

FACTORS THAT INFLUENCE MALAYSIAN CUSTOMERS'
INTENTION TO REPURCHASE THROUGH ONLINE
GROUP BUYING (OGB)

BY

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A dissertation submitted in fulfilment of the requirement
for the degree of Master of Sciences (Marketing)

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ABSTRACT

The aim of this research is to investigate factors that influence Malaysian customer's intention to repurchase using Online Group Buying (OGB). OGB is an e-commerce platform and it refers to group or collective buying where consumers combine their purchasing power in order to obtain significant volume discounts from retailers. Based on the Technology Acceptance Model (TAM) specifically, this study examines the influence of perceived usefulness and perceived ease of use with the additional variables - price, electronic word of mouth and perceived risk on consumers repurchase intention using OGB. Using survey questionnaire as its main instrument, 200 respondents who have experience using OGB had participated in the survey. Data was analysed using SPSS. The findings show that only perceived ease of use, electronic word of mouth and perceived risk have significant influence on consumers repurchase intention using OGB in the country. These empirical evidences provide insights for practitioners in particular the marketing managers of OGB platforms on how to better strategize in order to attract and sustain the customers.

خلاصة البحث

الهدف من هذا البحث هو التحقيق في العوامل التي تؤثر على نية العميل الماليزي في إعادة الشراء باستخدام نظام الشراء الجماعي عبر الإنترنت OGB. هي عبارة عن منصة للتجارة الإلكترونية التي تشير إلى الشراء الجماعي أو الجماعي حيث يجمع المستهلكون قوتهم الشرائية من أجل الحصول على خصومات كبيرة على الحجم من تجار التجزئة. استناداً إلى نموذج قبول التكنولوجيا (TAM) ، تبحث هذه الدراسة تحديداً تأثير الفائدة المتصورة وسهولة الاستخدام المتصورة مع المتغيرات الإضافية - السعر والكلام الإلكتروني الشفهي والمخاطر المتصورة على نية إعادة الشراء للمستهلكين باستخدام OGB. باستخدام استبيان المسح كأداة رئيسية ، شارك 200 مستجيب ولديهم خبرة في استخدام OGB في المسح. ثم تم تحليل البيانات باستخدام برنامج SPSS. تظهر النتائج أن سهولة الاستخدام المتصورة والكلام الإلكتروني الشفهي والمخاطر المتصورة لها تأثيرات كبيرة على نية إعادة الشراء للمستهلكين باستخدام OGB في الدولة. كما توفر هذه الأدلة التجريبية رؤى للممارسين ولا سيما مديري التسويق لمنصات OGB حول كيفية وضع استراتيجية أفضل من أجل جذب العملاء والحفاظ عليهم.

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 in (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.

Intan Naquiah Binti Md Noor

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CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

The e-commerce market in Malaysia presents a positive trend, with assigned RM 267.7 billion in 2018 contributing 18.5% to the national economy and shows that it is one of the fastest growing sectors in Malaysia (The Sun Daily, 2019). Furthermore, value added for e-commerce increased from RM 75.0 billion in 2016 to RM 85.8 billion in 2017 (Bernama, 2020). As a prediction, about 24% growth trend can be determine in 2021. The rise of 49% in Malaysian e-commerce amounting to US\$5 billion has been identified in 2020. Revenue of e-commerce is continues to increase and expand in Southeast Asia. The Compound Annual Growth Rate (CAGR is 19% from 2020 to 2024 (Ecommercedb.com, 2021).

E-commerce is one of the fastest growing sectors in Malaysia. Malaysia is 40th major marketplace with the profits of RM 5 billion in 2020 and substituting in worldwide view above New Zealand and Iran (Ecommercedb.com, 2021). Due to the drastic changes after pandemic in the e-commerce industry, the need to study new sector in the e-commerce industry that focused on a group of customer's known as online group buying (OGB). The development of the economy and society has facilitated healthy growth of the online group buying industry, particularly in the Malaysian market.

Group buying or collective buying is a situation where consumers combine their purchasing power in order to obtain significant volume discounts from retailers

(Cheng &Huang, 2013). The group buying pricing mechanism boost customers to combine their power in order to gain volume discounts from sellers (Kaufman & Wang, 2002). Consequently, online group buying (OGB) is considered to be focus on evaluating the reasonable focus on customer's buying behaviour and goals to understand the behavioural contexts.

