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MASTER OF BUSINESS ADMINISTRATION

Perceived risk and consumer buying behavior for e-commerce in Malaysia

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Abstract:

Today, in modern society, e-commerce provides the latest information service platform for enterprises in all sectors of the wide open-spaced market. In Malaysia, the practice of e-business enterprises has begun on some scale and compared with other countries, Malaysia's e-commerce is still not matured. "Lifestyle" is a very mysterious word. It is also known as the living condition, from a marketing point of view on what time is vital from the creation of a homogeneous product to the consumer acceptance of the concept.

The main purpose of this paper is to study how consumers' lifestyles affect the consumer buying behavior in Malaysia's e-commerce, and try some measures proposed in order to understand and analyse a variety of factors: "perceived risk, consumer lifestyles, Innovation and other factors linked. "

From the data analysis of the online survey of 300 consumers who had completed the online purchase, the result shows that consumers who have a more price oriented lifestyle would be aware of the lower risks in e-commerce. In addition, consumers who have a more net oriented lifestyle will purchase more through e-commerce than consumers who have a less net oriented lifestyle.

Keywords:

Consumer behavior, consumer lifestyles, consumer purchasing behavior, perceived risk, Internet Shopping

1.0- Introduction:

As the Internet continues to develop, we can observe diversity of network applications, hardware facilities and the rapid development of web application technology towards more diverse and complex directions. Network application technology may be summarized to follow these technologies and its main purpose is to set out network applications related technologies. The Internet has all levels of society to facilitate the service of humanity. E-mail, instant messaging, video conferencing, web log (blog), online shopping has become a more preferable way of life for people as Internet users spend several hours every day online.

E-commerce is abbreviated as EC. From the name we can know that the contents of e-business include two areas, one which refers to the electronic side of the composition, while the second side refers to the commerce. If you compare e-commerce and traditional commerce, we find that e-commerce is user-friendly, faster, and has a low-cost electronic communication means; buyers and sellers may complete the transaction without meeting each other. With the advancement in network technology, e-commerce has developed with the pace of network advances. (Zorayda Ruth Andam, 2003)

Many people mistakenly think that e-commerce is online shopping. In fact, e-commerce in the "business" is the core, while the website is simply a background of e-commerce support. In fact, online shopping is only a small part of e-commerce and the complete process is the use of modern information technology, and all the commercial activities of the electronic process. (Zorayda Ruth Andam, 2003)

If we look at it from a trade point of view, the true meaning of e-commerce represents the entire Internet network in the industry. The use of the Internet can be full of information flow, business flow, capital flow and the logistics of complete

and perfect implementation. In other words, we can use the Internet as a venue for customers to negotiate, order, make online payments, and through the Internet we can send electronic invoices or electronic tax to our customers.

In order to achieve a complete understanding of e-commerce, it involves not only addition to the buyer and the seller, but also participation in many aspects of the bodies, such as banking, finance, government, distribution centers, and other different institutions. As the parties involved in electronic commerce cannot see or touch each other, we can explain the process for the entire e-commerce as virtual. Because of this, business, online banking, online electronic payment and other conditions and data encryption should be taken care of. A copy of electronic signatures and other technologies in e-commerce also plays an indispensable role. (Zorayda Ruth Andam, 2003)

E-commerce is subdivided into three categories: business to business or B2B (Cisco), business to consumer or B2C (Amazon), and consumer to consumer or C2C (eBay) also called electronic commerce.

E-commerce is a strong momentum that is sweeping the entire world, and brings the history of a revolution with more thorough, more extensive and far-reaching changes. The Malaysian e-commerce market entered a rapid development period. From the Zippy Cart's statistics, it shows that Malaysia's population actually stands at over 28 million. Other than that, Malaysia had around 106% mobile penetration and 30% broadband at the end of year 2009. More than half of Malaysia's Internet users have experienced online purchasing. In other words, this equals to more than 8 million hits in Malaysia for the year 2009. According to Internet World Stats, Malaysia actually is number 9 in Asia's top 10 Internet countries, by having 16.9 million internet users (ZippyCart, 2010).

