INTI INTERNATIONAL UNIVERSITY

MASTER OF BUSINESS ADMINISTRATION

Consumers Acceptance Level of Virtual Grocery Stores in Malaysia

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Submission Date: 11 December 2013

Ethics Number: cBUS/PG/CP/00027

Final Word Count: 16,139

Abstract

The retail industry in Malaysia has become more and more competitive as a result of the growing spread of the internet in recent years. Many companies have thrown away conventional thinking and focused on dynamic marketing strategies in order to survive and succeed. Advancements in wireless communications have increased the number of people using mobile devices, and accelerated the growth of mobile commerce (m-commerce). The virtual grocery store allows companies to provide product information and offer direct sales to their customers through mobile devices. Success in this business is dependent on understanding the concerns of customers and identifying the factors that promote their intentions to use virtual grocery stores.

Four variables were used in this study to examine consumers' acceptance level of virtual grocery stores in Malaysia: perceived usefulness, perceived ease of use, perceived trust, and perceived service quality. A quantitative approach was adopted, with a questionnaire as the main tool. SPSS software was used for a descriptive analysis, and PLS estimation software was used to test the relationships between the various constructs. Based on the research findings from 348 smartphone users over 21 years of age, three of the four above factors were found to significantly influence consumers' acceptance level of virtual grocery stores – perceived service quality being the exception.

Acknowledgements

Thanks to INTI International University, I have been able to produce this very first research study in my life, which I believe will help me not only in my academic path, but also in my future career and life. I would like to take this opportunity to express my sincere and deep gratitude to the many people who have contributed to this dissertation.

Firstly, I am deeply indebted to my project supervisor, Ms Freeman, for all her support, guidance, patience, kindness, encouragement, inspiration, not to mention the valuable suggestions and advice she gave me throughout the process of completing this dissertation. I have gained tremendous experience and made an enormous improvement in my research skills, critical thinking and knowledge as a result of this project, thanks in no small part to Karen's help and support.

I would also like to convey my appreciation to the lecturers (Professor Dato Ibrahim Ahmad Bajunid, Ms. Yalini Easvaralingam, Mr. Manivanan Saman and many more) who provided valuable suggestions and ideas for my research. In addition, special thanks go to all the lecturers on my Master's Degree who taught me and strengthened my knowledge in a range of related fields.

Last but not least, heartfelt thanks to my beloved family members, friends and classmates, who have constantly supported and encouraged me from the beginning of my journey in post-graduate study.

Du Qianlan

14th November 2013

DECLARATION

"I hereby declare that this research project is of my own effort except for those summaries and information of which the sources are clearly specified"

14th November 2013

Du Qianlan

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Chapter I

Introduction

1.0 Chapter Summary

Chapter one begins with the background to the research. The development of mobile commerce (m-commerce) and the mobile shopping industry in Malaysia and its implications are described in this chapter. The research problems are also identified and discussed, followed by the research objectives. The significance of the research, scope of the study, assumptions and limitations are then presented. The last section contains an outline of every chapter of this research.

1.1 Background to the Study

The term electronic commerce (e-commerce) broadly covers electronic business through the use of the internet and other electronic tools to enable a company, suppliers, customers and partners to use e-business to share information, create inter-enterprise e-business processes, or improve production, inventory, distribution, funding or and other aspects of efficiency (Alam, S, 2011). E-commerce has revolutionized business since it first gained prevalence in the 1990s. As a result, it has had a major impact on people's daily lives and changed the lifestyles of many people. It has also brought significant changes to competitiveness and the structure of businesses.

In recent years, the tremendous growth in the use of the internet and in the number of mobile phone users has resulted in an extraordinary growth of mobile commerce (m-commerce). With the development of ever bigger and better wireless communication technologies, mobile commerce (m-commerce) is now seen as a new business model and platform that will have a similar, if not even bigger, impact on business communities and industries than e-commerce (Feng, et al., 2008).

Many researchers have described mobile commerce (m-commerce) as an extension of e-commerce, in which the transactions of businesses are conducted in a mobile environment using mobile devices. They define mobile commerce (m-commerce) as any activities related to commercial transactions conducted by wireless or mobile communications networks (Tiwari and Buse, 2007). Wireless and mobile devices include handphones, personal digital assistants (PDA), laptops and so on. Prior to the development of m-commerce, e-commerce depended on costly infrastructure and equipment such as computers and fixed line networks. m-commerce offers more ubiquity and accessibility to users than e-commerce. The accessibility of m-commerce is an advantage over e-commerce, as e-commerce applications usually need a wired end-user device. Since mobile devices are small in size and light in weight, they are also easy and convenient for users to carry around with them (Yeh,Y.S. and Li, Y.M., 2009). Given that mobile devices are usually owned by individuals and not shared between different users, m-commerce allows the services to meet users' needs.

As the popularity of this technology grows, so have fancy varieties of m-commerce services, which have made possible the use of advanced mobile phones for mobile shopping, mobile banking, booking, ticketing, making

payments, and conducting other kinds of online banking transactions. m-commerce allows customers to shop at any time and in any location (Zhou, 2011). It provides consumers with a lot of advantages and benefits; and hence is seen as an emerging and useful marketing tool, especially in the new economy (Dignum, 2009).

