

**FACTORS AFFECTING MALAYSIAN CUSTOMERS'
SATISFACTION: A CASE OF LAZADA MOBILE
SHOPPING APPLICATION**

BY

MAHGUL HUSSAINI

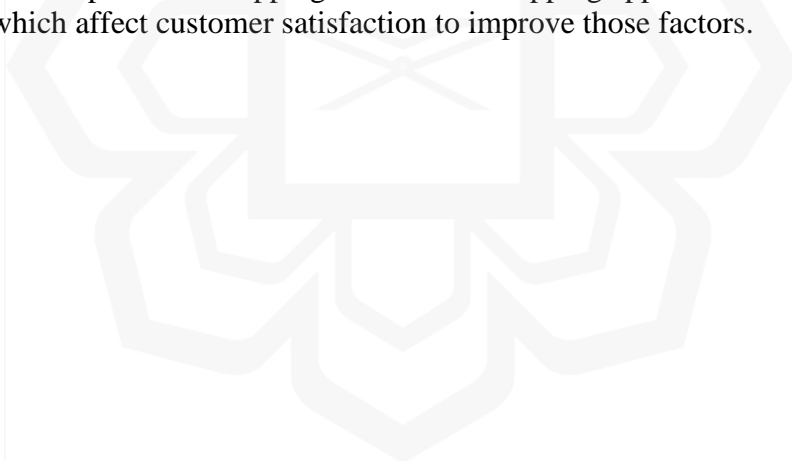
**A dissertation submitted in fulfilment of the requirement
for the degree of Master of Sciences (Marketing)**

**Kulliyyah of Economic and Management Sciences
International Islamic University Malaysia**

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ABSTRACT

The aim of this study is to examine the effects of four different factors namely, design aesthetics, information quality, efficiency, and system availability on Malaysian customers' satisfaction towards Lazada Mobile Shopping Application. Due to the availability and accessibility of smart mobile phones, the concept of electronic shopping has evolved into a new concept called mobile shopping. Recently, due to the rapid increase in the use of wireless technology such as smartphones and mobile applications (Mobile Apps), the popularity of mobile shopping has increased worldwide. With growing technology development and increasing number of smartphone users, several mobile shopping apps such as Lazada mobile shopping application have appeared in the Malaysian market. For conducting this study, a quantitative approach was used, and data was collected via a questionnaire from 344 respondents, of which only 260 fit the requirements of the study. The questionnaire was distributed online to Malaysian customers of Lazada mobile shopping app to obtain their views on factors affecting their satisfaction towards the Lazada mobile shopping Application. The findings indicate that efficiency factor has the highest effect on customers' satisfaction towards Lazada mobile shopping application in Malaysia which is followed by design aesthetics and system availability. Information quality factor has the lowest effect on Malaysia customers' satisfaction towards Lazada mobile shopping application. This research is expected to help mobile shopping and mobile shopping applications identify important factors which affect customer satisfaction to improve those factors.



ملخص البحث

الهدف من هذه الدراسة هو فحص تأثير أربعة عوامل مختلفة وهي جماليات التصميم وجودة المعلومات والكفاءة وتوافر النظام على رضا العملاء الماليزيين تجاه تطبيق Lazada Mobile Shopping. نظرًا لتوافر الهواتف المحمولة الذكية وإمكانية الوصول إليها، تطور مفهوم التسوق الإلكتروني إلى مفهوم جديد يسمى التسوق عبر الهاتف المحمول. في الآونة الأخيرة، بسبب الزيادة السريعة في استخدام التكنولوجيا اللاسلكية مثل الهواتف الذكية وتطبيقات الهاتف المحمول (تطبيقات الهاتف المحمول)، تزداد شعبية التسوق عبر الهاتف المحمول في العالم. مع التطور التكنولوجي المتزايد والعدد المتزايد لمستخدمي الهواتف الذكية، تم طرح العديد من تطبيقات التسوق عبر الهاتف المحمول مثل Lazada تطبيق Lazada Mobile Shopping في السوق في ماليزيا. لإجراء هذه الدراسة، تم تطوير منهج كمي من خلال جمع 344 مستجيبًا من خلال استبيان يتناسب مع متطلبات الدراسة 260 فقط. وتم توزيع استبيان عبر الإنترنت على العملاء الماليزيين لتطبيق Lazada Mobile Shopping للحصول على وجهات نظرهم، وكيف يتأثرون بالعوامل التي يجب أن يكونوا راضين عنها تجاه تطبيق Lazada Mobile Shopping. تشير النتائج إلى أن عامل الكفاءة كان له التأثير الأكبر على رضا العملاء تجاه تطبيق Lazada Mobile Shopping في ماليزيا والذي تبعه جماليات التصميم وتوافر النظام. كما تم العثور على عامل جودة المعلومات ليكون له أقل تأثير على رضا العملاء الماليزيين تجاه تطبيق Lazada Mobile Shopping. من المتوقع أن يساعد هذا البحث تطبيقات التسوق والتسوق عبر الهاتف المحمول على تحديد العوامل المهمة التي تؤثر على رضا العملاء لتحسين تلك العوامل.