					Average annual Growth rate (%)	
	2005	%	2010	%	8 MP	9MP
Total population	26.75	100.0	28.96		2.6	1.6
Citizens	24.36	65.9	26.79	100	2.0	1.9
Bumiputera	16.06	25.3	17.95	67.0	2.3	2.2
Chinese	6.15	7.5	6.52	24.3	1.3	1.2
Indian	1.83	1.3	1.97	7.4	1.6	1.4

Figure 1.1: A table of population study in Malaysia

Source: Department of statistics and economic planning unit.

The most popular consumers' contributions to internet purchase are airline ticket bookings. Other than air tickets, there are other popular goods sold online: movie tickets, personal computers, books, journal articles and others. The most preferred online payment method in Malaysia is the credit card and the second method is via Internet banking.

There are also many online retailers and e-commerce companies in Malaysia, but this is on a much smaller scale when compared with the United States or Japan.

	Asia Pacific	Japan	South Korea	India	Indonesia	Malaysia
Retail	54.4	73.7	69.4	39.9	36.3	35.8
Comparison Shopping	21.4	57.6	44.2	6.5	5.3	6.1
Books	17.8	41.0	8.2	13.4	8.8	10.8
Computer Hardware	11.3	23.6	11.9	9.6	12.6	10.4
Consumer Electronics	11.0	14.1	25.3	7.6	12.0	4.2
Computer Software	9.2	10.5	10.1	14.1	11.8	9.6
Apparel	8.9	19.6	11.9	2.5	3.2	3.8
Health Care	5.1	9.0	0.6	1.9	0.6	1.1
Mall	5.1	14.4	15.2	0.9	0.3	0.3
Fragrances/Cosmetics	3.8	13.9	2.4	0.6	0.5	0.9
Retail - Music	3.5	14.1	2.1	1.0	1.6	1.6
Retail - Food	3.0	15.2	1.9	0.7	0.2	1.3
Department Stores	2.8	4.5	16.1	0.9	0.5	0.5
Tickets	1.9	6.9	4.2	1.1	0.3	0.5
Flowers/Gifts/Greetings	1.7	1.9	1.5	4.3	1.9	2.0
Jewelry/Luxury Goods/Accessories	1.4	2.8	0.6	1.2	0.8	0.8
Consumer Goods	1.4	2.4	0.0	0.9	0.1	0.3
Sports/Outdoor	1.4	5.5	0.9	0.6	1.2	1.0
Home Furnishings	1.3	4.5	1.0	0.7	0.5	1.1
Toys	1.2	5.1	0.6	0.5	0.9	0.8

Figure 1.2: A table for population retailers and e-commerce companies in Asia

Sources from: <http://www.elioe.com>

Compared with other overseas countries, Malaysia actually is at the far right, and probably one of the countries that isn't so much into retail yet.

From the online information, Blooming- the online retailer florist is one of the famous first movers and they are still going strong today. Another prime example of success surviving in Malaysia is Lelong. Nevertheless one of the most famous e-commerce is the low cost airline based in Malaysia, Air Asia. One of its features has to be the online ticketing site by Air Asia. (ZippyCart, 2010)

Other than that, according to the Visa e-commerce Consumer Monitor, a survey conducted by The Nielsen Company in an effort to measure online spending behavior of shoppers in six Asian economies (Mainland China, India,

Indonesia, Malaysia, Taiwan and Thailand), Taiwan topped the list, followed by Mainland China and Malaysia as the 3rd among the countries. (Netbuilder, 2011)

