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INTENTION TOWARDS ONLINE GROUP BUYING
WEBSITES**

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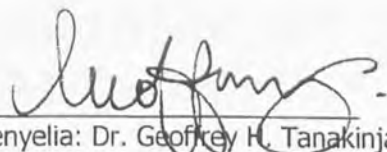
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**FACTORS INFLUENCING CONSUMERS'
PURCHASE INTENTION TOWARDS ONLINE
GROUP BUYING WEBSITES**

TRACIE CHIN SOOK HARN

**DISSERTATION SUBMITTED IN FULFILMENT
OF THE REQUIREMENTS OF THE DEGREE OF
MASTERS IN BUSINESS ADMINISTRATION**

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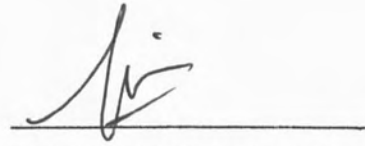


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I hereby declare that the materials in this thesis is my own except for quotations, excerpts, equations, summaries and references, which have been duly acknowledge.

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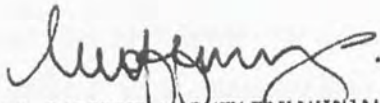
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ABSTRACT

FACTORS INFLUENCING CONSUMER PURCHASE INTENTION TOWARDS ONLINE GROUP BUYING WEBSITE

This study aims to investigate the factors that will influence the consumer to purchase from online group buying websites. The objectives of this study were achieved by examining the relationship between purchase intention (dependent variable) and three variables identified as independent variables which include perceived usefulness, perceived ease of use and perceived enjoyment. The mediating roles of perceived usefulness and perceived enjoyment as well as the moderating role of informational social influence on the relationship between the independent variables and the dependent variables were examined. Results from the online questionnaire collected from 150 respondents were analyzed using exploratory factor analysis, reliability test, correlation analysis, multiple regression analysis and hierarchical regression analysis. Results show that there is a relationship between the independent variables and the dependent variable. The mediating variables have shown positive relationship with the dependent variable, purchase intention. Hence it is concluded that consumer purchase intention in online group buying websites are influenced by online group buying motivation drivers (perceived usefulness, perceived ease of use and perceived enjoyment).

ABSTRAK

Kajian ini bertujuan untuk mengkaji faktor-faktor yang mempengaruhi pengguna untuk membeli dari laman web kumpulan belian dalam talian. Objektif kajian ini telah dicapai dengan menyiasat hubungan antara niat untuk membeli (pembolehubah bersandar) dan tiga pembolehubah yang dikenalpasti sebagai pembolehubah bebas yang termasuk "perceived usefulness", "perceived ease of use" dan "perceived enjoyment". Peranan pengantara keberkesanan penggunaan dan tanggapan kenikmatan, serta peranan sederhana pengaruh sosial maklumat ke atas hubungan di antara pembolehubah tidak bersandar dan pembolehubah bersandar telah diperiksa. Hasil daripada soal selidik atas talian berjaya mengumpulkan 150 orang responden dan keputusan dianalisis dengan menggunakan analisis faktor penerokaan, ujian kebolehppercayaan, analisis korelasi, analisis regresi berganda dan analisis regresi hierarki. Hasil kajian menunjukkan bahawa terdapat hubungan antara pembolehubah tidak bersandar dan pembolehubah bersandar. Pembolehubah perantara telah menunjukkan hubungan yang positif dengan pembolehubah bersandar, niat untuk membeli. Oleh itu ini membuat kesimpulan bahawa niat pengguna untuk membeli daripada laman web kumpulan belian dipengaruhi oleh motivasi pemacu kumpulan belian atas talian ("perceived usefulness", "perceived ease of use" dan "perceived enjoyment").

