

FACTORS INFLUENCING CUSTOMER SATISFACTION
IN E-COMMERCE PLATFORM: A STUDY OF SHOPEE
MALAYSIA

BY

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the degree of Master of Science (Marketing)

Kulliyyah of Economics and Management Science
International Islamic University Malaysia

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ABSTRACT

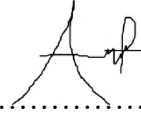
Customer satisfaction is crucial to every e-commerce business. In previous studies, customer satisfaction was discovered as vital to a company's performance. Some studies have shown that the customer becomes dedicated to a company when they are satisfied with its products or services. A happy customer often performs a repetitive purchase with the company. As in developing countries like Malaysia, the e-commerce business is increasing. Due to extreme competition, many e-commerce companies are trying their best to provide excellent services to satisfy customers. Satisfied customers could contribute to customer retention and success for a company. Shopee is the number one e-commerce platform in Malaysia as of quarter four of the year 2020. Thus, this study was developed to investigate website design, security, product variety, delivery service, payment method, product quality, and return policy as influencing customer satisfaction in Shopee Malaysia e-commerce platform. Besides, the instruments of this study were adapted from previously established studies. The data were collected through social media and social networks platforms such as Facebook, Instagram, WhatsApp, and Telegram. A total of 160 samples were collected and utilized for data analysis. The analyses performed in this study were descriptive analysis, reliability and validity analysis, exploratory factor analysis, and multiple regression. The result shows that from the seven proposed variables, only five variables (security, product variety, delivery service, product quality and return policy) positively correlated with customer satisfaction in the Shopee Malaysia e-commerce platform. Website design and payment method were found insignificant in the study. The study's findings will contribute to the academic references and e-commerce companies to grow customer satisfaction in their business.

مُلخَصُ البَحْث

إن رضا العملاء أمر بالغ الأهمية لكل أعمال التجارة الإلكترونية. وفي الدراسات السابقة، تم اكتشاف أن رضا العملاء أمر حيوي لأداء الشركة. لقد أظهرت بعض الدراسات أن العميل يصبح مكرسًا للشركة عندما يرضى عن منتجاتها أو خدماتها. غالبًا ما يقوم العميل السعيد بإجراء عملية شراء متكررة مع الشركة. كما هو الحال في البلدان النامية مثل ماليزيا، تتزايد أعمال التجارة الإلكترونية. بسبب المنافسة الشديدة، تتنافس العديد من شركات التجارة الإلكترونية لتقديم خدمات ممتازة لإرضاء العملاء. يمكن للعملاء الراضين أن يساهموا في الاحتفاظ بالعملاء وتحقيق النجاح للشركة "شوبي". وهي منصة التجارة الإلكترونية الأولى في ماليزيا اعتبارًا من الربع الرابع من عام 2020م. بالتالي، تم تطوير هذه الدراسة للتحقيق في تصميم موقع الويب والأمان وتنوع المنتجات وخدمة التوصيل وطريقة الدفع وجودة المنتج وسياسة الإرجاع باعتبارها مؤثرة رضا العملاء في منصة التجارة الإلكترونية "شوبي" الماليزية. إلى جانب ذلك، تم تكييف أدوات هذه الدراسة من دراسات سابقة الإعداد. تم جمع البيانات من خلال وسائل التواصل الاجتماعي ومنصات الشبكات الاجتماعية مثل فيسبوك وإنستغرام ووتساب وتلغرام. كما تم جمع عدد من 160 عينة واستخدامها لتحليل البيانات. التحليلات التي أجريت في هذه الدراسة هي التحليل الوصفي، وتحليل الموثوقية والصلاحية، وتحليل العوامل الاستكشافية، والانحدار المتعدد. تظهر النتيجة أنه من بين سبعة متغيرات مقترحة، هناك خمسة متغيرات فقط (الأمان، وتنوع المنتجات، وخدمة التوصيل، وجودة المنتج وسياسة الإرجاع) مرتبطة بشكل إيجابي برضا العملاء في منصة التجارة الإلكترونية "شوبي" الماليزية. وتم العثور على تصميم الموقع وطريقة الدفع غير مهمين في الدراسة. ستساهم نتائج الدراسة في المراجع الأكاديمية وشركات التجارة الإلكترونية لزيادة رضا العملاء في أعمالهم.