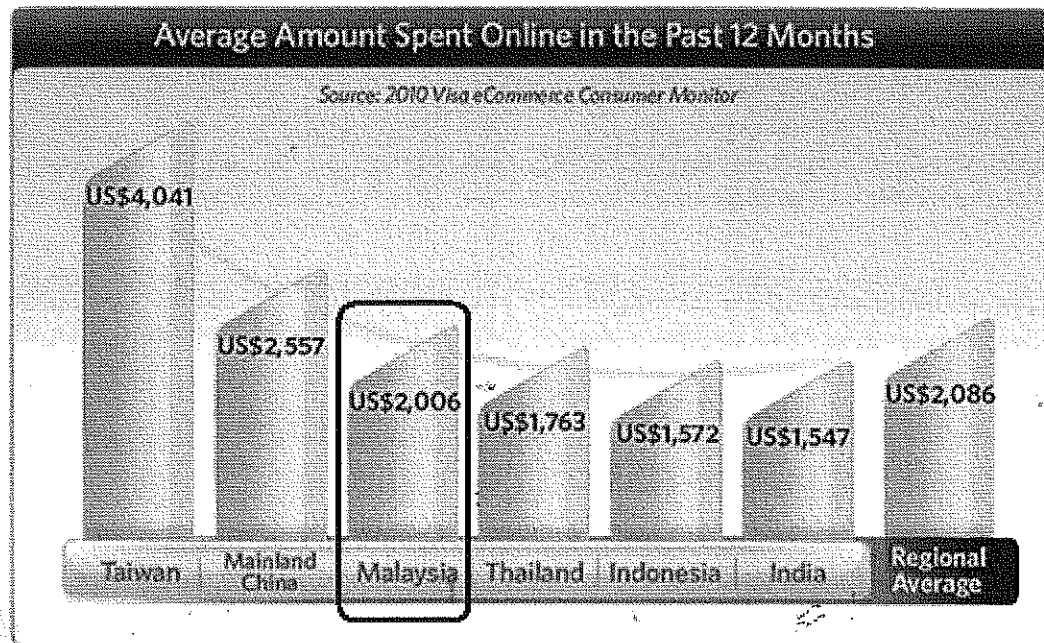


Figure 1.3: A table of average amount spent online in year 2010 for Asia countries

Source: <http://www.visa-asia.com>

Based on the findings, Malaysians spent an average of over RM6, 000 shopping online per year. Most online shoppers feel more convenient to shop online than go to an actual store. (Netbuilder, 2011)

As the Internet is a cost effective medium of delivery, the main advantage of online ecommerce is its cost efficiency. E-commerce decreases the cost of creating, processing, distributing, storing and retrieving paper-based information. High mailing and printing costs are also lowered or, in many cases, completely eliminated as the buyer most often pays for the shipping of the products that they buy.

Low prices, variety, and convenience to buy are all the advantages of online shopping. The popularity of the Internet has led to the development of online shopping, with consumer groups and the growing influence of online shopping grabbing the traditional retail market. (Shailendra Sial, 2009)

Development of electronic commerce features:

- **The wider environment:**

That is no time limit, space limit, and the restriction of traditional shopping. People can do online transactions anytime and anywhere. (Shailendra Sial, 2009)

- **The broader market:**

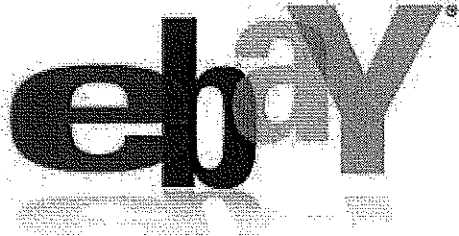
In the online world, business can face the world's consumers and a consumer can be in any business in the global shopping market. (Shailendra Sial, 2009)

- **More rapid flow and low price:**

E-commerce reduces the circulation of commodities in the middle part, saves a lot of expenditure and thus greatly reduces the circulation of commodities and transactions costs. (Shailendra Sial, 2009)

Malaysia's e-commerce company logos:

- eBay company



Sources: www.ebay.com

- Air Asia Company



Sources: www.airasia.com

- Lelong Company

Visit our online store at



Sources: www.lelong.com.my

Assumption:

Any business cannot grow without an understanding of their consumers. We can assume that if any company ignores their consumer needs and cannot satisfy their needs, their consumers may shift to their competitors.

Limitations:

This research will focus on the online questionnaire; questionnaires will be distributed in e-commerce forums and the Kuala Lumpur area. The data collection will not cover the whole of Malaysia because the population for internet users is too large. The sample data may limit the research generalizations. Other than that, another limitation for the study is the dataset that is used. Due to the sampling method, there are unequal opportunities for respondent to be selected, since only those that participate in the web survey and the Kuala Lumpur area are selected. The third limitation is about specification. We only select a few customer lifestyles such as consumer characteristics that intuitively seem critical in predicting internet purchasing behavior. These are related to shopping orientation, product characteristics and others.

