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MASTER OF BUSINESS ADMINISTRATION

THE CONSUMER PERCEPTION TOWARDS ONLINE SHOPPING LOYALTY IN MALAYSIA

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Abstract

There are about 2 billion internet users around the world. Internet has transformed the ways we live and the ways we work and the way we practice. Among the e-commerce, online shopping is a potential and growing industry in almost every nation. For example countries such as United States, China, England, and Japan, they have their famous and representatives online shopping portal with huge earning. For example the famous website in US is Amazon, China is the Taobao.com etc. Those website famous not only in own countries but also in international market as well. In Malaysia, although there is good infrastructure, consumer is still paying with high internet charges and the online shopping behavior among the consumer is still not well-developed. People are still not willing to purchase things from the internet. This research aims to identify what is the consumer's perception, and reason of the reluctance to use online shopping. This research seeks to identify why the growth of online shopping in Malaysia is lower than other countries. This research also seeks to assess why Malaysia market does not have a famous online shopping website for domestic and international market. Results of findings show that Corporate Reputation, Website Design, Fulfillment/Reliability and Security/Privacy had a significant positive relationship in building online loyalty in Malaysia, while Perceived Value shows an unstable relationship toward online loyalty, and customer service is not significant in Malaysia online shopping loyalty.

Keywords: Online Shopping Acceptance Model, Online Shopping, Corporate Reputation, Website Design

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Indeed, special thanks to my family to support me when I was down. Without their support, it is impossible to achieve what I had achieved today. They are the one who always willing and patiently stand beside me. They are the one who influence me in my life.

A quote from the 16th president of the United States Abraham Lincoln:
"*I'm a success today because I had friends who believed in me and I didn't have the heart to let them down.*"

With the quote above, I would like to express the deepest appreciation to all my friends who support me. Without you, I have no way to make improvement. Working until late-nights is not an easy thing without you as a motivation. Special thanks my friends who are same batch of MBA student Ms Yan YuZhen, who is patient in teaching and explained in depth when I raise question. Ms Tiffeny Lim Ai Ji and Mr Yang Wei, who selfless in helping me when I some faced problem. Thank You.

Cheong Jia Cheng

15 November 2013

Declaration by Candidates

I hereby declare that this research project is of my own effort except for the information that has been used from various authors that have been cited accordingly and ethically.

Cheong Jia Cheng

15 November 2013

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List of Abbreviations

BL	Brand Loyalty
CR	Corporate Reputation
PV	Perceived Value
SQ	Service Quality
S	Security/Privacy
WD	Website Design
FR	Fulfillment/Reliability
OL	Online Loyalty
CS	Customer Service

CHAPTER 1:

INTRODUCTION

1.1 Chapter Overview

This research aims to identify consumer perception toward the loyalty of online shopping in Malaysia. To understand how consumer's perception affect the loyalty in online context. Pervious similar study had conduct in Australia (online share) and South Africa (online book vendor), thus it is interesting to look into Malaysia online shopping context. Chapter one give insight into the research background, then followed by the problem statement. Research questions and objectives were derived from the problem statement, significance of study had been suggested and limitation had been mentioned. Last but not least, it also included the outline of this research.

1.2 Background of Study

In the last few decades, there is nothing called "Internet". Human's communication channel is still depends on traditional phone, mail, magazines, and radio or physical appearances. However, today internet had become one of the "must" or "item" or "channel" in human's daily activities. Internet is a medium that grows in almost every facet of the world (Salehi, 2012). The use of Internet had become one of the communication channels for government, universities, businesses and personal. Relatively, internet had also become one of the communication channels between companies and customer (Salehi, 2012). In between, new business model

was invented which call the E-industry. According to Internet World Stats (2012) the population of internet users in total is 2,405,518,376. It is about 34.3% of the world's population. Among the population, the largest group of internet users is the Asia region. Figure 1 shows the internet users in the World by geographic region and Asia are the top because it contains the highest population in the world.