TABLE OF CONTENTS

	Page
TITLE	i
DECLARATION	ii
CERTIFICATION	iii
ACKNOWLEDGEMENT	iv
ABSTRACT	v
ABSTRAK	vi
TABLE OF CONTENT	vii
LIST OF FIGURES	x
LIST OF TABLES	xi
LIST OF APPENDICES	xii
CHAPTER 1: INTRODUCTION	
1.0 Overview	1
1.1 Problem Statement	3
1.2 Research Questions	3
1.3 Research Objective	4
1.4 Scope of Study	4
1.5 Significance of Study	4
1.6 Definition of Terms Use	5
1.6.1 Perceived Enjoyment	5
1.6.2 Perceived Usefulness	5
1.6.3 Perceived Ease of Use	5
1.6.4 Purchase Intention	5
1.6.5 Informational Social Influence	5
1.7 Organization of Thesis	6
CHAPTER 2: LITERATURE REVIEW	
2.0 Introduction	7
2.1 Online Group buying websites	7
2.2 Technology Acceptance Model	9
2.3 Perceived Usefulness	11
2.4 Perceived Ease of Use	12
2.5 Perceived Enjoyment	13
2.6 Informational Social Influence	15
2.7 Customer Purchase Intention	16
CHAPTER 3: METHODOLOGY	
3.0 Introduction	18
3.1 Research Framework	18



3.1.1	Independent Variable	19
3.1.2.	Dependent Variable	20
3.1.3.	Moderating Variable	20
3.2	Hypotheses	20
3.3	Research Design	21
3.4	Unit of Analysis	21
3.5	Sampling Design	21
3.5.1	Sampling size	22
3.6	Instrument	22
3.6.1	Questionnaire.	22
3.7	Data Collection Method	23
3.8	Data Analysis.	23
3.9	Summary	24

CHAPTER 4: DATA ANALYSIS AND FINDINGS

3.0	Introduction	25
4.1	Profile of respondents	25
4.2	Factor analysis	26
4.2.1	factor analysis on the independent variable	27
4.2.2	factor analysis of informational social influence	30
4.2.3	factor analysis of purchase intention	30
4.3	Reliability Analysis	31
4.4	Modified of research conceptual framework	32
4.5	Hypothesis Statement	33
4.6	Descriptive Analysis	34
4.7	Correlation Analysis	35
4.8	Multiple Regression Analysis	36
4.8.1	The relationship between the independent variable perceived usefulness, perceived ease of use perceived enjoyment, and perceived concentration) and the dependent variable (purchase intention)	37
4.9	Hierarchical Regression Analysis	38
4.9.1	The mediating effect of perceived usefulness on the relationship between perceived ease of use and purchase intention towards online group buying websites	38
4.9.2	The moderating effect of informational social influence on the relationship between independent variables (perceived usefulness, perceived ease of use perceived enjoyment, and perceived concentration) and the dependent variable (purchase intention)	40

CHAPTER 5: DISCUSSION AND CONCLUSION

5.0	Introduction	44
5.1	Recapitulation of the Study Findings	44
5.2	Discussion of Findings	46
5.2.1	Identification of the dimension of online group buying motivation drivers	46
5.2.2	The effects of the independent variables (perceived usefulness, perceived ease of use perceived enjoyment, and perceived concentration) and the dependent variable (Purchase Intention)	47

5.2.3 Mediating role of perceived usefulness and perceived enjoyment	48
5.2.4. Moderating Role of Informational Social Influence	49
5.3. Theoretical Implications	49
5.4 Limitation of Study	50
5.5 Recommendation for Future Research	50
5.6 Conclusion	51
REFERENCES	53
APPENDICES	62

LIST OF FIGURES

	Page
Figure 2.1 Original TAM Model	9
Figure 3.1 Theoretical Research Model Framework.	19
Figure 4.0 The modification of research conceptual framework.	33
Figure 4.1 The Strength of the correlation relationship	35