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 Sciences (Marketing).

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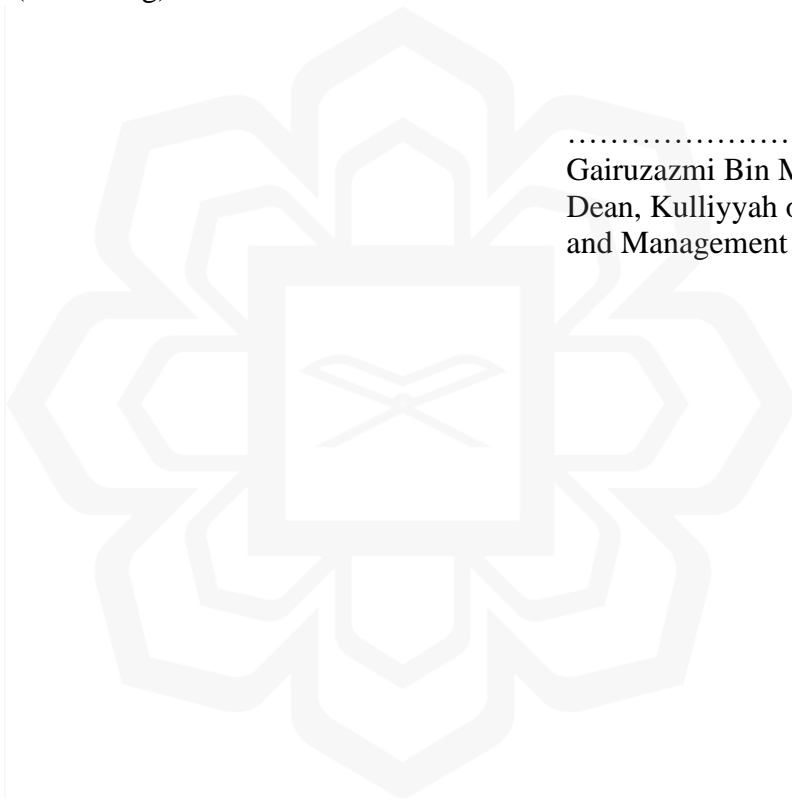
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DECLARATION

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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DEDICATION

To my dear family and friends who have given me all the love, care, and endless support in achieving my dreams.

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CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Basically, commerce is a process of buying and selling goods and services using some medium of exchange such as monetary or cashless medium – especially in the past centuries. Indeed, buying and selling are a vital part of human life. It is not possible for a person to produce all the goods and services alone which are needed for survival. So, commerce helps humans to buy goods and services they need and expect or sell goods and services they have in abundance.

Due to the technological advancement, traditional commerce evolved into e-commerce. E-commerce includes some activities such as purchasing and selling goods and services over the Internet, including transactions such as placing orders, making payments, and tracking order delivery (Fawzy et al., 2018). In other words, electronic commerce refers to all the types of economic activity conducted via electronic connections (Wigand, 1997).