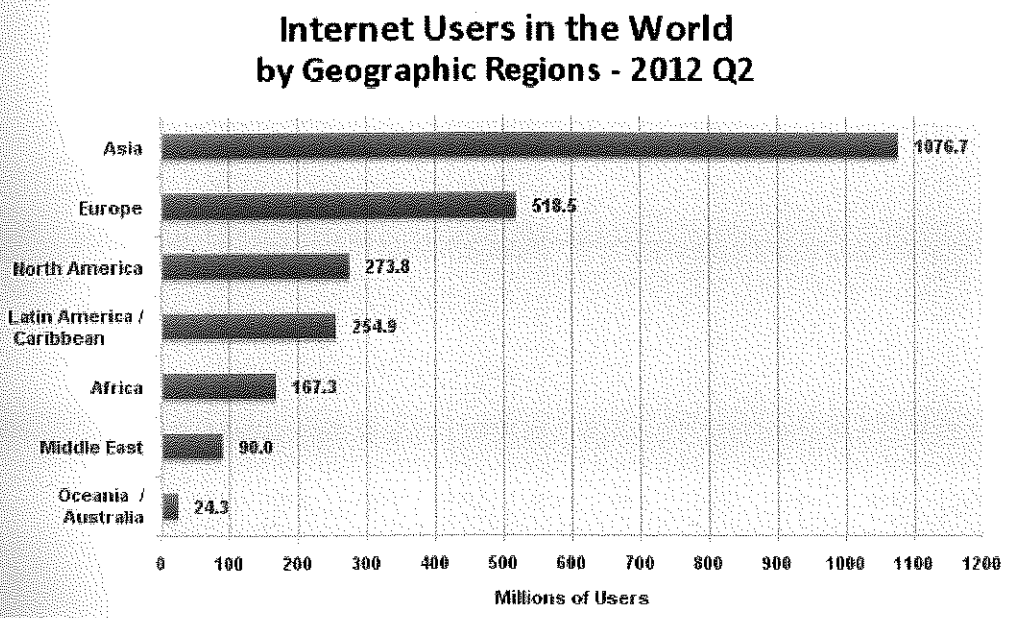


Figure 1: The World Internet Users by Geographic Regions - 2012 Q2
(Source: Internet World Stats, 2012)

Nevertheless, North America region had the highest penetration rate compare to the other region. North America accounted 78.6% (Figure 2). This means that, for every 10 people in North America, 7 to 8 people had accessed to internet; specifically in the United States occur this situation (Index Mundi, 2012; CIA World Factbook, 2012). This shows that the American are more expose to the International trends, and so the online business or so called E-commerce were introduced and become popular in United States. According to Forrester Research (2005) estimated, the E-commerce sales are expected to growth from $172 billion to $329 billion in between 2005 to 2010, and this only the United States market

(Beasty, 2005). However, the result does not stop at the point. It continually grows and it is show in Figure 4.