APPROVAL PAGE

I certify that I have supervised and read this study and that in my opinion, it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a dissertation for the degree of Master of Science (Marketing).



.....
Amirah Ahmad Suki
Supervisor

I certify that I have read this study and that in my opinion it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a dissertation for the degree of Master of Science (Marketing).

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DECLARATION

I hereby declare that this dissertation is the result of my own investigations, except where otherwise stated. I also declare that it has not been previously or concurrently submitted as a whole for any other degrees at IIUM or other institutions.

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In the name of *Allah*, The Most Compassionate, The Most Merciful. Alhamdulillah, all praise be to *Allah*, the Most Gracious and the Most Merciful. May His Peace and Blessings be upon our beloved Prophet Muhammad Sallallaahua'laihiwassallam and upon his family, his companions and all his followers after him. My utmost thanks to *Allah* for His Blessings and for granting me the persistence and the endurance to complete this dissertation successfully.

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CHAPTER ONE

INTRODUCTION

1.1 STUDY BACKGROUND

The Internet has gradually become a part of people's daily life. In this sense, their lives are made quicker, more accessible and more comfortable when they use the Internet properly. The Internet provides individuals with data, facts, information, and knowledge for personal, social, and economic growth. The rise of e-commerce is an example of the changes and developments in how people are doing and involved in business nowadays. According to Omar and Anas (2014), e-commerce refers to the practice of distributing, purchasing, selling, promoting and servicing a product or service over the Internet. In this matter, a transaction can be carried out anywhere and anytime; simply by clicking the mouse (Vince Brown, 2006). As the retail market has been transformed by online shopping, consumers are able to skip a long street trip, as they can now order what they need from their computers, tablets or mobile phones. Not even that, e-commerce also focuses on business practices such as knowledge sharing, promotion of business goods, customer care, and other related activities through electronic media (Hashim, 2009). Hence, e-commerce is known as a framework designed to make it simpler for users to perform everyday business, regardless of their position; either as manufacturers, managers, consumers, customers, or others (Kleinrock, 2008).

As online shopping in Malaysia is proliferating, customers can purchase from varying digital media business platforms or e-commerce platforms (Johan et al., 2020). Moreover, e-commerce is beneficial to someone who is concerned with a transparent and efficient business besides being cost-effective and time-saving (Park, 2010). To explain, e-

commerce is a method of business transaction that employs digital information processing and electronic communications over the Internet to automate and redefine relationships between or among businesses, as well as between companies and individuals, to generate value (Kaur, 2011). According to Javadi et al. (2012), online retailers have many advantages over physical stores, especially in terms of convenience, time efficiency and practicality, coupled with the elimination of travelling and queue waiting. Besides, they are also always available and accessible anywhere and anytime. These online stores provide customers with free and useful products, as well as service information. In addition, they have continuously provided specific online tools to help customers in comparing and buying various products or services.

The Internet is gaining prominence in Malaysia because it is a computer-generated space where people can express their views, shape communities, democratically form the forthcoming and foster a new path of doing business (Paynter & Lim, 2001). The Internet is the world's leading shopping centre, allowing companies to do business at low cost while also attracting a worldwide audience (Paynter & Lim, 2001). According to Syed et al. (2007) and Santos and Peffers (1998), with the impact of rapid global technological development, developing countries in the region, especially in the region's developing countries, have been slow to embrace new technology such as e-commerce, like Malaysia. Hence, the Malaysian government is committed for establishing infrastructures and making it to be widely available by incorporating e-commerce technology in the industrial and commercial areas (Omar & Anas, 2014). Furthermore, the government also focuses on building a favourable ecosystem for the country to embrace opportunities and establish a positive business environment through the National Fourth Industrial Revolution (4IR) Policy (Economic Planning Unit, 2021). According to the Economic Planning Unit (2021), the National 4IR Policy, which is accompanied by national and sectoral efforts, has aimed