Later, due to the availability and accessibility of smart mobile phones, the concept of electronic commerce evolved into a new concept called M-commerce (Ahmad & Ibrahim, 2017). The term “M-commerce” comes from the combination of two words, such as “mobile” and “commerce”, which refers to any transaction of monetary value occurrence over a wireless communication network using wireless handheld devices (Shrivastava, Prakash, and Ratna, 2019). Lee and Wong (2016) defined m-commerce as the evolution of e-commerce from a wired-fixed locations to wireless which can be accessed regardless of place and time. Therefore, based on the two definitions above, it can be said that m-commerce is the next developed wave of e-commerce allowing people to conduct their buying and selling activities through smartphones or tablets without needing a place to plug in.

Recently, due to a significant rise in the use of wireless technology such as smartphones and mobile applications (Mobile Apps), the popularity of mobile commerce has increased in the world (Ahmad & Ibrahim, 2017). Based on a report

(statista.com, 2021) in 2021, more than six billion smartphone subscriptions were active, and it is forecast to surpass seven billion in 2026. In addition, mobile retail revenue was statistically worth US \$ 3.56 billion worldwide in 2021 (statista.com, 2021). The report also revealed that in 2021, 72.7 % of the total retail e-commerce sales in the world were generated via m-commerce, while it was only 58.9 % in 2017 (statista.com,2021).

In the Malaysian context, m-commerce growth is in line with the development of mobile network operators (Goi, 2016). As the population grows, Malaysia's smartphone users reached 29 million in 2021 and are projected to grow to 30.74 million by 2025 (stattista.com, 2021). Currently, a cell phone has become an essential element of human professional and personal life. Previously a mobile phone was usually used for making a call or sending SMS, but now it is used in almost all aspects of human lives. Research conducted by Moorthy et al. (2017) revealed that Malaysia is one of the fastest growing countries in the mobile phone market, with a penetration rate of 146.2% and 86.3% of the population using mobile phones. Lee and Wong (2016) believed that the high mobile phone penetration rate leads to the increase of the m-commerce market size in Malaysia. As a result of the rapid development in the number of mobile users and the market penetration of mobile devices, many m-commerce players in Malaysia have significantly become attracted (Paiz et al., 2020). There are different types of m-commerce services including Mobile Banking, Mobile Entertainment, Mobile Information System, Mobile Marketing, Mobile Shopping, Mobile Ticketing, Mobile Health, Mobile Payment, and Telematics Service (Lee & Wong, 2016).

1.1.1 Lazada Mobile Shopping Application

Lazada mobile shopping is an important example of an m-commerce service in Malaysia (Hussain et al., 2017). Lazada was founded in 2012 by Maximillian Bittner with the support of Rocket Internet with a view to strengthen the e-commerce business in Southeast Asia. Since then, Lazada has made successful forays into Singapore, Malaysia, Thailand, Vietnam and the Philippines and the online business platform has grown by leaps and bound.

In 2013, Lazada Malaysia launched its mobile shopping app to make shopping more accessible and convenient to customers (Afzainizam et al., 2021). Due to the convenience and miniaturization of smartphones, most people nowadays possess smartphones. Smartphone users can easily download the Lazada mobile shopping application to buy and sell products and services anytime and anywhere. According to Chong et al. (2020), the Lazada mobile shopping app is the most popular and the most downloaded app in Google Play Store in Malaysia and has reached more than 1 million downloads (Narayana et al., 2018). Shortly, Lazada has reached 13.75 million monthly visitors in Malaysia (statista.com,2021) Lazada mobile shopping app has been designed like other standard m-commerce applications and makes Lazada always available. Figure 1.1 displays the Lazada mobile shopping app.



Figure 1.1 Lazada Malaysia Mobile Shopping Application

Lazada mobile shopping is very popular in Malaysia, with hundreds of thousands of different categories for individual customers, including household items, baby items, clothing, mobile phones, accessories, health, beauty, groceries, and many other items (Chong et al., 2020). All these products are listed in Lazada's category list to make it more convenient for the shoppers looking for a product that they intend to purchase. Buyers can easily find their favorite product by browsing Lazada's category list or by searching on the search bar. According to Chan et al. (2018), among other things, buyers can easily identify the products and services offered on such platforms using a variety of tools and filters. Hence, Lazada mobile shopping is available 24 hours a day, both for regular and potential customers in Malaysia to browse through products free of charge anytime and anywhere.