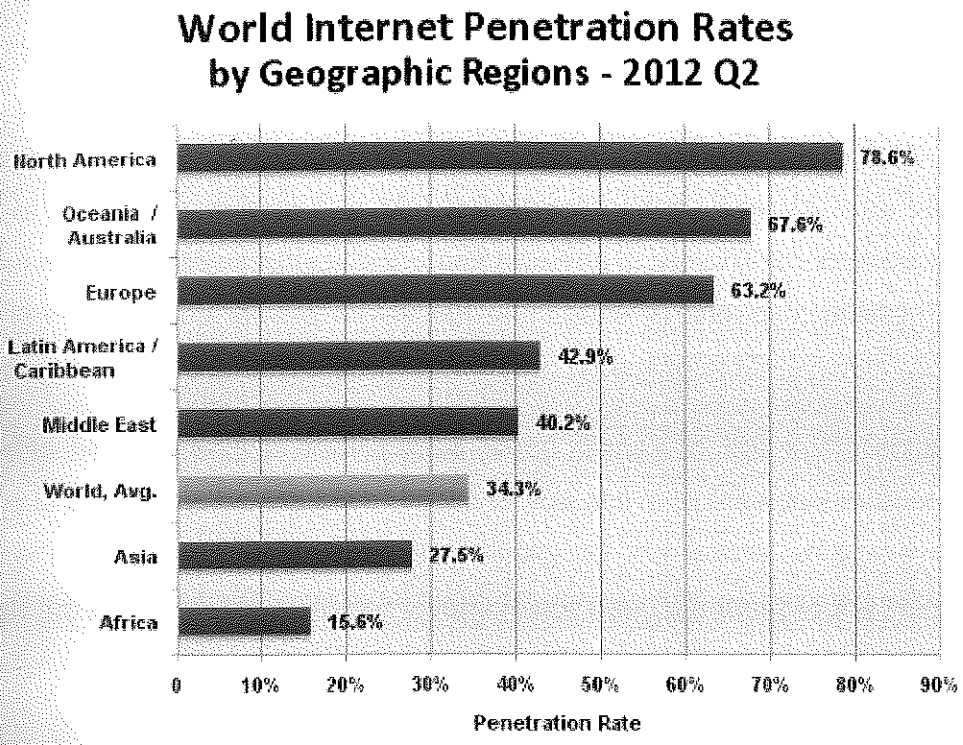


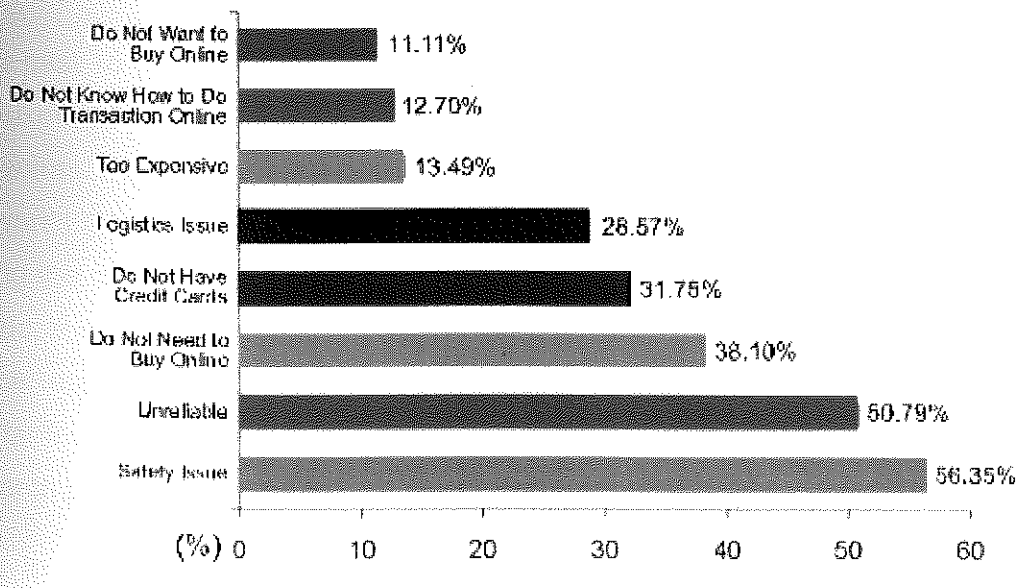
Figure 2: Penetration Rates by Geographic Region - 2012 Q2
(Source: Internet World Stats, 2012)

According to the global report of JPMorgan (2011), the whole World's revenue on E-commerce was expected to hit US$963 billion in 2012. But, the sale was hit $1 trillion (eMarketers, 2013). This is a robust growth in this industry. According to eMarketers (2013), United States is the world leading in the B2C E-commerce sales with 364.66 billion and followed by China $184.62 billion. Internet is consult globally by people on a daily basis.