to benefit three major beneficiary groups, one of which is businesses. Through businesses, the private sector plays a significant role in catalyzing the national 4IR agenda by carrying a responsible and sustainable approach in distributing goods and services by the means of entrepreneurial ventures, roles, operations and facilities to address socio-environmental challenges (Economic Planning Unit, 2021). Additionally, private sector players could utilize the 4IR's platforms, ecosystems and digital marketplaces to co-create and cooperate in new partnership models that would invest in innovation and embrace digital solutions (Economic Planning Unit, 2021). As a result, there are several e-commerce platforms available in Malaysia at the moment, which one of them is known as Shopee. Shopee Malaysia has been listed as one of the top 10 e-commerce sites in Malaysia since its launch in 2015, followed by Lazada Malaysia, PG Mall, and Zalora (Müller, 2021). Thus, this is an exciting topic for the researcher, especially in conducting a study on Shopee Malaysia's successful e-commerce platform that has successfully grown rapidly.

This study is being conducted to further understand the factors influencing customer satisfaction on the e-commerce platform, focusing on Shopee Malaysia. Shopee Malaysia is currently the number one e-commerce platform, for which it holds the most significant market share (83 percent) among respondents in the study conducted by Blackbox Research International (Aprameya, 2020). Hence, this study will explore the factors that influence customer satisfaction in Shopee Malaysia e-commerce platform. The use of seven variables (i.e., website design, security, product variety, delivery service, payment method, product quality and return policy) in this study is meant to identify if the listed variables would positively impact customer satisfaction in the Shopee Malaysia e-commerce platform.

1.1.1 The background of Shopee Malaysia

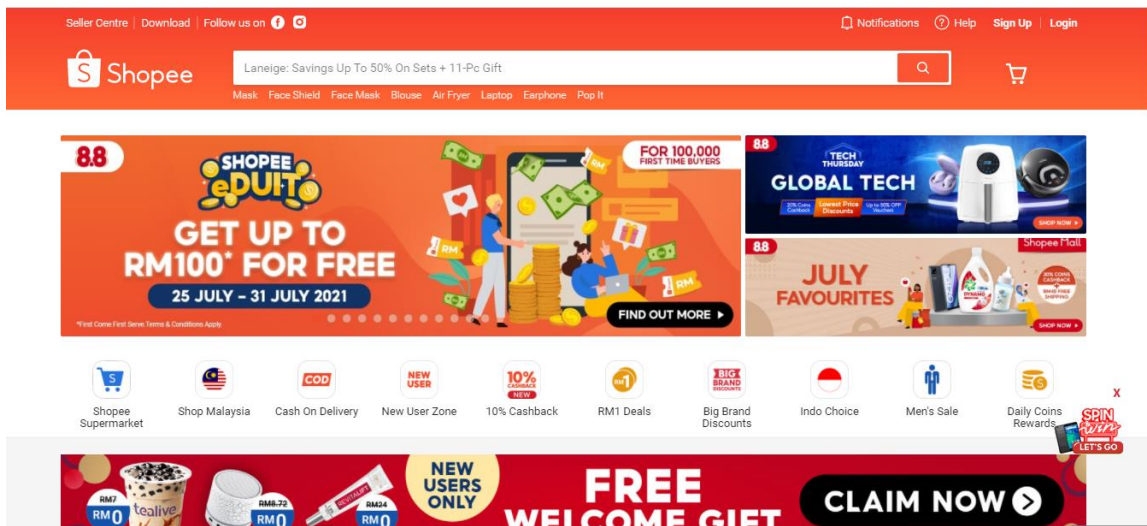


Figure 1.1.1 Shopee Malaysia main page.

