

INTI INTERNATIONAL UNIVERSITY

MASTER OF BUSINESS ADMINISTRATION

THE ROLE OF ONLINE RELATIONSHIP MARKETING PROGRAMS TOWARD
INFLUENCING UNIVERSITY STUDENTS TO PURCHASE DIFFERENT CLOTHING
PRODUCTS (CROSS-BUYING) UNDER THE SAME ONLINE RETAILER IN
MALAYSIA



Author:

:Elisafi Willson Mshigati

Student No

HD

:I09004324

31

Supervisor

ky
2013

: Rebecca Yew Ming

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Abstract

Since the introduction of internet and Worldwide Web, business environment has rapidly changed from shopping in physical stores to online shopping. In recent years the clothing industry has taken a new turn where more people prefers online shopping over purchasing in physical retail stores. This new trend has intensified the level of competition in the clothing industry with more online retailers coming into the industry from all over the world like America, Europe and China. The biggest challenge among marketers in clothing industry hasn't been only how to recruit new customers and keep their existing customers but also to persuade them to buy different products under the same retailer which is referred as cross-buying. This research will focus on finding how online relationship marketing programs like online rebates, discounts, accumulation of points, sending online cards and the design of the online platform may influence customers to purchase different clothing products under same retailer. The sample size of 200 University students from INTI International University will be collected to do analysis. The findings of this research will help to increase knowledge to academicians and scholars on the field of cross-buying from online perspective, help marketers to understand how to cultivate profitable long-term customer relationship through cross-buying and the government in its role improving the availability of internet access to boost the business sector which contributes to national GDP.

Key words: Online Relationship Marketing Programs, Online retailers, Online Customers, Cross-buying behaviors, Customer Relationship management (CRM).

Acknowledgement

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Elisafi Willson Mshigati

November 2013

Declaration

I hereby declare that this project work titled "*The Role of online relationship marketing programs toward influencing university students to purchase different clothing products (Cross-Buying) under the same online retailer in Malaysia.*" This research is my own effort except for the information that has been used from various sources and all the authors have been cited accordingly and ethically.

Elisafi Willson Mshigati

10th December 2013

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OUTLINE OF RESEARCH STRUCTURE

Chapter 1 focuses on introducing the research key areas and further gives the background of the whole research. Then it examines the problem statement, objective, significance of the study, research assumptions and the scope of the study.

Chapter 2 focuses on the Literature review which gives the foundation of our research by looking into previous researchers' analysis. This chapter gives clear direction and help to substantiate the some of the theories connected to the three levels of relationship marketing and cross-buying via online platform. Base on the literature review the hypothesis will be developed hence the model of this research will be created.

Chapter 3 gives insight of the overall research design starting with research purpose, research approach, time, research strategy, data collection, target respondents, sample size, sample selection, data collection procedures, questionnaire design and data entry procedure. This chapter will discuss the reliability and validity of data then data analytical methods will be suggested.

Chapter 4 is the findings chapter where data collected will be analyzed and synthesized based on the objectives of the research and then the finding of the study will be discussed.

Chapter 5 brings to conclusion of the whole research to give the summary importance of the research to scholars and academicians, managerial applications, recommendation, limitations and future research direction. Finally the personal reflection will be presented by the researcher at the end of this chapter.

Chapter 1

Introduction

1.0 Chapter Summary

This chapter will give the insight of the whole research approach starting with the introduction of internet then later the study will examine what are the factors that make marketers to shift from traditional marketing to use of online channels as a competitive tool rather than the conventional way of marketing. Then it will discuss how online relationship marketing programs may facilitate the process of building strong customer relationship to influence online customers to purchase clothing products under the same retailer. However I find very important to discuss the usage of the internet among Malaysian's youths and how it has impacted the online purchasing of clothing products in Malaysia. For further understanding of the changing business environment and specifically the new trend in online purchasing of clothing products in Malaysia. A depth analysis of business environment in Malaysia will be discussed using the PESTEL analysis tool.