1.1- Problem Identified and discussed:

With the rapid economic development, the competitive market keeps on increasing, and the emergence of competition has led many companies to better understand consumer behavior as an important independent knowledge which contributes to a systematic application of science, in the industrial era, and the expanding capitalist commodity. From the 19th century to the 20th century, psychological theory on consumer behavior began to appear, and this is the initial development for consumer behavior study. (Shukla, P, 2008)

From the 19th to the early 20th century, the major capitalist countries especially the U.S., has after the Industrial Revolution dramatically increased labor productivity and with this production capacity began to exceed demand, leading to intensified competition among enterprises. In such a case, some companies began to focus on stimulating consumer demand and merchandising, marketing and advertising which led to the enterprise "competitive" stage. At the same time, some scholars, according to the needs of enterprise sales, began to find the start from the relationship between the theory of demand for goods and sales and consumer behavior and the psychology within the relationship between corporate sales. (Shukla, P, 2008)

In the market, there are more and more organizations attempting studies on consumer behavior. Consumer behavior is the study of when, why, how, and where people do or do not buy a product. It blends elements from psychology, sociology, social anthropology and economics. The consumer making a purchasing decision is the recognition and acceptance of their products and is the most direct expression to determine the reason why consumers choose certain products, and think the product other than competing brands given them greater effectiveness or value. (Sjoberg, L., Engelberg, E., 2005)

This "value" depends more on the psychological state of the consumer of the product. Factors affecting consumer purchase decisions are many in marketing. They influence consumer purchase decision factors such as consumer psychology, personal characteristics, as well as marketing and other factors. Of these, a consumer purchase decision is a variety of individual factors relating to the study of consumer behavior and is an important consideration for e-commerce organizations. (Shukla, P, 2008)

With the rise in the Malaysian economy, better wealth of material life is coming in terms of a materialistic world. Hence, consumers have an increasingly wide and diverse choice in the selection of goods. In addition, consumers choosing products have little regard for the physical dimensions of satisfaction, but more consideration towards the psychological satisfaction. In other words, businesses are becoming more complex compared to traditional business. There are a lot of journal articles indicating different factors which influence consumers. The factors include cultural, social, and personal factors, the family and others. (Shukla, P, 2008)

Research of market is usually a branch of consumer psychology where industry professionals are now using various research tools. However, in recent years consumer insight is becoming more and more useful to market research and is an important tool for companies in decision making. (Sjoberg, L., Engelberg, E., 2005)

Because consumer behavior is too broad, the researcher will narrow it to examine how consumer lifestyles can affect consumer perceived risk in purchasing behavior in e-commerce. Other than that, this study will try to find out the difference between consumer lifestyle for example consumers with more innovative and price-oriented, time-oriented, and net-oriented lifestyles and some other marketing

factors, such as compatibility, perceived risk, and the latest innovative technology factors.

Because of the rapid development of information technology, global Internet networking has become an emerging trend; the use of the Internet has become more convenient and fast. Although online shopping has become a trend, for the security of transactions, delivery and after-sales service are main concerns for consumers. E-store fraud continues to spread, so the security of transactions has been severely tested. With the long-distance network of shops, consumers will not be able see the product entities. This kind of issues also improves the perceived risk, and directly affects the customers' perceived value that may hinder the view of the consumer online shopping. (Ben-Ur, J., Winfield, C., 2000)

As the electronic market is still newly developed, connection to the various business activities, increasing uncertainty of the environment, complexity and the asymmetry of information, coupled with the limited human rationality, opportunism and other transactions on the Internet may limit the risk. If the two parties face each other with suspicion and trust is hidden, this will lead to increased transaction costs, thereby reducing the willingness of consumers to purchase online. It may also limit the development of the e-business market. However, non-store shopping online in e-commerce should offer full transaction security, privacy, and many of the uncertainties, for the shopping habits of consumers in the physical world and consumers in Internet shopping assume a relatively high perceived risk of physical channels, thereby affecting the online purchase intention. (Ben-Ur, J., Winfield, C., 2000)

From the network into people's life, network security problems began to persist. In online shopping, Internet users have great concerns about network security, such as breach of the user's personal information, bank account passwords transaction process and transfer of funds during the security issues. These