INTI INTERNATIONAL UNIVERSITY

MASTER OF BUSINESS ADMINISTRATION

THE EFFECTS OF SHOPPING ORIENTATIONS ON ONLINE PURCHASE INTENTION IN MALAYSIA

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Abstract

There are about 17.7 million internet users in Malaysia which accounts for 60.7% of the total Malaysian population. Among the e-commerce, online shopping is a potential and growing industry in almost every nation includes Malaysia. However, Malaysians are relatively reluctant to shop online which compared to other countries. Moreover, there is quite limit research about the effect of shopping orientations on the consumer online purchase intention has been done by other researchers in Malaysia. Based on these, this research aims to reconfirm the reasons why some Malaysian internet users refuse to purchase products/services online. Also it seeks to assess the effect of shopping orientations on online purchase intention in Malaysia. Besides, it aims to assess which shopping orientation has the greatest impact on online purchase intention in Malaysia. Results of findings show that security concern and privacy concern are main concerns for Malaysian internet users refuse to shop online. All the five shopping orientations which are impulse purchase orientation, quality orientation, brand orientation, shopping enjoyment orientation, and convenience orientation are positively related to online purchase intention. In addition, convenience orientation is found that has the strongest influence on consumer online purchase intention in Malaysia.

Keywords: Online Shopping, Shopping Orientation, Online Purchase Intention, Malaysia
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Declaration by Candidate

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.

Zhu Jia
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List of Abbreviations

SO     Shopping Orientations
OPI    Online Purchase Intention
IPO    Impulse Purchase Orientation
QO     Quality Orientation
BO     Brand Orientation
SEO    Shopping Enjoyment Orientation
CO     Convenience Orientation
CHAPTER 1: INTRODUCTION

1.0 Chapter summary

This research's main objective is to examine shopping orientation's effect on customers' online purchase intention in Malaysia. Also it will reconfirm the reasons why some internet users refuse to purchase products/services online. This chapter firstly introduces the background of the study and the internet history. It also introduces the increase of internet users in the whole world. Moreover, it describes the global electronic commerce's (e-commerce) development and trends. Additionally, the research problems will be presented in this chapter. Research questions and objectives are derived from the problem statement. Significance of the study is suggested with limitations and scope of the study. Last but not least, the outline of this research is introduced.

1.1 Research background

1.1.1 History of the Internet

The definition of internet is the individual networks’ interconnection in the whole world. It is used by industry, government, and private parties. It is with the increase in the usage of computers in 1950s and 1960s that the history of the internet began. In the beginning, the internet was mainly used to link laboratories which were employed in government research centers. Then the internet began to expand to serve global internet users from 1994. The internet also began to be used for a lot of other reasons, for example expanding the scale of business, establishing virtual communities, and so on (Internet World States, 2011). With the development of internet, more and more people in the global began to use it. According to the Internet World States (2011), in 1995, the number of internet users in the whole world rose to 16 million. By the year 2013, the internet users...
in the whole world increased to 2,749 million which is a significant improvement.

In Malaysia, the internet’s history began in the year of 1995. Since 1996, internet users began to grow in line with the economic and social development of Malaysia (Paynter and Lim, 2001).

1.1.2 Growth of Internet users and Internet usage

Today, the internet has become a necessity or an important part of people’s daily activities. The internet has become one of the channels of communication for government, universities, businesses or personal use. In 2013, it is reported that there are 2.7 billion people using the Internet. The internet users accounts for about 39% of the total population in the whole world.

Figure 1.1: The World Internet Users by Geographic Regions - 2013
(Source: Patel, 2013)

According to Figure 1.1, the largest group of internet users is in the Asia region. Figure 1.1 shows that Asian internet users account to be 44.8% of the world internet users. The most important reason for it to become the largest group of internet users is it has the highest population by comparison with other countries.

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However, the North American region has the highest penetration rate of internet users. Its penetration rate is 78.6% (Figure 1.1). That means in North America, 7 out of 8 people had access to internet. This shows that the Americans are more exposed to the international trends.

The number of internet users has been increasing in Malaysia. In 2013, there were almost 17.7 million internet users in Malaysia. According to Soh et al. (2013), the total population in Malaysia in 2013 was 29 million. That means the internet penetration rate is around 60.7%. The number of internet users in Malaysia has significantly increased compared to previous years. For example, in 2010, the total quantity of Malaysian internet users was only 3.7 million (Internet World Stats, 2011). In 2013, there were 16.9 million people using the internet in Malaysia (Penh, 2013). From these statistics, it shows that the number of Malaysian internet users is on the rise. The internet penetration rate also increased significantly. However, compared to the North America region, the internet penetration rate is still very low in Malaysia.