OGB is a new platform of e-commerce, which give advantages to all parties in the process, as example suppliers, intermediaries, retailers and customers. Customers can buy the products and services at a lower price. Besides, retailers can sell greater volumes and attract more customers (Lau, 2011). Retailers can also ratify promotional platforms that provide quantity-based price reduction or free delivery to attract customers to buy the goods and services (Chen et al, 2002). Other than that, new start-ups can make use of OGB websites to advertise their product brand at lower cost. So, OGB can modify the way customers purchase goods and services online. Firms are able to open their business to a wider reach to potential customers without exception through the Internet.

The OGB websites such as MilkaDeal, Groupon Malaysia, MyDeal.com.my, Dealmates and every Groupon have become popular service in Malaysia. They are providing good discounts via electronic shopping (Al-Rahmi et al., 2019). The OGB websites are increasing day by day with the hope of earning more through online shopping. The e-commerce business in Malaysia continues for growing towards Southeast Asia regarding dynamic economy and technological development. E-commerce delivery has reached a total of \$4 billion growth worldwide. It is expected to reach RM 12.3 billion by 2024 (Malaysia – eCommerce, 2021). In 2019, the Malaysian e-commerce industry have signed the ASEAN agreement on Electronic Commerce as an intensive effort among 10 countries. It is also reduced the barriers in

terms of entry cost (Ministry of International Trade and Industry Malaysia, 2018).

Table 1.1 Key Digital Numbers in Malaysia 2020 Source: Simon 2020

Data	Statistics
Population	30.25 Million
Mobile subscriptions	40.24 Million
Internet Users	25.28 Million
Social Media Users	25.00 Million
Mobile Social Users	24.00 Million

Figure 1.1 shows that GDP has been changed and fluctuated. Basically, in 2020, the GDP was negative that is -5.65% due to Covid – 19 (Statista, 2021). The total income through e-commerce has increased every year from 2015 to 2018. It has also changed its pace after 2018 and continuously increasing the pace. Nonetheless, limited studies have been done on consumer’s buying repurchase intention on group buying websites especially in Malaysian context. Covid-19 has disrupted consumer payment as consumers are switching from offline to online purchasing. Closure of physical stores also has led to online shopping and thus, the market growth of e-commerce has been increased and improved. Therefore, there is a need to focus on promoting online shopping especially collective buying.