LIST OF TABLES

	Page
Table 4.1 Profile of Respondents	26
Table 4.2 Factor Analysis of the independent variables	29
Table 4.3 Factor analysis of Informational Social Influence	30
Table 4.4 Factor analysis of Purchase Intention	31
Table 4.5 Reliability Analysis on the variables of the study	33
Table 4.6 Mean and standard deviation of the variables	34
Table 4.7 Person Correlations Matrix of Study Variables (N= 150)	35
Table 4.8 Regression analysis of the independent variables (perceived usefulness, perceived ease of use and perceived enjoyment) and purchase intention.	38
Table 4.9 Results for hierarchical regression analysis on the mediating variables	40
Table 4.10 Moderating effect of perceived usefulness on the relationship between perceived ease of use and purchase intention	41
Table 4.11 Results of hypothesis testing	43

LIST OF APPENDICES

	Page
Appendix 1.0: Questionnaire	62
Appendix 2.0: Frequencies Profile of Respondents.	67
Appendix 3.0: Exploratory Factor Analysis	69
Appendix 3.1: Factor Analysis for independent variables	69
Appendix 3.2: Factor Analysis for Informational Social Influence	73
Appendix 3.3: Factor Analysis for Purchase Intention	75
Appendix 4.0: Reliability Test Analysis	77
Appendix 4.1: Reliability test for Perceived Enjoyment	77
Appendix 4.2: Reliability test for Perceived Concentration	77
Appendix 4.3: Reliability test for Perceived Ease of use	77
Appendix 4.4: Reliability test for Perceived Usefulness	78
Appendix 4.5: Reliability test for Purchase Intention	78
Appendix 4.6: Reliability test for informational social influence	79
Appendix 5.0: Multiple Regression Model	80
Appendix 6.0: Hierarchical Regression Model	83
Appendix 6.1: Mediating role of Perceived Usefulness and Perceived Enjoyment	83
Appendix 6.2: Moderating role of informational social influence	85

CHAPTER 1

INTRODUCTION

1.0 Overview

According to the Digital Marketing Yearbook 2011, there are more than 17.5 million internet users in Malaysia. It is estimated to increase up to 25 million internet users by the year 2015, which would represent an internet penetration rate of 80% from these 25 million users (Oliver, 2011). Online shopping has become a trend especially in Malaysia. People not only use the internet for surfing but also to do online transactions, communication, watching videos and even shopping. According to a Nielson Company study, Malaysia spent RM1.8 billion shopping on the internet in the year 2010 (Ho, 2011). Malaysian online shoppers mostly use the internet to purchase airline tickets, financial services, fashion and cosmetics in local websites while books, music and movie downloads are from foreign websites (Ho, 2011).

Busy consumers prefer online shopping than traditional brick and mortar method shopping is because of convenience and speed. The 24 hour availability of online store and being able to access in any location makes online shopping more convenient to consumers and provides them a powerful alternative channel for making purchases (Harn, Khatibi and Ismail, 2006). Aside from convenience to the consumers, shopping online is more environmental friendly compared to purchase in store because consumer can shop in their comfort zone with just a click of a mouse without having to leave the house, using transport (Jusoh and Ling, 2012). From the Asia Pacific digital Marketing Yearbook (2011), it is found that convenience is the reason that motivates Malaysian to shop online. From the survey, the main reasons why Malaysians shopped online were the ability to shop anytime they wanted (83%); the ability to compare prices (81%); to save time and the ability to easily locate and compare products (79%).

According to Ho (2011) Malaysians prefer to shop on local websites and are looking for a wider range of high quality goods or services and not just for the lowest price. The emergence of e-commerce changed the way business is being

conducted and most Malaysian consumers started to purchase from group buying websites. Online group buying is seen as an effective form of e-commerce that places the power of volume discounts in the hands of the consumers (Lau, 2011). Group buying sites are boosting e-commerce in Asia. There are currently 20 million group buying customers in China among the country's 160 million e-commerce consumers. According to J.P Morgan's forecasts (2011), the Asia retail e-commerce market, excluding travel, will double from \$156 billion in 2010 to \$323 billion in 2013.