Meanwhile, according to the Internet World Stats (2012), Malaysia had 29 million population and almost 18 million people are exposed to the internet access. Which can be explains as 60% of the citizens are access with internet. However, when comes into E-commerce, only 39% of the internet users purchase through the

online shopping website (Lim, 2008). This is mainly because of the credit card fraud which appears in Malaysia. The survey is conducted and released by Nielsen Company via online survey. According to the research done by Poon (2008), factors influence the Malaysian to adopt online shopping are mainly website design, speed, privacy, security fees and charges. Security and Privacy is the main sources of dissatisfaction. Dean and Gray (2010) found that perceived risk is main reason of Malaysian reluctant to use ecommerce sites. Besides that, lacking of trust toward the online vendor and the complexities in the online transaction is also one of the factors that cause Malaysian reluctance to shopping online. Figure 3 shows the reason that people do not do internet shopping in Malaysia.

It seem to be less actives in Malaysia when comes to Internet purchase, this research is to find out the reason of why it is less active to Malaysia market and the consumer's perception in building the loyalty to the online shopping website. Although the research on customer loyalty is not new, but there is still issue in the online environments which have not been identify.



A Statistic for Malaysian Online Shopping - Reasons Not Using Internet to Do Shopping

Figure 3: Reason Not Using Internet to Do Shopping (Source: IDC Malaysia, 2010; Ong, 2010)

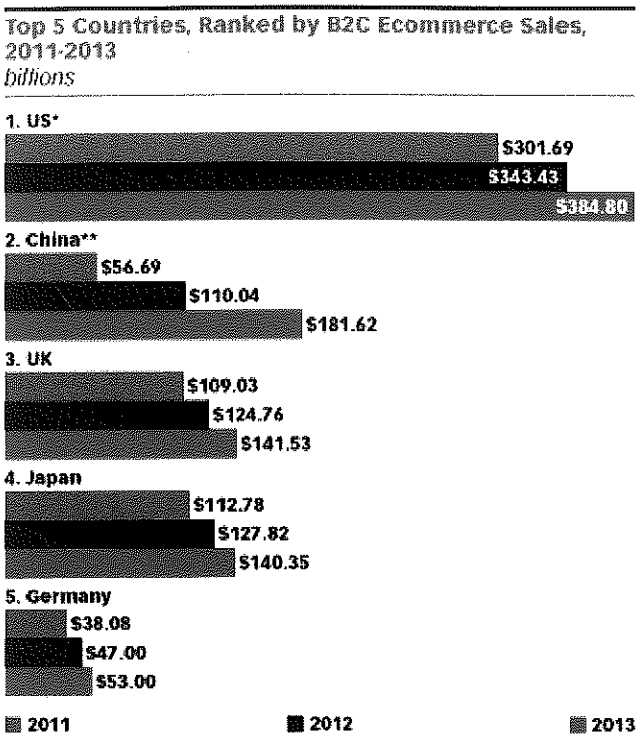


Figure 4: Top 5 Countries, Ranked by B2C Ecommerce Sales, 2011-2013 (Source: eMarketer, 2013)

In the past 15 years, people's expectation had increase about 24% in all categories (Passikoff, 2011). Consumers usually not rationally articulate their needs, desires, and wants. People no longer purchase product or service based on their needs, but wants (Morrison and Crane, 2007; Zarantonello and Schmitt, 2010). They are buying the experiences rather than the product itself. Previous research stated that brands itself have a great impact on product consideration and the customer's choice; especially when the consumer facing new product or product that is not familiar in attributes and/or benefits (Huang, Schrank and Dubinsky, 2004). In this research brands will be known as company reputation.