Then this chapter will further discuss on the problem statement that triggered to conduct this research having the research objectives which has enabled to design the research questions and the assumptions which will give clear significance of the study. Finally, with the guidance of Customer Relationship Management (CRM) Model this chapter will give a depth discussion on the three level of relationship marketing and how it may influence online customers to purchase different clothing products under the same retailer. To conclude this chapter, I find important to mention the scope of the study and give the brief outline of the each chapter which will give the direction of the whole project.

1.1 Background of the Study

1.1.1 History of Internet

Internet usage was originated in US by the America research Unit, universities and telecommunication companies around early 60s for the purpose of transferring information from one location to another. Around 90's the internet started to expand globally in a very high pace which witnessed the born of personal computer. The use of computer brought about greater innovation and increase in demand which resulted to creation of many more software and applications such as email, worldwide web, blogs, Skype, social networks and file sharing. During 1980's internet started to be used for commercial purposes where two parties can communicate for trading purposes. Later in 1990s Internet became a world phenomenon where customers and companies could communicate. On the 20th Century internet took another phase where social networking was done through internet where people use it to interact and socialize with people from different location using Facebook, Twitter, YouTube and other social networks. Marketers and businesses also took advantage of social media and use it to communicate with its customers and help to get more customers and brand awareness. Almagor (2011)

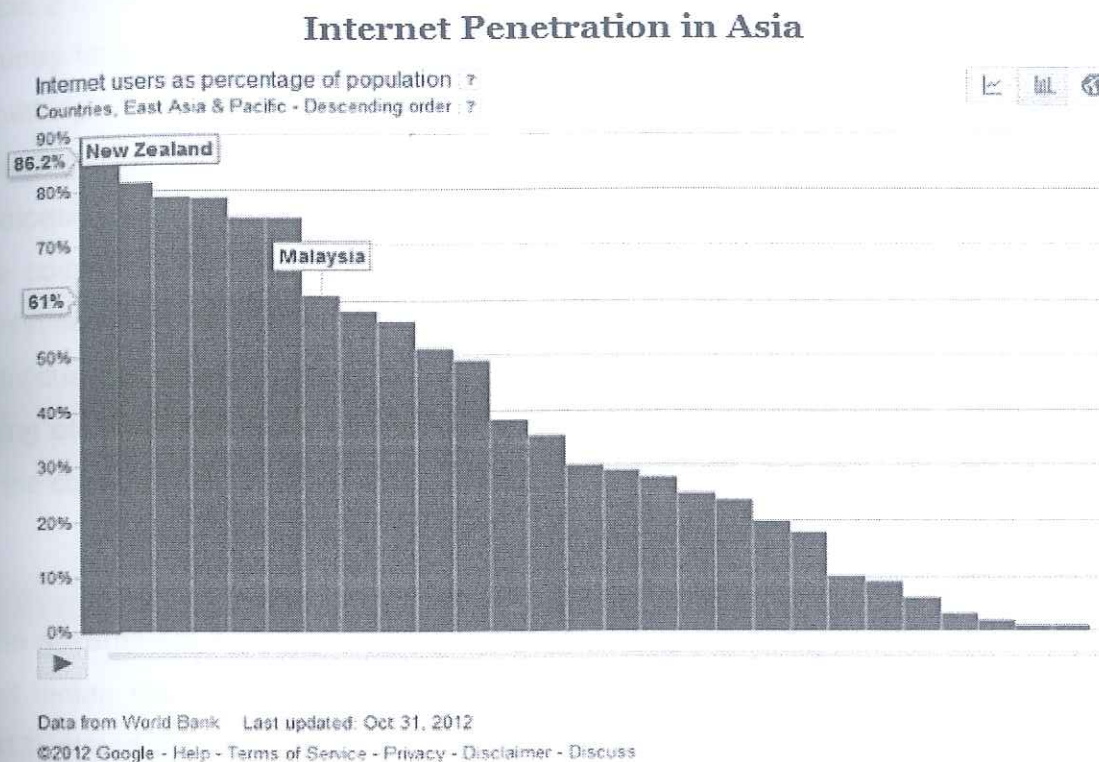
It's important to remember that in the past computers were mainly used by the government's institutions mainly for research and keeping records but with the evolution of internet computers are becoming a business entity to facilitate daily business operations such as marketing and selling of products. Internet also has been used by the business companies to investigate on the consumer's behaviors knowing that the consumer's behaviors are constantly changing and can be difficult to measure and maintain according to Kotler and Armstrong (2010).