This advancement has become a great convenience not just to Lazada Malaysia itself but also to buyers and sellers. For example, the Lazada mobile shopping application can help Lazada develop a closer relationship with customers because today's consumers keep their mobile phones within reach at all times Chunduri and Gupta (2017) and Narang et al. (2020) agreed that a mobile shopping app is important for mobile retailers because it creates greater customer engagement and generate higher purchases. Continuous engagement also increases the chance of repeat purchases (Omar et al., 2021). As a result, it can be said that installing the Lazada mobile shopping app on a target customer's phone means the greatest possible connection between Lazada and the shoppers.

Malaysia is among countries that enjoy political stability and economic growth. The economic growth in Malaysia has evolved from agricultural-based to industry and knowledge-based. As a result, with state support, Malaysian m-commerce has a promising future and is becoming a growth engine around the world (Lee & Wong, 2016). As the population grows, Malaysia's smartphone users will reach 29 million in 2021 and are projected to grow to 30.74 million by 2025 (statista.com, 2021). According to Moorthy et al. (2017), Malaysia is one of the fastest growing countries in the mobile phone market, with a penetration rate of 146.2% and 86.3% of the population using phones. Lee and Wong (2016) stated that the high penetration rate of mobile phones has led to the expansion of Malaysia's m-commerce market. As a result of the rapid development in the number of mobile phone users and the market penetration of mobile devices, it can be concluded that Malaysia has become an affordable place for m-commerce.

With the growth of mobile commerce, competition among mobile merchants is also fierce (Lee & Wong (2016). Like Lazada Malaysia, many other mobile retailers in Malaysia, such as Shopee, Zalora, Carousell, Taobao, and 11street have quickly developed mobile shopping apps to reach out to potential and existing customers. Having said that, customers would choose a mobile shopping app that has better features and benefits for them because these are the factors that can drive their satisfaction. Therefore, this study aims to have a closer view the Lazada Shopping App in Malaysia and its impact on customer satisfaction and the factors affecting their satisfaction.

There are some features or factors that can increase a consumer's shopping experience and satisfaction. According to Juntongjin (2021), the perfect mobile shopping app design can elevate the chances of customer satisfaction. In addition to a good and attractive design, customers expect a mobile shopping app to have the latest details as well as sufficient and accurate information available (Wulfert, 2019). Additionally, the functionality of a mobile shopping app is another important factor for customers, and they expect that the shopping app should work properly, and its technical functions updated (Desmal et al., 2019). The authors also added that in order for customers to choose mobile shopping, which is more efficient, the app should be simple and able to respond quickly. Furthermore, there are some researchers such as (Meng & Sego, 2020); (Phong et al., 2018); (Lee & Wong, 2016); Chunduri and Gupta (2017) who emphasized the importance of these factors as predictors of customer satisfaction in mobile shopping. Needless to say, customer satisfaction is of paramount importance to mobile retailers. For example, Prasetyo et al. (2021); Girsang et al. (2020); Morkunas and Rudienė (2020) revealed that the higher the customer satisfaction is, the greater the willingness to repurchase. Moreover, Marinkovic and Kalinic (2017) believed that customer satisfaction has a positive effect on loyalty, word-of-mouth marketing and intent to repurchase. Given the growing number of mobile shopping apps in Malaysia and the importance of customer satisfaction, this survey aims to investigate the factors that influence Malaysian customers' satisfaction towards Lazada mobile shopping application.

1.1.2 Malaysian Customers' Satisfaction towards Lazada Mobile Shopping Application

The growth of m-commerce in Malaysia has brought about intensive competition among m-commerce retailers (Lee & Wong (2016)). So, retaining customer satisfaction has become a critical subject matter for mobile retailers because attracting new customers always involves a shocking cost (Lee & Wong (2016)). Customer satisfaction has also become a very important issue for Lazada Malaysia because the business profit and long-term growth of Lazada Malaysia are dependent directly on customer satisfaction (Afzainizam et al., 2021). This means that slight changes in customer satisfaction will lead to changes in business profits and growth in Lazada Malaysia.

