	67
5.2	Reiteration of the Findings	67
5.2.1	Factor Analysis	67
5.2.2	Reliability Analysis	68

5.2.3	Descriptive Analysis	68
5.2.4	Multiple Regression Analysis	69
5.3	Discussion	69
5.3.1	The Relationship between security and Online Purchase Intention	69
5.3.2	The Relationship between Brand Awareness and Online Purchase Intention	71
5.3.3	The Relationship between word of mouth and Online Purchase Intention	72
5.3.4	The Relationship between Good Online Experience and Online Purchase Intention	73
5.3.5	The Relationship between Quality of Information and Online Purchase Intention	75
5.4	Implication of the Study	77
5.4.1	Policy Maker Implications	77
5.4.2	Academic Implications	77
5.4.3	Marketing Implications	78
5.5	Contribution	78
5.6	Limitation	79
5.7	Suggestion for Future Research	80
5.8	Conclusion	80
5.9	Summary	81

REFERENCES

82-93

APPENDICES

LIST OF TABLES

Table 1	Internet users in Malaysia	4
Table 2	Summary of Online Purchase Intention definition	14
Table 3	Summary of Quality of Information definition	21
Table 4	Summary of Types of Analysis Methods	47
Table 5	Age of Respondents	49
Table 6	Occupation of Respondents	49
Table 7	Education Level	50
Table 8	Monthly Household Income	50
Table 9	KMO & Bartlett's Test for IV	51
Table 10	Results of the Factor Analysis	52
Table 11	Summary of the items dropped	53
Table 12	KMO & Bartlett's Test for DV	54
Table 13	Result of Factor Analysis (DV)	54
Table 14	Reliability Statistics	57
Table 15	Summary of Reliability Analysis	57
Table 16	Descriptive Statistics	58
Table 17	Correlation Analysis Result	59
Table 18	Multiple Regression on Online Purchase Intention	62
Table 19	Summary of findings for Multiple Analyses	65

LIST OF FIGURES

Figure 1	Research Framework	28
Figure 2	Conceptual Framework of this Study	29
Figure 3	Revised Framework Research	55

LIST OF APPENDICES

Appendix A: Table for determining sample size

Appendix B: Questionnaire

Appendix C: Descriptive Analysis for demographic profile

Appendix D: KMO and Factor Analysis table

Appendix E: Reliability Analysis table

Appendix F: Descriptive and Frequency Analysis

Appendix G: Correlation Analysis table

Appendix H: Multiple Regressions

CHAPTER 1

INTRODUCTION

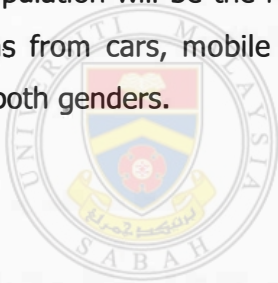
1.1 Overview

Online shopping is becoming increasingly popular. Online retail sales are estimated to grow in 2005 from \$172 billion to \$329 billion in 2010; which represent a 14 percent compound annual growth rate (Johnson and Tesch, 2005). Previous research aimed at understanding what actually drives consumers to shop online from either a consumer or a technology oriented view as identified by (Jarvenpaa and Todd 1997). Consumer oriented view focuses on consumers' salient beliefs about online shopping, what actually the consumer see from that. The technology centered view, on the other hand, focuses on how the technical specifications of a virtual store or brick and mortar store might affect an individual's perceptions and ultimately, they tend to use technology to make purchasing (Chen, Gillenson, and Sherrell, 2002).

The number of Internet subscribers in Malaysia is expected to reach 10 million in the next five years according to Telekom Malaysia (TM) Bhd General Manager of Strategic Development Division, Dr Fadhlullah Suhaimi Abdul Malek (2007). His statement is based on the growing trend of Internet users in the last three years as Malaysia moved towards advanced information, communications and multimedia services. In 2004 the number of subscribers was 2.9 million, increased to 3.5 million subscribers in 2005, and in 2006 the number of subscribers in Malaysia was close to 5 million, (Malaysia Internet Subscribes 2011). Recently the internet users in Malaysia are around 15.355 million in 2009 (Malaysia Internet Subscribes 2011). This is an

encouraging trend, and most of the Internet subscribers are eyeing for high speed broadband infrastructure. This in fact is a large number of populations using internet, and will be the right target market for marketers and business industry in Malaysia to promoting their products via online.

In relation to online shopping, there are five factors that might affect customer perception which are security, brand awareness, word of mouth (WOM), good online experience and quality of information towards online purchase intention (Ha, 2004). While, there are various studies in western contexts related to this topic, the similar study however is still lacking in Malaysia. Thus the objective of this study is to address the issue by examining consumer perceptions towards online purchase intention of Malaysian, particularly those people which residing in Kota Kinabalu, Sabah by taking "Mudah.my" website as an example in this study. Other than that, working female and male population will be the respondents in this study because the website offers various items from cars, mobile phones, houses, apartments and many more that suitable for both genders.