As more and more online clothing retailers are opened, (Maurizio, 2012) suggested that different exposure, attention and experience can affect the consumer decision on a clothing product especially in a fierce and intense competitive industry like the online retailing market. Having this phenomena it is believed that only satisfying customers can't be enough to cultivate their long term profitability hence then companies must build strong marketing relationship which will enable the company to influence their customers' purchasing pattern/behavior toward purchasing different product categories under the same brand, this is what is referred to as Cross-buying. Wang (2008)

1.1.2 Growth of internet and E-Commerce in Malaysia

In Malaysia there has been an abrupt increase in the use of internet with the Malaysia government facilitate the process of internet access to every individual. This has resulted into increase in E-Commerce business. The data shows that in 2011 among 28 million people there was 61% of internet users who contributed to income of about RM842 million having an average income spending of RM2, 461 per person. It is projected to reach the figure of about 1.9 billion by 2016 as reported by (Hui, 2012). Cost saving benefits have been key factors in the apparel industry where people prefer to purchase online for number of reasons such as discounts and bonuses as regular customers through rebates and vouchers. The launching of online retailers such as Lazada, Zalora, Home24, Foodpanda and Rakuten has boosted online shopping which has seen Malaysia attain the 7th position in T Kearney's 2012 E-Commerce Index. Hui (2012) as cited on www.forbes.com accessed on 20/10/2013.

The Figure 1: The penetration level of internet in Malaysia as explained above.



Source: Hui (2012) as cited on www.forbes.com accessed on 20/10/2013.

1.1.3 Malaysia Business Environment and how it affects the E-business.

This section will provide the insight to Malaysia business environment using PESTEL analysis tool. There are number of macro factors that affect how business operates and how people behave in different environmental exposure and to help to understand factors like Political, Economic, Social, Technological and Legal will be analyzed and try to observe how they may affect the purchasing behavior of the customers via E-commerce.

1.1.3.1 Political factors

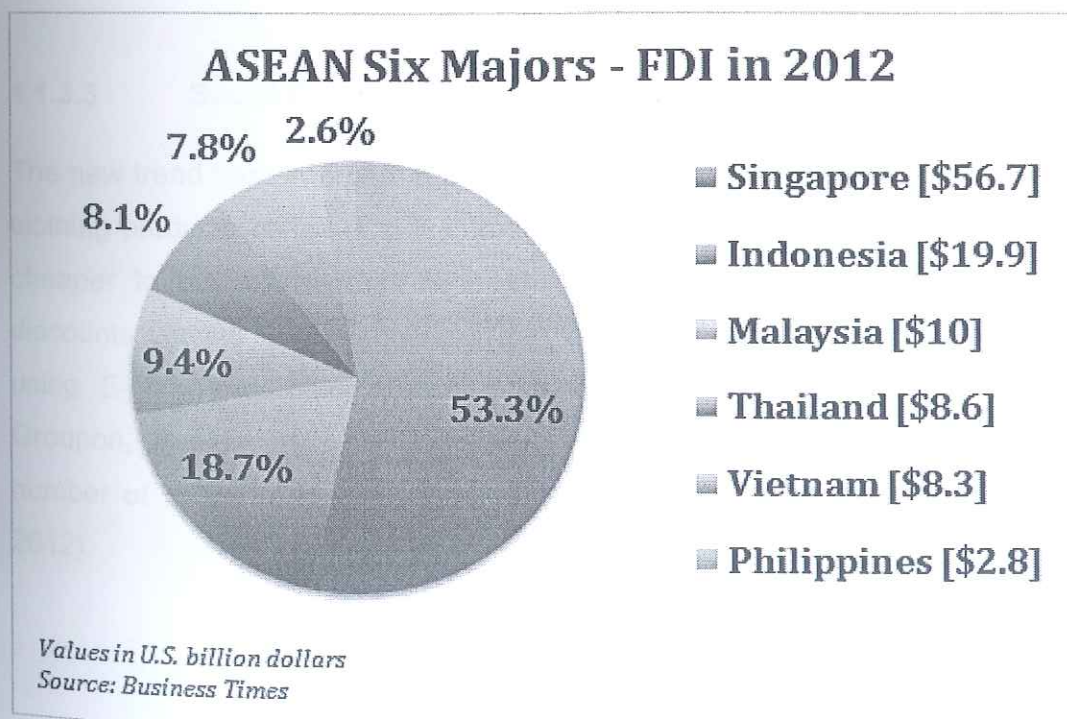
From a quotation Satu Malaysia which means One Malaysia, Malaysia is a democratic country formed of three ethnic groups which are Chinese, Malay and Indians both have equal rights. In recent years the government of Malaysia has put so much effort in boosting the service industry in the country by reducing taxes for multinational companies especially in the technological industry which boost the level of technology in the country. The data shows that the income tax Act of 1967 and promotion of investment act of 1986 indicated the corporate tax of 25%, it also indicated that individual tax rate of 26% for high technology companies. This reduce the the cost of doing business within the country which will encourage domestic and foreign investors to the country. Wong and partners (2012)