Group buying websites gained popularity when Groupon was set up in 2008. The birth of Groupon was predicted to be valued more than billion dollar (Chasmore, 2010). It has a simple premise whereby if there is a sufficient number of people agree to buy something, they all get big discounts. Group buying websites offers up to 90% discounts to customers on various businesses ranging from restaurants, health, beauty, products and services in a limited time and there must be sufficient number of participants in order to get the discounted price (Fuchset al., 2012). The online group buying system provides a win-win situation for the companies who makes discount on their products and services, and the customers (Erdogmus and Cicek, 2011).

In Malaysia, group buying sites have recently been noticed and service providers like MilkADeal, Groupon Malaysia, MyDeal.com.my, Dealmates and Everyday Coupons are those who have been giving good discounts via online shopping (Emmanuel, 2012). After Groupon Inc acquired Groupsmore, a Malaysian group buying website, as part of it Asian's business expansion, there are hundreds of group buying websites popping up hoping to get a part of the market share. Although MyDeal.com.my was the first Malaysian group buying website when it started in 2000, the group buying concept was not popular until Groupon popularised it in 2008 (Tan, 2011).

1.1 Problem statement:

Group buying websites that offers deals from expensive restaurants or paintball game with discounts as much as 90 percent has made consumer to look forward in doing something over the weekend. Group buying industry in Malaysia is still at an emerging stage therefore not many are aware of the group buying websites. Even if there are online consumers who are aware of group buying sites, how many would actually make a purchase through one of the sites? According to a survey done in the United States, 82 percent online consumers are aware of group buying sites but only 19 percent of the respondent have actually make a purchase through one of the sites (Grannis, 2011). In terms of online spending, the biggest group by age in Malaysia is between 18 and 34 which represent 68% of Malaysia's online shopper (Oliver, 2011). Though the survey on actually purchase through group buying sites in Malaysia is scare, by comparing with the States on the percentage of online shoppers that buy from the group buying sites has shed some light.

Not only that, there seem to be a lack of understanding and knowledge on consumer's purchase intention towards group buying websites considering that it is still at the early stage of development in Malaysia. There is limited research about the consumer's attitude towards using this group buying websites and factors that influence their purchase intention from it. Therefore this study is to investigate the factors that will influence the consumer to purchase from online group buying websites.

1.2 Research questions:

This study attempts to address the research question stated as below:

1. What is the effect of perceived enjoyment, perceived ease of use and perceived usefulness towards consumers' purchase intention towards online group buying website?
2. Is there any mediating effect of perceived usefulness on the relationship between perceived ease of use and purchase intention.
3. Is there any mediating effect of perceived enjoyment on the relationship between perceived ease of use and purchase intention.

4. Is there any moderating effect of informational social influence on the independent variables (perceived usefulness, perceived ease of use and perceived enjoyment) and the dependent variable (purchase intention) towards online group buying websites.

1.3 Research objective:

1. To determine the effect of perceived enjoyment, perceived ease of use and perceived usefulness towards consumers' purchase intention towards online group buying website.
2. To investigate the mediating role of perceived usefulness on the relationship between perceived ease of use and purchase intention.
3. To investigate the mediating role of perceived enjoyment on the relationship between perceived ease of use and purchase intention.
4. To investigate the moderating role of informational social influence on the independent variables (perceived usefulness, perceived ease of use and perceived enjoyment) and the dependent variable (purchase intention towards online group buying websites).

1.4 Scope of study

The scope of the study is conducted through online survey and is limited to individuals who surf the internet aged between 18 to 34 years old. In addition, the scope of the literature review in this study focuses on the variables which are perceived usefulness, perceived ease of use and perceived enjoyment from the Technology Acceptance Model (TAM) and the effect of informational social influences towards the model. The research is carried out to examine the factors influencing consumer's purchase intention towards online group buying websites.