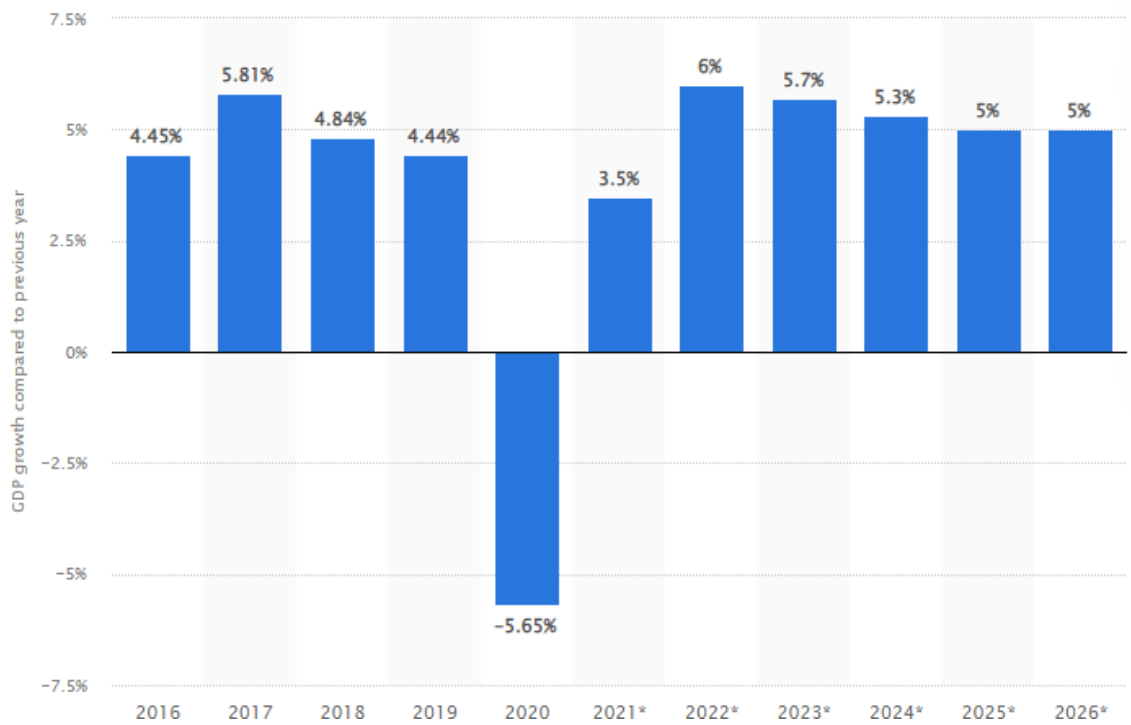


Figure 1.1 Growth Rate of the Real Gross Domestic Product (GDP) of Malaysia

Source Statista, 2021

This study aims to investigate factors that influence Malaysian customer's intention to repurchase through OGB. Without sufficient research of the group buying factors it is impossible to increase in the online group-buying product. This factor would bring negative consequences to the e-commerce industry as well as to the Malaysian GDP (Rahimi et al., 2018). Previous studies proved that easy buying, and discount in prices have influenced customers to buy products collectively using e-commerce in Malaysia.

1.2 PROBLEM STATEMENT

E-commerce is taking off in Malaysia. According to the Statistics Department of Malaysia, the e-commerce growth rate in Malaysia is expected to grow from the 10.6% in 2016 to 20% by 2020. The e-commerce industry faced the increasing of lifestyle change in shopping behaviour of Malaysian customers after the Covid – 19 outbreaks. In 2021, e-commerce usage has changed in the context of online product consumption growth in Malaysian context. With one of the highest internet penetrations in Southeast Asia at 85.7% and mobile penetration at almost 140% , Malaysia has become one of the fastest growing emerging e-commerce emerging markets in the region (Amrutha, 2020). Thus, the demand of using online group buying is high and is expected to increase.

Studies show that the demand on purchasing using online group buying is not only driven by the price, but also by other factors (Global Online Consumer Report, 2017). Moreover, it is evident that consumers in Malaysia in different locations and cultures tend to differ in their adherence to the key factors, which may affect their repurchase intention in using online group buying. Therefore, it is likely that consumers in Malaysia have their own factors that drive their repurchase intention in using online group buying.

Although price is key factor that consumers concerned the most, there are other factors that sway consumers' buying intention such as attitudes, reference groups and others (Chang, Lai & Wu, 2010). Furthermore, there are limited studies on consumer's buying repurchase intention on group buying websites especially in Malaysian context, but it is necessary to investigate factors affecting consumer's repurchase intention in this area.

Without comprehensive understanding of the factors that drive the market of the e-commerce industry, marketers would not be able to have effective

marketing tools to flourish in this industry. The absence of such understanding would leave negative consequences on this industry as well as the overall economy in the long term.

Previous studies elaborates that perceived usefulness, perceived ease of use, price, electronic word of mouth, and trust are key dimensions that influence customer's intention to repurchase using online group buying in developed countries.

However, there is a question whether these factors which have been identified in previous studies have similar impacts on customer's intention to repurchase using online group buying in developing countries such as Malaysia. This research intends to close this gap.

1.3 RESEARCH OBJECTIVES

In general, this study's research objective is to investigate factors that influence Malaysian customers' intentions to purchase through OGB. Specifically, the research objectives are:

- i. To determine the relationship between perceived usefulness and consumer's intention to repurchase using OGB.
- ii. To determine the relationship between perceived ease of use and consumer's intention to repurchase using OGB.
- iii. To identify the relationship between price and consumer's intention to repurchase using OGB.
- iv. To determine the relationship between electronic word of mouth and consumer's intention to repurchase using OGB.
- v. To determine the relationship between perceived risk and consumer's intention to repurchase using OGB.

1.4 RESEARCH QUESTIONS

- i. What is the relationship between perceived usefulness and consumer's repurchase intention using OGB?
- ii. What is the relationship between perceived ease of use and consumer's repurchase intention using OGB?
- iii. What is the relationship between price and consumer's repurchase intention using OGB?
- iv. What is the relationship between electronic word of mouth and consumer's repurchase intention using OGB?
- v. What is the relationship between perceived risk and consumer's repurchase intention using OGB?