Shopee has been in operation since 2015 and has expanded to seven other nations (Abdullah et al., 2020). In this context, they have continuously expanded their horizon and penetrated each market with expanding hyper-localization based on a new culture, native language, and technological advancements (ICDL Asia, 2019). Shopee is just like a supermarket, but it does not have stores that operate physically (Abdullah et al., 2020). To add, Shopee is also considered as an online shopping platform where local or worldwide independent merchants or authentic brand vendors offer physical and digital products from all over the world (Shopee Mall). In 2015, Shopee has opened its doors in Malaysia, with 501 to 1000 staff (Nee, 2017). According to The Sun Daily (2018), Shopee is rated second among Malaysia's top 50 e-commerce companies in terms of average quarterly traffic, social media followers, mobile app rankings, and workforce count. Shopee Malaysia e-commerce platform has offered various services, including logistics and customer assistance, safe payment methods, shopping, and seller chat (Ching, Hasan & Hasan, 2021). Besides, this

online shopping platform also has allowed shoppers to purchase at any time and from any locations, with varieties of mall and marketplace businesses giving the best prices and discounts (Shopee, 2019). In addition, the Shopee Malaysia e-commerce platform's monthly visitor rate was 12,330,200, ranking second only to Lazada and ahead of online competitors such as 11th Street, Lelong, Zalora, eBay, and others (iPrice, 2018). In 2020, Shopee was Malaysia's number one e-commerce site, with monthly visitors of about 47.33 million, the highest in the country as of the fourth quarter of 2020 (Müller, 2021).

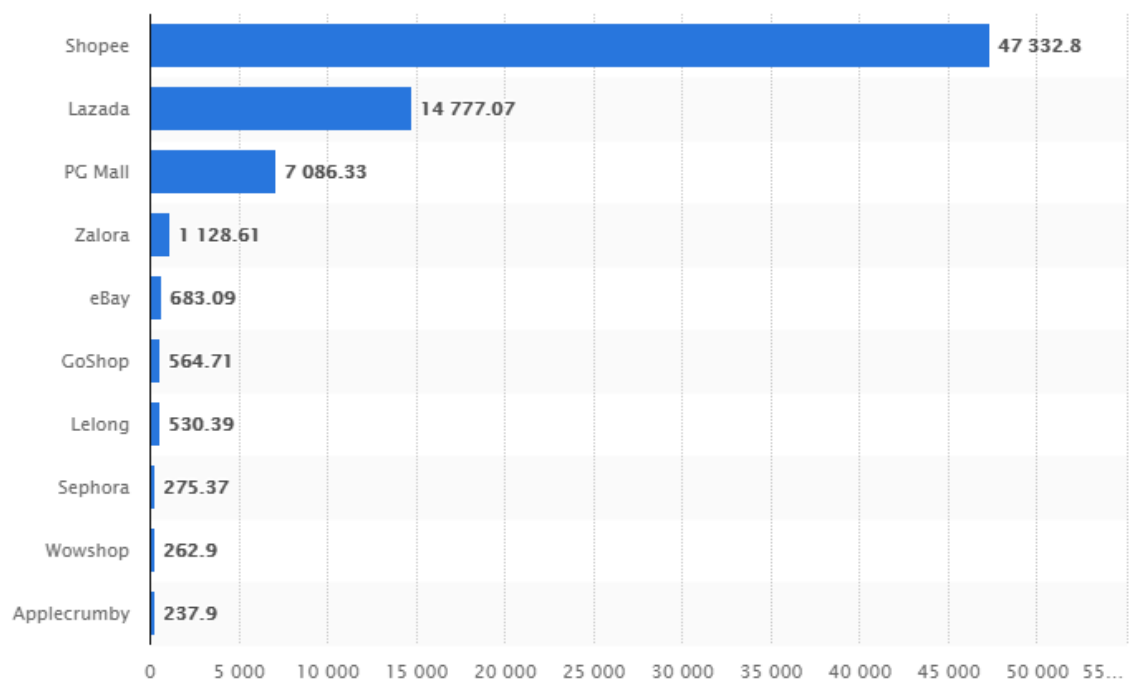


Figure 1.1.2 Top 10 e-commerce sites in Malaysia as of 4th quarter 2020, by monthly traffic (in 1,000 clicks)
Source: (www.statista.com)