This should not be ignored in terms of importance. There are many studies assessing customer satisfaction with Lazada related to online shopping (Shopping via a standard website using a desktop) such as Ruanguttamanun and Peemane (2022); Saylikhanov (2019); Amanah et al. (2019); Suhardi and Taufik (2018); Amanah and Harahap (2018); Susanti et al. (2018). Also, in the context of Malaysian M-commerce, customer satisfaction has been studied much in different sectors such as transportation, mobile banking, and mobile learning (Fauzi, 2018; Owuamanam, 2021; Redzuan et al., 2020). However, there is a lack of research on Malaysian customer satisfaction regarding mobile shopping in Lazada.

Although there is high potential for mobile shopping in Malaysia than in other countries, there is still a big gap in mobile e-commerce and room for improvement (Goi, 2016). To encourage higher mobile purchases and to provide better access to mobile phones transactions, Lazada has launched the Lazada mobile application to enable customers to better manage their purchasing process intermediately. Unfortunately, the Lazada mobile shopping application is not widely used by consumers and business owners in Malaysia (Zongjun, 2019). This can be attributed to issues related to payment systems, logistics, services, and the lack of lack of trust. In addition, some Malaysians are still not willing to shop online (Zongjun, 2019) since they find it hard to purchase online because they cannot touch and feel the product before purchasing.

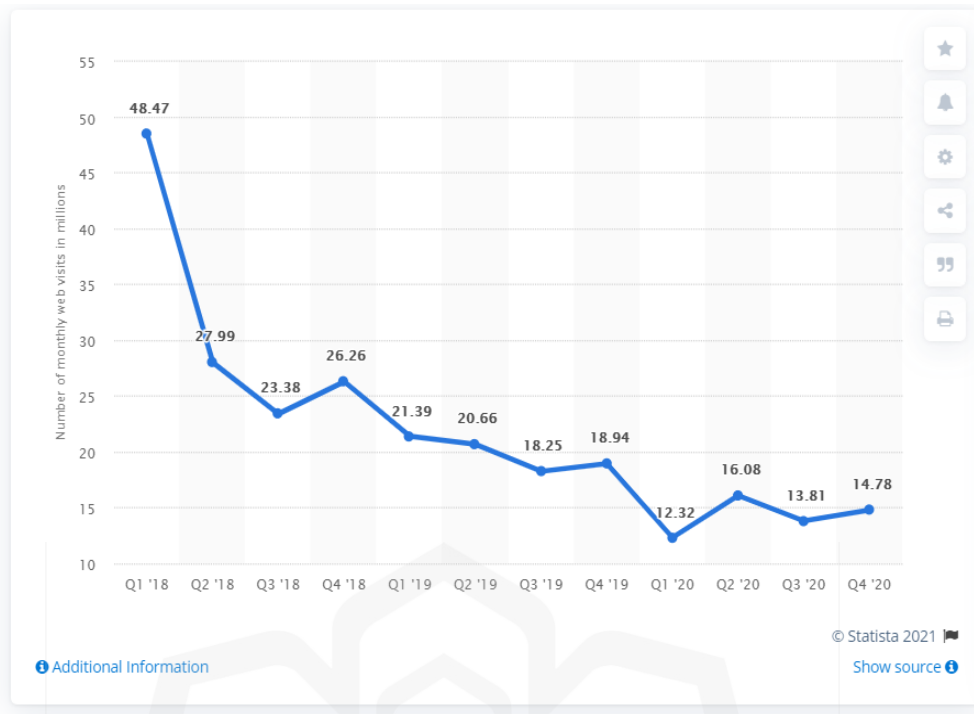


Figure 1.2 Number of Monthly Visits to Lazada Malaysia Q1 2018- Q4 2020

Figure 1.2 shows that monthly visitors to Lazada Malaysia dropped significantly in the first quarter of 2018 when it was first introduced, to 14,78 million in the fourth quarter of 2020 (statista.com,2021).