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1.2 Mudah.my Background

Mudah.my website is a largest marketplace in Malaysia and acting as an online advertising for seller in Malaysia. Seller can advertise their products or services online through mudah.my website, then buyer can browse the website to find products or services offers. Mudah.my never charges any payment for those sellers which advertise in that website and not receive any payment from buyer because mudah.my only acts as an online advertising. Buyer can contact the particular seller and it depends on them to negotiate until both parties agree with the transactions. Customer can see the advertisement about this website in television by ASTRO with attractive and interesting advertisement, this in turn will influence customer to make a purchasing and visit this website. This website selling various products ranging from vehicles, properties, electronics, home & personal items, leisure, sports, hobbies, business to business, jobs & services, travels and others. Customer can get everything they want in this website with affordable and negotiable price.

1.3 Online Advertising

Online advertising is a form of communication used to help sellers sell their product and services via online using various internet features. Online advertising typically attempt to persuade potential customers to purchase online and proving to be the most powerful and cost effective tool to drive immediate response from customers. Online advertising has no limitations and can be viewed day and night throughout the globe and offering maximum exposure with a lowest cost. Today, business world has become more digitalized and most people prefer buying via online which is easier and faster.

1.4 Problem Identification

The information from Table 1.1 below, illustrates the number of internet users in Malaysia has gradually increased. Interestingly, this trend actually gives an opportunity for both marketers and consumers. For example in 2010, the internet users are 16,902,600 from 26,160,246 people with a growth of 64.6 percent. Because of this technology advancement, it is easy for customer to shopping online, browse and compares a product and services they intent to purchase.

Table 1: Internet Users in Malaysia

YEAR	USERS	POPULATION	% GROWTH
2005	10,040,000	26,500,699	37.9%
2006	11,016,000	28,294,120	38.9%
2007	13,528,200	28,294,120	47.8%
2008	15,868,000	25,274,133	62.8%
2009	16,902,600	25,715,819	65.7%
2010	16,902,600	26,160,256	64.6%

Sources: <http://www.internetworldstats.com/asia/my.htm>

To implement this study, a framework by (Ha, 2004) is partially adapted. This study investigating the determinants on online purchase intention in private and government sector, especially online consumers who work at Kota Kinabalu, Sabah. According to (Ha, 2004) security, word of mouth (WOM, good online experience and quality of information reported to have a significant impact on online purchase intention if the customers trust on the web sites. While Chang and Chen (2008), reported in their study that, brand awareness also has a significant impact on online purchase intention as customer ability to recall the website among other competitors website. In this current study, brand trust and brand commitment are eliminated and changed into online purchase intention as independent variable, it is because according to (Ha,

2004) as a brand trust and brand commitment to that specific web site increase the possibility for customer to make a purchasing also increase, thus this study directly using online purchase intention as a dependent variable without using a mediating which is brand trust. While, the reason why online purchase intention is chosen is because as an internet users gradually increase in Malaysia, it shows a positive trend among Malaysian as they are more aware with technology advancement. Other than that two of the independent variable which is brand name and privacy also has been eliminated and changes into brand awareness, this is because this new study wants to test the framework into new variable, and also aim to identify the ability of customer to recognize "mudah.my" among other competitors website in Malaysia. Privacy was eliminated because as for "Mudah.my" there is no privacy offered in this website, meaning to say there is no used and not reasonable to retain the privacy in this current study. This is one of the contributions in this current study to test the new framework in Malaysian context without using privacy and brand name. This study also to test the framework proposed by (Ha, 2004) into Malaysian context and how the five factors will influence customer online purchase intention.

According to Song, Fiore and Park (2007), apparel and accessories web sites offer various benefits including time and cost efficiency, 24 hour accessibility, better consistency in service and a wider variety of products choices rather than direct buying from stores. However, Monsuwe, Dellaert and Ruyter (2004) in their study claim that, a major disadvantage of this new trend of shopping online is that shoppers cannot physically examine, touch, feel and try the actual products before making purchase decisions. Thus, online shopping offers limited products shopper interaction compared to direct buying from stores.

Marks and Kamins (1988) in their study believes that, direct product experience or buying direct from stores leads to stronger beliefs and attitudes and increase purchase intention rather than does indirect product experience or buying online through text information and images display from print media. The inability to

directly touch, feel and experience the products leads to reluctance to purchase online (Li, Kua, and Russell, 1999). However, with advances in web site technology such as virtual 3D product presentation, may help customer to direct product experience during online shopping, and this leads to stronger intention toward the product (Li, Daugherly and Biocca, 2001). Therefore, this study will explore what factors actually influence consumer to online purchase intention although many previous studies claim that shopping online creates limitations for consumers.