1.1.3 The impact of internet to the development of business

As discussed, internet usage has grown rapidly throughout the whole world and internet users use the internet to purchase products, services and search for information. Gradually, this has become a way of life (Albarq, 2006). Nowadays, more and more small and medium-sized enterprises (SEMs) use internet for their business solutions. The number is increasing and these companies want to use the internet to enhance their profitability and make it one of the key tools for success (Johnston, Wade and McClean, 2007).

In fact, electronic marketing channels based on the internet mainly involve three types of approaches. They do business on the World-Wide-Web (WWW), electronic distribution, and online shopping (Rosenbloom, 2004). With the
world's development of the internet and the increase of web users, a lot of companies have done some changes to how they do their business. More and more companies do not use traditional physical stores. They expand to online stores, such as E-commerce website.

E-commerce is a kind of business model. It is also a segment of a larger business model. According to Investopedia (2003), it makes a company or individual deal with business through the network, typically the internet. It is a potentially growing business for today's market. The electronic payment system provides opportunities for a new model and national trading relationships (Paynter and Lim, 2001). This has led to an increase in e-commerce sales globally. In 2013, it increased by 17% worldwide – the exact sales being about 1.2 trillion. The Asia-Pacific region contributes a lot towards the growth of e-commerce compared to other regions. The B2C E-commerce sales of Asia-Pacific region increased from $315.91 billion in 2012 to $388.75 billion in 2013. China and Indonesia are leading the regions’ growth. North America is still the most mature e-commerce market. It is the largest e-commerce driver in the world. The sales increased from $373.03 billion in 2012 to $419.5 billion in 2013 (Andracic, 2013).

In Malaysia, E-commerce also developed a lot in past few years. More and more companies have begun to use the internet as their business solution. Figure 1.2 below shows the milestones of e-commerce in Malaysia. According to the figure, e-commerce in Malaysia began to become popular since the year 2011. In 2011, there were more foreign e-commerce firms entering the Malaysian market (Wong, 2013). The stable economic and well-equipped infrastructure of the Malaysian market attracted a lot of businessmen. The well-equipped infrastructure includes internet, online payment facilities and so on. All of these contributed to the development of e-commerce. According to Business circle

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(2013), Malaysia has a good environment for e-commerce’s development in the future.

Figure 1.2: Milestones of e-commerce in Malaysia
(Source: Wong, 2013)

1.2 Problem statement

1.2.1 Different from traditional consumer behavior

The consumer behavior of Web-shopping is different from traditional consumer behavior. Therefore, in the case of those internet marketers, it is important to explore the factors that influence consumer online purchase intention (Kwek, Tan and Lau, 2010).
Some researchers have explored what determines customer online purchase intentions. These determinants include impulse purchase orientation (Zhang et al., 2007), quality orientation (Gehrt et al, 2007), brand orientation (Moye, 1998), shopping enjoyment orientation (Vijayasarathy and Jones, 2000) and convenience orientation (Shim and Kotsiopoulos, 1993). These determinants will be explained in the literature review.

As a new form of shopping style, which is different from traditional consumer behavior, and based on the previous researches, it is important to explore shopping orientation’s effect on consumer online purchase intention in Malaysia. Web-retailers need to understand online shoppers’ purchase intention very well. Based on this, they can attract new customers and retain current consumers through developing effective and efficient online shopping orientations.

1.2.2 Lack of research

In fact, there are some researchers who have explored shopping orientations and online purchase intention’s relationship in other countries (Brown, Pope and Voges, 2003). One research shows that the effect of shopping orientation on intention to shop online can be different for different kinds of products (Vijayasarathy, 2003). Research conducted by Seock (2003) shows the relationship of one’s shopping orientation with the intention to buy products or services can be different for every distribution channel.

Some models of online shopper behavior such as online pre-purchase intentions models (Shim et al., 2001) and TAM (technology acceptance models) (Davis et al., 1989) have appeared in the extent literature. Different culture may have different consumer behavior, which means that the consumers in different countries with different cultures may have different consumer behavior. As a result, it cannot be confirmed whether the findings which were researched in