1.5 Significant of study

The purpose of the study is to examine the factors that influence Malaysian consumers to purchase from group buying websites using the Technology

Acceptance Model (TAM) model by Davis (1989). Since the TAM model is robust, it is extended with other variables (perceived enjoyment and positive informational social influence) to suit the current study (Lee, Shi, Cheung, Lim and Sia, 2011). Through this research findings, it would be a great contribution to the group buying websites and marketers to know what attracts the consumer to purchase from them and making a purchase rather than just a mere click and browsing. With a better understanding of the consumer's attitude towards group buying websites, marketers can develop a more effective strategy to attract consumers to purchase from the websites.

1.6 Definition of Terms Use

1.6.1 Perceived Enjoyment

Perceived enjoyment refers to the extent to which the activity of using new technology is perceived to be enjoyable in its own right (Davis, Bagozzi and Warshaw, 1992: 1113)

1.6.2 Perceived Ease of Use

Perceived ease of use is defined as a degree where a person believes that using a particular system would be free of effort (Davis, 1989: 320).

1.6.3 Perceived Usefulness

Perceived usefulness refers to the degree where a person believes that using a particular system would enhance his or her job performance (Davis, 1989: 320).

1.6.4 Purchase Intention

Purchase intention refers to the buyers' willingness to purchase and likelihood of the buyer purchasing the product (Dodds, Monroe and Grewal, 1991).

1.6.5 Informational social influence

Informational social influence refers to an influence to accept information obtained from another as evidence about reality (Deutsch and Gerard, 1955: 629).

1.7 Organization of Thesis

This thesis is organized into five chapters. First Chapter is a brief introduction of the research topic with an overview of online shopping and the emergence of online group buying websites in Malaysia. The chapter also includes problem statement, research objectives, scope of study, significance of study, definition of terms used in this study.

Chapter two is about the literature review of the subject matter that has been carried out in previous studies. This chapter will review about the main theory adopted in this study, the variables used and the relationship between the variables will be discussed.

Chapter three is on research and methodology whereby explaining how the research will be conducted with regards to the research framework. Chapter four presents the findings and the analysis of the results obtained and finally, Chapter five includes the discussion and conclusion.

CHAPTER 2

LITERATURE REVIEW

2.0 Introduction

This chapter reviews the literature on the Technology Acceptance Model (TAM) and the relationships among the beliefs and consumer's purchase intention. The aim of this chapter is to evaluate the literature and define the meaning of the variables use in this study.

2.1 Online Group buying websites

Group buying is a popular e-business trend which also refers to collective buying and social buying. According to Ergoymus and Cicek (2011) online group buying is also a phenomenon that takes advantage of the influence from online marketing and social media influences. Online Group buying websites provides unbelievable discounts to customers on various business categories such as restaurants, health, beauty, recreation, products and services (Fuchs, Ricci and Cantoni, 2012). The website offers discounted price if a minimum threshold of consumers is reached and coordinates their transaction time. This means that the condition for the customers to enjoy the discounted price, is that within the predetermined time, the total number of buyers who buy the deal must exceed the minimum required number of buyers (Xiong and Hu, 2010). After purchasing the deal, customers are sent a voucher and they can use it to claim their discounts at the retailer (Emmanuel, 2009).

One of the ways to understand consumer buying behaviour is to look at the online group buying status. Innovative group buying sites offers various bargains from meals to travel packages as companies utilize the power of social media to influence consumer behaviour (Wang, 2011). Based J.P Morgan's NothingBut Net: 2011 Internet Investment Report, the category of consumers engaging with online group buying are mostly young people (aged between 20 and 35), white-collar workers and college students. This group of



consumers are tech savvy and are willing to try new products and services in online group buying. Groupon, for example is one of the biggest online group buying websites which utilizes the collective buying power to offer consumers daily deals of products and services being mailed to their inbox (Manning, 2011). Because of the success rate of Groupon in the United States, many new group buying websites in China, similar to Groupon, has emerge to have their share in the market. Currently, the most successful group buying website in China is Lashou and there are thousands of group buying clones competing aggressively to survive (Lee, 2011).