Back to the 90s, the first internet provider in Malaysia, JARING brought in the internet and later TM Net comes in 1995 (Ramadass and Osman, 2012). Malaysia had actually have contact with the Internet for almost 23 years. According to

Elieo.com (2009), Malaysia is in the infancy stage in online purchasing. While in the Momtaz, Aminul, Halim, Ariffin and Karim (2011) research, they argue that the Malaysia online shopping is still consider as medium toll even though it has pass for two year periods. By comparing in the Figure 5, Malaysia's internet users are the lesser. The internet users in Malaysia are mainly focus on buying air ticket, general insurance, fashion accessories, etc. (Figure 6).

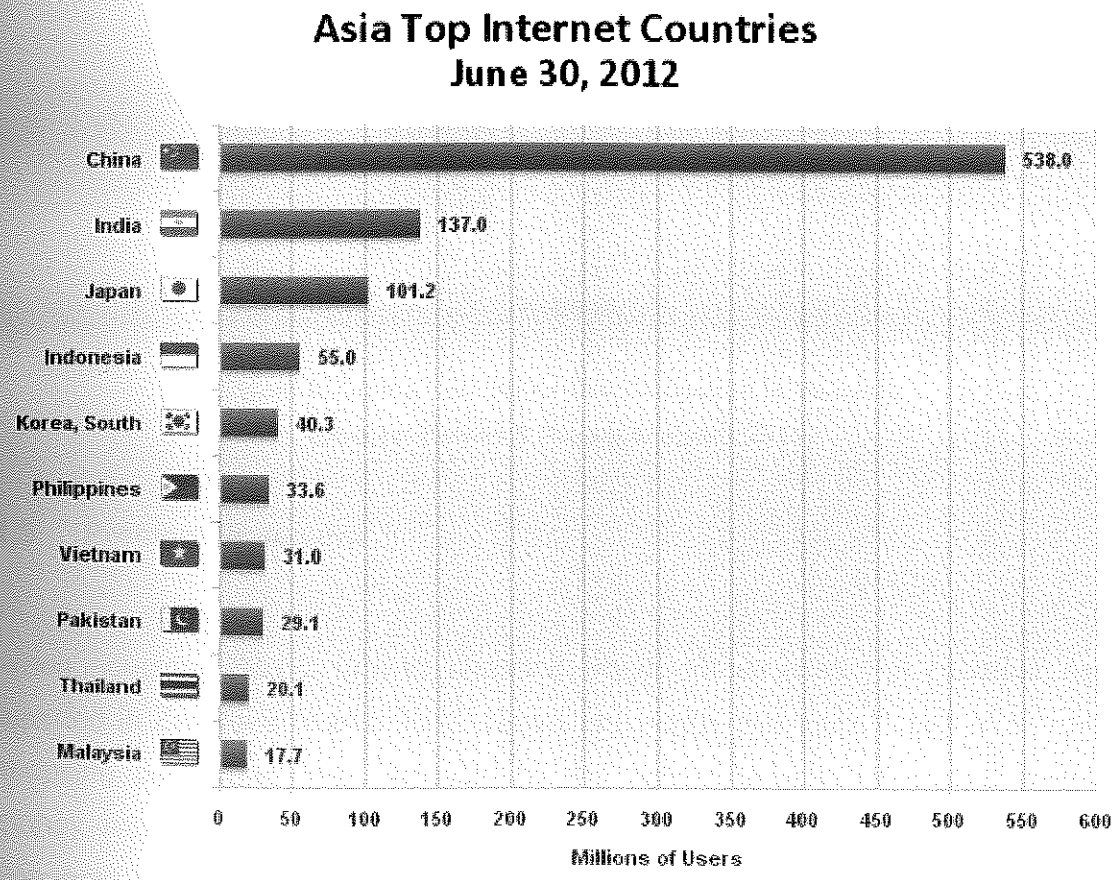


Figure 5: Asia Top internet Countries, June 30, 2012
(Source: Internet World Stats, 2012)

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Brain drain of China: the inclination of Chinese students to stay abroad after their studies

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