1.5 SIGNIFICANCE OF THE STUDY

In this study, five variables influencing consumer's repurchase intention using online group buying websites in a Malaysia context include perceived usefulness, perceived ease of use, price, electronic word of mouth and perceived risk. Hence, this research will contribute directly to online retailers specifically to enable them to upgrade their website in order to know the factors influencing Malaysian consumer's to repurchase through online group buying.

Furthermore, marketers will also be able to approach existing consumer's who are purchasing through online platforms in a much deliberative manner to increase their market share in the long run. Besides, this study is also beneficial to Malaysian suppliers, producers and vendors in making full use of an online platforms in consideration to the factors involved in order to influence more customer's to repurchase using online group buying.

Last but not least, a great contribution to the Malaysian community is that the society can improve their knowledge and will be aware of factors in the process of repurchase using online group buying. Besides, this research implements the valuable knowledge, information for companies and researchers to have better perception and understanding on the online group buying business model. Companies that are focused into this online group buying study area may use this study as a guide for improvement. They can aim on the available area as a standard to improve their business operation.

Finally, yet importantly, a great contribution to the Malaysian community is that the society can improve their knowledge and will be aware about the factors in the process of repurchase using online group buying. Besides, this research implements the valuable knowledge and information and for the companies and researchers to have better perception and understanding on the online group buying business model. Other companies, which are focus into this online group buying study area, may use this study

as a guide for improvement. They can aim on these available areas to improve their online business.

1.6 SCOPE OF THE STUDY

This research focus only on the online group buying in Malaysia. The variables investigated are limited to perceived usefulness, perceived ease of use, price, electronic word of mouth and perceived risk.

1.7 DEFINITION OF KEY TERMS

The major terms used for this research are defined as follows:

1.7.1 Online Group Buying

Online group buying also known as Collective Buying is the process where many of the users bought in bulk at one time and get discounts and offers through online shopping. This system started in 2003 and was popularised and flourishes in a short span of time after it emerged and developed for more than ten years (Anand & Aron, 2003).

1.7.2 Intention to Repurchase

The intention to repurchase is the willingness to buy a product from OGB as well as customer's likelihood to make future purchases and repurchase using OGB (Wei,2011).

1.7.3 Perceived Usefulness

Perceived usefulness is the degree to which an individual believes in using a particular system would enhance his or her performance (Davis, 1989)

1.7.4 Perceived Ease of Use

Davis (1989) defined perceived ease of use as the degree to which an individual believes in using a particular system would be free of effort.

1.7.5 Price

Price refers to consumers who pay attention only to products or services at lower prices, because they want to avoid pay high price for the same products or services (Lichtenstein et al., 1993). Consumers are sensitive to price and respond to the changing of prices for particular products and services (Monroe, 1971).

1.7.6 Electronic Word of Mouth

Westbrook (1987) defined word of mouth (WOM) as any form of informal communication delivers to or exchanged with other consumers, such as proprietorship, usage or characteristics of specific product and services. Besides, Park and Kim (2008) defined WOM as “an effective routine to share product information to potential consumers as of a user standpoint.”

1.7.7 Perceived Risk

Perceived risk is defined as ‘consumers’ subjective expectation of suffering a loss in pursuing a desired outcome’ (Zhou, Dai & Zhang, 2007; Van Noort, Kerkhof & Fennis, 2007).

1.8 ORGANIZATION OF CHAPTERS

Chapter one of the dissertations provide detail overview on the background of the study, and it gives an explanation on what the proposed study is all about. It describes the problems that the dissertation hopes to solve, stated the objectives this research wants to accomplish, listed the study questions it seeks to answer, the significance of the research, the scope of the research and finally definitions of constructs.

Chapter two of the dissertation contains all the literature that was reviewed for the study. The reviewed literature is specifically on the influential dimension of chapter three that gives a description of the methodology that was used for this study. It contains the research method, the sample size, research instrument used and the data collection procedures and analysis. Chapter four contains the analysis and interpretation of the data collected. Chapter five is the final chapter of the dissertation. It consists of the research findings and various discussions made on the findings. In addition, it explains the theoretical and managerial implications as well as limitation encountered during the research. This concludes some suggestion for future research.

1.9 CHAPTER SUMMARY

This chapter provides a detailed explanation on an online shopping especially the group buying online business. It gives detailed information about the study at hand. This research paper highlights the problem that prompted this particular study. Many of the research objectives and questions precede it, including scope of the research and definitions of study constructs. Finally, the chapter ends by explaining the organization of the chapters in the dissertation.