1.5 Problem Statement

Over the past few years, e-commerce has become increasingly popular all over the world. Previous research has shown that customer satisfaction and loyalty for online purchases is lower than that for shopping in more traditional ways namely direct purchase from stores. Ha (2004) believes that consumer perceptions to online purchase intention is driving by a few factors such as, security, brand awareness, word of mouth (WOM), good online experience, and quality of information. Casalo, Flavian, and Guinaliu (2007) however, unlike offline retail stores, the inability to interact with a salesperson and to touch and feel the actual product as well as over reliance on electronic payments method was decreasing consumer perceptions towards online purchase intention.

Online retail sales in the United States are expected to continue growing with apparel/accessories/ footwear sales expected to more than double with an increase from \$ 13.8 billion in 2006 to \$28.2 billion in 2011 (Projected online retail sales, 2006). Obtaining consumer purchases through the internet is not just accomplished by simply establishing an online website and waiting for consumer to buy the products but, the quality of goods being sold itself and also the overall quality of the purchase experience (e.g., ease of use the web site and also the quality of the web site itself) encounter by customer will influence customer online purchase intention (Kim and Kim, 2004). The study by Ha (2004) however, has not fully yet explored and covered

what actually factors influencing consumer perceptions towards online purchase intention. Finally, all the above gaps contribute to the problem statements of **to what extent does online purchase intention affected and influenced by security, brand awareness, word of mouth (WOM), good online experience, and quality of information.**

1.6 Research Questions

The research question for this study will be:

1. Does security influences online purchase intention?
2. Does brand awareness influences online purchase intention?
3. Does word of mouth influences online purchase intention?
4. Does good online experience influences online purchase intention?
5. Does quality of information influences online purchase intention?

1.7 Objectives of Study

1. To determine the relationship between security and online purchase intention.
2. To determine the relationship between brand awareness (Recognition and recall) and online purchase intention.
3. To determine the relationship between word of mouth and online purchase intention.
4. To determine the relationship between good online experience and online purchase intention.
5. To determine the relationship between quality of information and online purchase intention.

1.8 Scope of Study

This study attempts to look at factors that might influence consumer perceptions towards online purchase intention of online consumer especially those residing in Kota Kinabalu. The independent variables use in this study are security, brand awareness, word of mouth, good online experience and quality of information while, the dependent variable is online purchase intention. The sample of this study is a working female and male or also known as Working Age Group ages 18 to 64 including local consumer from all types of races and background in which data collection will be conducted using questionnaire which will be distribute to the government and private sector. This study is a cross-sectional study with the purpose to test the hypotheses developed, by using a correlational approach.

Female and male population or also known as the Working Age Group will be the respondents in this study since there are approximately around 457,326 people in Kota Kinabalu (Demographic Indicators Malaysia, 2010). Since Kota Kinabalu is quite a big city with internet infrastructure and accessibility, it is easy for consumers to browse online and more exposure with technology that is, why Kota Kinabalu is choose as a place to conduct this study.

This study will use "Mudah.my" website as a main web site to conduct this research in order to carry out the significant factors that might influence consumer to online purchase intention by using partly framework by Ha, 2004. "Mudah.my" website is chosen because this website is Malaysia's largest marketplace in which customer can sell and buy via online. Everyday customer can see the advertisement about this website in television by ASTRO with attractive and interesting advertisement, this in turn will influence customer to make a purchasing and visit this website. This website selling various products ranging from vehicles, properties, electronics, home & personal items, leisure, sports, hobbies, business to business, jobs & services, travels and others. Customer can get everything they want in this website with affordable and negotiable price.

1.9 Significance of Study

It is hoped that this study will be able to provide:

1. A guideline for future researcher and become a literature review input that is useful for future references in the academic arena. For example, by changing any of these study design factors may affect the empirical result, or find another variables or conduct a research in a new setting or place.
2. The results of this study can be use by the policy makers to understand what factors can influence customer to online purchase before designing a more effective marketing policies to increase customer online purchase intention.
3. A clear understanding of the relationship between factors that might influence consumer perceptions towards online purchase intention for industry, marketers and policy makers. For example, by using the information gathered from this study, marketers can use the information to develop marketing mix strategies specially targeted for those online customers.

2.0 Definition of Variables

The following terms are the variable used in this study, they are:

2.0.1 Online Purchase Intention

Dodds, Monroe and Grewal (1991), online purchase intention defined as the possibility for consumers to buy such product and the possibility for consumers to consider whether to buying or not.

2.0.2 Security

Yoo and Donthu (2001), define security as to protecting the online user from the risk of fraud and financial loss.

2.0.3 Brand Awareness

Chang and Chen (2008), brand awareness is the ability of a potential buyer to recognize and recall mudah.my website.

2.0.4 Word of Mouth

Word of mouth (WOM) is commonly defined as informal communication about the characteristics of a business, services or a product which occurs between consumers (Westbrook, 1987).