1.2 PROBLEM STATEMENT

According to Aprameya (2020), Malaysia's e-commerce business is worth \$4.3 billion and is anticipated to go above \$8.1 billion by 2024, with a compound annual growth rate of 14%. E-commerce has become more popular since it was introduced in Malaysia. Despite

the excitement of patronizing the e-commerce platform, some issues were reported among Malaysians about their unhappiness with the e-commerce experiences. According to a recent global study, Malaysians are primarily satisfied with their e-commerce platforms and businesses, although they believe that more could be done to improve them (Choong, 2020). According to Birruntha (2020), approximately half of Malaysian customers, or 43% of them, are unhappy with their online shopping experiences. Holbrook and Hirschman (1982) have come up with the term "customer experience," claiming that customers' perceptions of value and demand have contributed to only a significant customer behaviour subset. According to the previous research findings, Vakulenko et al. (2019) have stated that customer experience is an aspect of customer and company interaction. Therefore, it is partly influenced by the customers' perceptions of a firm's customer experience management's performance (Vakulenko et al., 2019).

Furthermore, among e-commerce businesses, Shopee Malaysia has emerged as the best business platform, specifically in terms of matching brand usage and brand satisfaction; as mentioned in the results of a survey entitled "Into the Light: Understanding What Has Changed for Asean Consumers during Covid-19" (Birruntha, 2020). Based on the survey, Shopee has a total of 83 percent market share with the second-highest customer satisfaction rating after Grab (Birruntha, 2020). Although Malaysians have generally enjoyed using Shopee, the responses and feedback to Grab and Lazada have demonstrated that market size does not necessarily correspond with customer experience, since its expansion often comes at the price of an improved customer feedback (Birruntha, 2020). Any platform, including Shopee, needs to be mindful on this matter because customer perception would shift instantly if the service quality worsens (Choong, 2020). If Shopee's service quality deteriorates, its popularity would begin to wane; highlighting the undeniable need for platforms to remain vigilant (Choong, 2020).

Moreover, several studies have identified the critical factors impacting customer satisfaction in e-commerce platforms, including website design, security, product variety, delivery service, payment method, product quality, and return policy. To explain, website design has a significant impact on online satisfaction, in which it has evolved into one of the essential factors in e-commerce businesses (Szymanski & Hise, 2000). To relate, the lack of confidence in e-commerce websites in Indonesia has been regarded as a barrier to their development, as there are many frauds and scams practiced in the country (Dhanuwardoyo, 2013). Based on Boston consulting group's survey from 2002, it is found that 41% of internet shoppers would stop using online shopping websites once a transaction went wrong. Next, according to Subramaniam and Andrew (2016), one of the most common strategies used by e-service providers to enhance trust is to present security and privacy seals on their websites, as described in the online shopping literature. This is due to the fact that security and privacy issues have a direct impact on e-commerce trust (Pi, Liao, & Chen, 2012), as well as the immediate impact on the satisfaction of security and privacy issues (Vasic et al., 2019; Wang & Le, 2015; Ludin & Cheng, 2014; Liu, He, Gao & Xie, 2008). Not even that, Bertozzi and Krishnan (2017) have also stated that privacy improves consumer satisfaction in B2C e-commerce. Consequently, a breach of a customer's privacy could lead to disloyalty (Mpinganjira, 2014). In this context, disloyal customers would have a higher tendency to switch from one company to another, which makes them somehow unreliable for the company in question (Reichheld & Scheffer, 2000).

Furthermore, due to the Internet's accessibility and capacity to locate niche products and services, consumers have expected online shops to offer a wide range of product variety (Jarvenpaa & Todd, 1996). This shows that customer attraction and market competitiveness are aided by product variety (Ramdas, 2003). Additionally, the number of stock-keeping