The government has introduced new traveller visa and multiple entry visas for Chinese and Indian nationalities. According to (Malaysian Investment Development Authority, 2013) stated that as incentive to investors the liberal equity policy allows investor to keep 100% of their profits on the new business established or any diversification hence maximize investors profits. This act as incentive for most international and regional companies to invest in Malaysia and its evidential that in recent years a lot of online companies from China has enter the market due to its potential such as Lazada, Lelong, Groupon, My deal, Street deal, Big sale, Zalora, FashionValet, Rakuten, eBay, Superbuy, Doorstep, Easy Mall, Idea shop, LuvClothes, Bestbuy World and so many more offers online shopping for apparel and other products.

1.1.3.2 Economic Factors

Malaysia economy has been growing in an impressive pace which rate it 30th in the world economies by the (Central Intelligence Agency, 2013). The GDP growth has been remarkable where it reached US \$448.4 billion in 2010 and later in 2012 it was recored to about US \$492.4 billion. This is expected to grow higher by 2020 to transform the country from middle income to high income as the government has implemented the Economic transformation program (ETP) to ensure sustainable economic growth. It should be remembered that during the early age the main contributor to the economy was the agricultural and manufacturing sector but the latest trends shows the service industry and technology industry example of mobile phones computers etc. has contributed a lot to the growth of the economy and FDI has increased rank it 3rd among the ASEAN countries.

Figure 2: ASEAN Six Leading FDI countries by 2012.



Source: Barlow (2013) cited on www.asianbriefing.com accessed on 20/10/2013.

The data above shows that Malaysia FDI has been increasing and Electronics and ICT projects contributed more on the FDI. This means that the rate of internet usage using electronics to facilitate E-commerce has increased as stated by (Jehangir et al., 2011)

Figure 3: FDI projects by Industry in Malaysia

Industry clusters	Projects
Electronics	101
Business & Financial Services	87
ICT	85
Transport Equipment	73
Heavy Industry	69
Chemicals, Plastics & Rubber	48
Food/Beverages/Tobacco	40
Light Industry	37
Property, Tourism & Leisure	35
Life Sciences	25
Logistics & Distribution	24
Consumer Products	18

Source: Cosgun and Dogerlioglu (2012)

1.1.3.3 Social Factors

The new trend has emerged in Malaysia and its shopping online, more people prefers clothing products online due to number of factors such as pricing where its considered cheaper to buy online than in a physical shops, there are lot of promotions and discounts via the online shopping and most of customers are taking advantage of it using E-commerce. Most popular websites are Mudah, Lelong, Amazon, Zalora, Groupon, Mysale, etc. The increase of these online retailers have accelarated the number of online customers from 2004-2010 as stated by (Cosgun and Dogerlioglu, 2012).