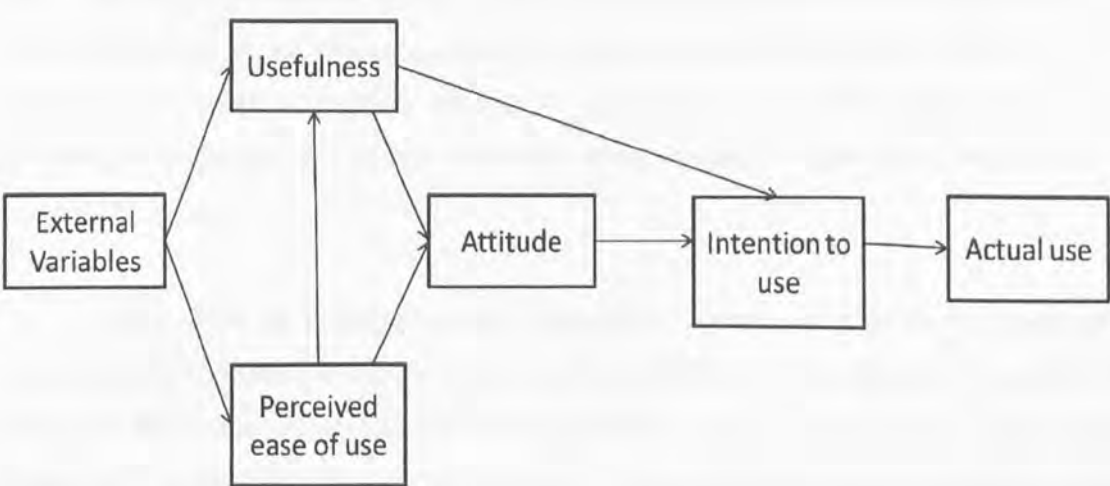
In Malaysia, there are around 35 group buying website such as Group Malaysia, MilkADeal, ILoveDiscounts and MyDeal. Groupon Malaysia, a groupon clone, is one of the top discount websites in Malaysia and has attracted two hundred and nine thousand members. Joel Neoh, Chief Executive Officer of Groupon Malaysia says the members are mostly between 18 to 40 years of age and mostly young professionals looking for new things to do over the weekend (Lu, 2011). Moreover, Groupon Malaysia is adding 1000 subscribers a day and 60 percent of its customers are aged 25 and above.

The studies of the factors, behaviour and attitude of consumers towards online shopping are abundance while the studies of the group buying websites have recently started to gain attention and becoming a popular research topic. The aspects that has been studied in group buying websites include the perceived trust and risk (Kauffman, Lai, Lin and Chang, 2009; Sun, Luo and Liu, 2011; Lei, Fei and Wei, 2011 and Chang, Lee and Su, 2011), consumer intention (Xie, Zhu, Lu and Xu, 2011), motivation (Chen and Wu, 2010) and factors influencing consumer behavior (Pi,Liao, Liu and Lee, 2011). Most of the studies are from China and Taiwan. Due to the limitation to look for resources, the closest study done on group buying in Malaysia is by Ramayah (2008) on the relationship between power bases and group-buying decisions. The research on group buying websites is scare from Malaysian perspective therefore this study is carried out to fill in the gap for group buying websites.

2.2 Technology Acceptance Model

The Technology Acceptance model (TAM) is a multi-attribute model that predicts user’s intention to use a technology based on their perception of user-friendliness and usefulness of the system (Davis, Bagozzi and Warshaw, 1989). TAM is derived from the model of individual behavior as posited by Ajzen and Fishbein’s (1980) Theory of Reasoned Action (TRA) and the Theory of Planned Behaviour (TPB). In TAM, there are five concepts: perceived ease of use, perceived usefulness, attitude towards use, intention to use and actual use. The framework of the original TAM model is shown in figure 2.1. TAM has been widely adopted in many researches and has been suggested that it may be too parsimonious and should be supplemented and extended by means of concepts (Venkatesh and Davis, 2000). Furthermore, it is also mentioned that TAM faces limitations in the ability to explain the intention to use various forms of technology. Therefore an integration of other theoretical perspectives may provide a richer understanding of online shopping phenomenon.