1.2 The Virtual Grocery Store

With m-commerce becoming the fastest growing area of retailing, a new type of virtual grocery store is emerging. The virtual grocery store is simply "an interactive storefront' which allows smartphone users to purchase products by scanning the barcodes of products displayed on their screens (BBC, 2012). This new type of virtual grocery store can help time-pressed commuters shop on the go using their smartphones. Virtual shops are also a good way of prompting people to spend even more, using their phones. Anyone can order online using their smartphone now. But the key advantage of m-commerce is that it combines both an advertising tool that can prompt an order and a more convenient way of ordering.

1.2.1 The Virtual Grocery Store Structure and Working Principles

The virtual grocery store is an electronic screen display of shelves stocked with products, each with their own barcode. Using a dedicated phone app, a customer can scan the barcode with their smartphone, add the products to their virtual cart and then choose a delivery time. They will then get the products delivered to their homes at the chosen time. Some of these screens

can be swiped (by sliding fingers across the screen), while others cannot. Such screens can be found in subway stations, bus stations, and even in airports (Simpson, 2013). Figure 1-1 shows how a virtual grocery store works:

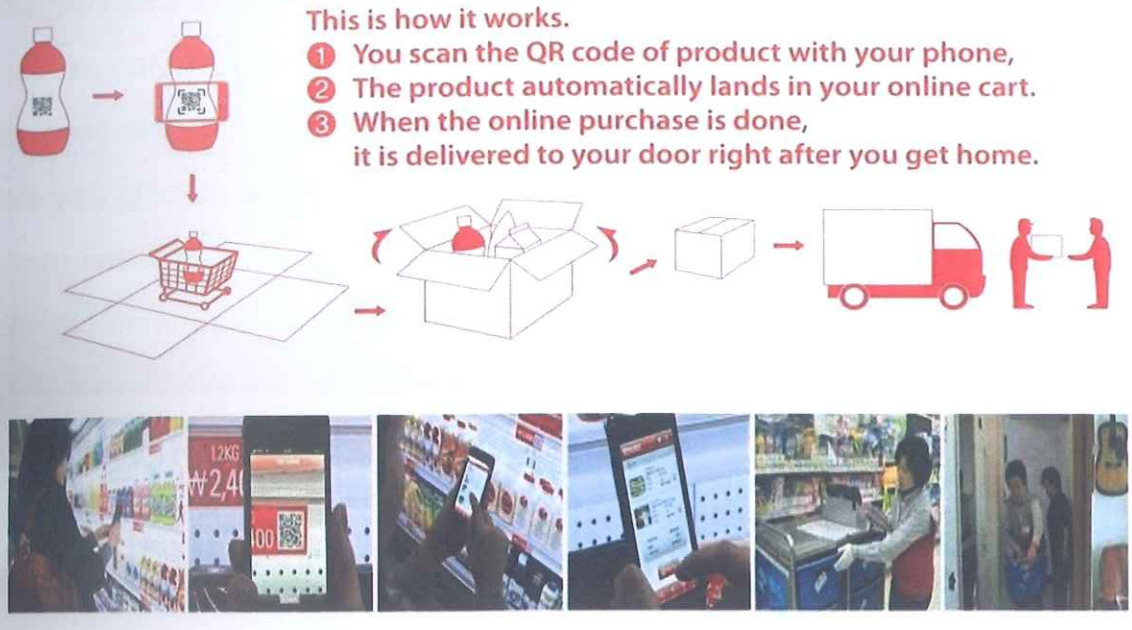

Figure 1-1: How a Virtual grocery store works

(Source: BBC, 2012)

1.2.2 The Development of the Virtual Grocery Store

Today, mobile commerce (m-commerce) is rapidly becoming an established part of an integrated, multi-channel retail strategy. In fact, experiments with virtual grocery stores are springing up all over the world (Scan life, 2013).

In 2011, the world's first virtual grocery store was opened by Tesco Homeplus in the Seoul subway, South Korea, to provide time-pressed customers the ability to use their smartphones to shop on the go. Over 500 of the most popular items available in Tesco are displayed virtually on the screen doors of

subway stations and pillars, and commuters can scan the barcodes with the Homeplus app on their smartphones and get the chosen products shipped right to their doorsteps (see again Figure 1.1). In that same year, nearly one million Tesco apps were downloaded, and it is now the number one shopping app in Korea (Irene Lam, 2012). According to Kwon Ki-Duk (2011), the success of virtual stores in South Korea is due to the fact that South Koreans are very quick to adapt to new technology. However, she added that the virtual store business model has not yet replaced physical supermarkets, because South Koreans still prefer to see and touch items before they buy them.

One of the few companies inspired by Tesco's success in launching a pop-up store in the subway in Seoul, South Korea, was leading U.S. internet grocer Peapod.com. They launched more than 100 virtual grocery stores at commuter rail stations in Boston, New York, Philadelphia, Washington D.C. and Chicago – the first of their kind in the US. In 2012, Peapod.com COO Mike Brennan pointed out that the success of virtual stores in the US can be attributed to the fact that consumers can get groceries on their way home from work. Consumers take advantage of virtual stores and the related mobile apps while on the move, and as a result can enjoy the time saved when they are at home.

Another company in Canada, Well.ca, has been following suit, believing that this is the future of the shopping industry. Ali Asaria, the founder of the retail outlet, said in 2012 that 34% of consumers purchase products online in Canada. Virtual stores could be a hugely cost-effective way to reinvent the whole shopping experience.

This concept of the virtual store has created a kind of wave in the retail industry. Some retailers are already on the way to grabbing their share of the