units (SKUs) accessible may also influence customer satisfaction and ratings of the online purchasing experience (Thirumalai & Sinha 2011). Based on UPS customer experience's study, which is a report that analyses e-commerce opinion, including mobile trends, social media impact and the integrated buying experience of shopping in physical stores and online (ComScore, 2013), customers would like to have more possibilities when shopping online, for instances; to have more control about when their purchases are delivered and a simple return process. Next, the success of an e-commerce business is also determined by the suppliers' ability to deliver the product efficiently regardless of the customers' location (Rajendran et al., 2018). Furthermore, it is deemed compulsory for e-commerce businesses to ensure that the critical item is delivered securely to the consumer's address and with no delays that are usually caused by inefficient delivery services. According to Liu et al. (2008), postponing the delivery of an item could have a detrimental effect on the success of an e-commerce business. Recently, Shopee has confirmed that their basic service of type function would be updated, allowing the online shopping platform to automatically choose the optimal delivery channels for purchases placed on their site (Balachandar, 2021). Consequently, customers were dissatisfied with the adjustment and had expressed their disappointment in Facebook comments' columns; emphasizing on the significance of having options when it comes to selecting a delivery service, especially because they pay for it and want consistent results (Balachandar, 2021).

When questioned in 2018, almost 45 percent of Swedish customers had cancelled an online purchase in the previous three months, according to a study done by Svensk E-Handel (Scherling & Antinoja, 2019). The price that is too high, including shipping fees and payment issues, for instance; either the merchants do not accept the selected payment method or the payment procedure is not working well, are among the common causes for order cancellations (Svensk E-Handel, 2018). Next, an online store's offline attributes

usually include product quality and delivery service (Ahn, Ryu, & Han, 2004). One of the most typical complaints about online shopping is that the product descriptions that are made on the website do not match with the quality of the item when it arrives (Handoko, 2016). In this sense, product quality is critical in e-commerce in order to preserve customer satisfaction and loyalty, while at the same time, avoiding the risk and cost of fixing faulty products (Handoko, 2016). Handoko (2016) has added that people would not buy an inferior or poor-quality product from the company that manufactures it. Furthermore, particularly in the e-commerce business, buyers may rapidly switch to a more agile competitor if they locate a comparable functioning product at a lower price with higher quality (Handoko, 2016).

Offline requirements such as timely deliveries, order revisions, cancellations, returns, or refunds must be fulfilled and satisfied because these services significantly impact customers' perceptions of Internet shopping (Kim et al., 2012). To relate, multiple studies have identified four critical drivers of customer satisfaction in the online shopping contexts, with delivery and refund services coming second only to website quality and ahead of product information and variety (Chintagunta et al., 2012; Cao and Li, 2015). Doodle (2020), a major global e-commerce solutions provider that designs, develops, and integrates consumer fulfilment and returns technologies, has released the findings of a poll to determine the importance of the e-commerce returns experience to customers. In May 2020, a survey among around 1,400 Americans was conducted by Doodle (2020). According to Doodle's research, in terms of their overall e-commerce experiences, consumers value returns as much as delivery and payment, for which it is found that 84 percent of the respondents have regarded the returns experience as essential in making their judgement on an online seller, whereas 83% have answered the same about delivery and payment, respectively (Doodle, 2020). It was also revealed that nearly three-quarters of

respondents (74%) have felt that returns experiences at stores could be improved (Doodle, 2020).

Furthermore, the bad services offered by the e-commerce companies might lead customers to form negative emotions towards the companies. Besides, negative emotions can cause customers to become disloyal or unsubscribe from the service (DeWitt et al., 2008). In this context, the impact of emotions on loyalty has been addressed by Affect Control Theory (ACT). When customers are not able to rebound from poor service, they share their feelings and take steps to reclaim their own identity (Chebat & Slusarczyk, 2005). Thus, customers can switch to other e-commerce platforms if Shopee Malaysia does not meet their expectations or dissatisfies them in specific ways. As the Shopee e-commerce platform is becoming popular nowadays among Malaysians, it is believed that customer satisfaction has played a vital part in the company's accomplishment. Besides, according to the previous studies, customer satisfaction is a crucial aspect in the e-commerce platform. Therefore, this study will focus on website design, security, product variety, delivery service, payment method, product quality and return policy that influence customer satisfaction in Shopee Malaysia e-commerce platform.

1.3 RESEARCH OBJECTIVE

A research objective specifies the purpose of the study, in line with what the researcher expects to accomplish in the study. From the research objectives, the researcher may get the idea of what would be achieved in the study. The population of interest, the independent variable and the dependent variable are all specified in the research objective. This research proposes two objectives, which consist of the main objective and a list of specific objectives.