Figure 2.1: Original TAM model



Source: Davis *et al.* (1989)

However, Venkatesh and Davis (1996) have updated the TAM model by removing the attitude variable from the model as it was found to have no

mediating effect on the relationship between both the perception constructs, that is perceived ease of use and perceived usefulness, and behavioral intent. Moreover, this form of augmented TAM was also successfully applied in many studies such as Ramayah and Jantan (2003) in the impact of perceived usefulness, perceived ease of use and perceived enjoyment on intention to shop online, Jantan, Ramayah and Chin (2001) in factors influencing personal computer acceptance, Ndubisi, Jantan and Richardson (2001) in the validity of TAM used in Malaysian entrepreneurs and Venkatesh and Morris (2000) in gender differences and their role in technology acceptance and usage behavior. Besides that, in a recent study by Xie *et al.* (2011) the TAM model was used to explain consumers' decision in web group buying, excluding the attitude variable. Therefore in this study TAM model excluding the attitude variable is being tested.

According to Lee, Shi, Cheung, Lim and Sia (2011), the role of social influence in TAM is still remain unclear in Informational System research. With the growing popularity of internet as a communication medium, social influence has become important in explaining group and collective behavior. Thus it is seemed crucial to include other types of social influence. Therefore in this study, informational social influence is included in the TAM model to fill in the gap related to the effects of social influences. Similarly as Nysveen, Pedersen and Thorborgsen (2005) found that normative pressure, which relate to the effects of social influence, represents one of the important antecedents of consumer's intention to use mobile services.

In a study by Wolfbrager and Gilly (2001), consumer shopping behaviours are classified into two main orientations, which is utilitarian and hedonic. In another study by Monsuwe *et al.* (2004), both utilitarian and hedonic factors influenced consumer's motivation for online shopping. The motivations include "useful" and "ease of use" which reflects utilitarian shopping while "enjoyment" indicates the hedonic aspect. This is also similar in uses and gratification (U&G) studies where utilitarian motives related to usefulness and ease of use are revealed while nonutilitarian motives related to enjoyment, fun seeking and entertainment were identified (Nysveen *et al.*, 2005). U&G is intended to identify the psychological

needs that motivate individuals in the use of a particular medium to seek gratification to those needs (Ko, Cho and Roberts, 2005).Huang (2008) also studied the impact of use and gratification on e-consumersintention towards B2C websites and found that perceived usefulness and ease of web use (TAM model) and entertainment gratification (U&G) are important predictors of e-consumer's intention to use.Thus, in this present study, online group buying motivation drivers consist of the variables perceived usefulness, ease of use and enjoyment.

2.3 Perceived Usefulness

The TAM model by Davis (1989) postulates that perceived usefulness and perceived ease of use influences the behaviour of individuals. There has been studies done on perceived usefulness and perceived ease of use and these are two key beliefs that specifically account for technology usage (Heijden, Verhagen and Creemers, 2003).

Perceived usefulness is defined as the degree where a person believes that using a particular system would enhance his or her job performance (Davis, 1989). A website that provides individuals the functionality and convenience to access information will enable them to gain the consumer's interested to utilize this website to save time and enjoy the efficiency (Gefen, Karahanna and Straub, 2003). In TAM, perceived usefulness can positively influence behavioral intention from the reasons of extrinsic motivation such as goal achievement that is independent of user's attitude towards the behavior (Davis *et al.*, 1989). Therefore, the usefulness of the service may increase consumer's intention to use the service because it increases their job performance and helps them to achieve their goal.

Not only that, according to Davis (1989) in an online shopping environment, it is the tendency of the user according to the level of trust in the online shopping mall. In another study on online shopping mall where trust is related to usefulness, the trust developed in an online shopping environment allows consumer to find the product information or make an order of products at the site. The usefulness of the website depends on the website characteristics such as search engines and the personal service ofproviding service to consumers through the web site when they have enquiries (Kim and Song, 2010). There is a positive

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