1.3.1 Main Objective

The present study has looked at the factors that influence customer satisfaction in the Shopee Malaysia e-commerce platform. In particular, this study intends to see if the suggested factors of website design, security, product variety, payment method, product quality, delivery service and return policy (independent variables) significantly impact customer satisfaction (dependent variable) in Shopee Malaysia e-commerce platform.

1.3.2 Specific Objective

The present study intends to achieve the following objectives:

1. To investigate the impact of website design on customer satisfaction in the Shopee Malaysia e-commerce platform.
2. To investigate the impact of security on customer satisfaction in the Shopee Malaysia e-commerce platform.
3. To investigate the impact of product variety on customer satisfaction in the Shopee Malaysia e-commerce platform.
4. To investigate the impact of delivery service on customer satisfaction in the Shopee Malaysia e-commerce platform.
5. To investigate the impact of payment method on customer satisfaction in the Shopee Malaysia e-commerce platform.
6. To investigate the impact of product quality on customer satisfaction in the Shopee Malaysia e-commerce platform.
7. To investigate the impact of the return policy on customer satisfaction in the Shopee Malaysia e-commerce platform.

1.4 RESEARCH QUESTION

According to Strauss and Corbin (1998), a research question is a basic query that are meant to be answered by the research, which establishes the project's parameters and proposes data collection as well as analysis methods. Thus, the research questions for this study are as follows:

1. What is the impact of website design on customer satisfaction in the Shopee Malaysia e-commerce platform?
2. What is the impact of security on customer satisfaction in the Shopee Malaysia e-commerce platform?
3. What is the impact of product variety on customer satisfaction in the Shopee Malaysia e-commerce platform?
4. What is the impact of delivery service on customer satisfaction in the Shopee Malaysia e-commerce platform?
5. What is the impact of payment method on customer satisfaction in the Shopee Malaysia e-commerce platform?
6. What is the impact of product quality on customer satisfaction in the Shopee Malaysia e-commerce platform?
7. What is the impact of the return policy on customer satisfaction in the Shopee Malaysia e-commerce platform?

1.5 SIGNIFICANCE OF THE STUDY

The present study is conducted to learn about the factors influencing customer satisfaction in an e-commerce platform; focusing on Shopee Malaysia. The variables of this study have been selected following a review of previous literature works, in which the researcher has

analysed different publications concerning customer satisfaction in an online shopping context. Hence, the present study has indicated that customer satisfaction in the e-commerce platform is influenced by website design, security, product variety, delivery service, payment method, product quality and return policy. Customer satisfaction is not only critical to offline businesses, but it is also vital to the online shopping environment. However, there are limited studies of customer satisfaction in the online shopping context and the findings of this study would help future researchers to better understand the factors that influence customer satisfaction in e-commerce platforms, particularly in Malaysia. Besides, the factors discovered in this study would also support the previous works of literature and be used by students and academicians as an academic reference in studying the factors influencing customer satisfaction in the e-commerce platform in Malaysia.

Based on Global Data's E-Commerce Analytics, Malaysia's e-commerce market is projected to expand by 24.7 percent in 2020. In this matter, the demand is expected to be at MYR51.6 billion (US\$12.6 billion) by 2024, with a 14.3% compound annual growth rate (CAGR) in the middle of 2020 and 2024. The growth of the e-commerce platform has offered excellent opportunities for the economics of Malaysia. Apart from that, previous studies have also discovered customer satisfaction as an important element that has contributed to the success of online shopping businesses. Hence, understanding the factors that influence customer satisfaction in e-commerce platforms in Malaysia would be beneficial for all e-commerce companies. Thus, this study would contribute to the discovery of the factors that influence customer satisfaction in the e-commerce platform by focusing on Shopee Malaysia, a platform that is reported as having the most visited e-commerce website in Malaysia for the year 2020. As the present study is meant to evaluate the variables that would impact consumer satisfaction in the Shopee Malaysia e-commerce platform, the findings could be used as references for the Shopee organization itself in