1.2 PROBLEM STATEMENT

According to Chong et al. (2020), the performance of Lazada mobile shopping application is only average when it comes to customer satisfaction. With the growth of technological innovation, customer expectations are significantly shifting, and has become a very difficult task for business organizations to understand and manage these expectations (Dickens, 2021). Customer expectations are a very important indicator of customers' perception and satisfaction, and that is why business organizations are seeking to manage the customers' expectations (Dickens, 2021). Therefore, it would be fair to say that to keep the current customers satisfied and obtain new potential customers; mobile shopping companies need to find out what factors can influence customer satisfaction and measure it from customers' point of view.

With growing technological development, an increasing number of smartphone users and shopping apps in Malaysia, Lazada Malaysia is facing stiff competition from other competitors such as Shopee, Lelong.my, Mudah.com, 11street, and Zalora. Each e-commerce platform tries to retain their existing customers and attract potential customers through continually including new attractive features and benefits (Yee et al., 2019). A rise in the number of mobile shopping apps with many attractive features and benefits usually causes customers to easily switch to other competitors, which could result in the failure of a mobile retailer to retain their customers (Mohd et al., 2020). Although Lazada Malaysia is the number one best shopping app in Malaysia, a study has revealed that only a small percentage of people shop via Lazada mobile shopping app compared to Shopee. For example, in Malaysia, En (2020) conducted a survey on the factors that influence mobile application users' purchasing intent. The survey found that the percentage of respondents using mobile shopping apps such as Shopee and Lazada differed significantly between 64.1% and 28.2%, respectively.

Duhan and Singh (2019) argued that mobile retail companies could increase the chance of their success among their rivals when customers experience satisfaction in the purchase process via their mobile shopping apps. To achieve a competitive advantage over competitors, mobile retail companies should increase customer satisfaction (Meng & Sego, 2020).

In addition, there are numerous studies assessing customer satisfaction with Lazada in relation to online shopping (Shopping via a standard website using a desktop) (Ruanguattanun & Peemane, 2022; Saylikhanov, 2019; Amanah et al., 2019; Suhardi & Taufik, 2018; Amanah & Harahap, 2018; Susanti et al., 2018). However, there is a lack of research on customer satisfaction towards Lazada mobile shopping application in Malaysia.

Studying customer satisfaction towards a mobile shopping app is necessary and vital because retailers can generate more benefits from its mobile shopping app compared to a standard website (Van Heerde et al., 2019). A shopping app can increase customer engagement more effectively compared to a standard website (Van Heerde, 2019) which leads to increases in repeat purchases (Omar et al., 2021). Currently, in a competitive business environment, a mobile shopping app is not only a piece of technology, but it has also become a strong tool for retailers to engage shoppers with

their brands and increase satisfaction (Synchrony, 2018). A mobile shopping app benefits not only retailers, but also customers. Studies have shown that customers feel more comfortable during the shopping process via a mobile shopping app compared to shopping through a website (Almarashdeh et al., 2019).

As Lazada mobile shopping app has become the most well-known in terms of being downloaded in the Google Play Store (more than a million downloaded the app (Narayana, 2018)) and with an average of 13.75 million monthly visitors in Malaysia (statista.com,2021), it is therefore necessary to investigate the factors that contribute to customer satisfaction with Lazada mobile shopping in Malaysia. A well-known mobile retail company like Lazada Malaysia needs to have a clear vision on ways to meet their customers' expectations and satisfaction. This will enable, Lazada Malaysia to differentiate itself from competitors and attract new potential customers.

1.3 RESEARCH OBJECTIVES

In the dynamic and competitive environment of m-commerce, it is so common to conclude that mobile retailers need to focus on the improvement of factors and features to satisfy their customers, obtain retention and competitive advantage, and survive among competitors. The general purpose of this survey is to investigate the factors that influence Malaysian customers' satisfaction towards Lazada mobile shopping application. Therefore, it is possible to draw conclusions about the factors that have a positive impact on customer satisfaction. Therefore, the specific purpose of this study is to:

1. To examine the effects of design aesthetics on customer satisfaction towards Lazada mobile shopping application in Malaysia.
2. To examine the effects of information quality on customer satisfaction towards Lazada mobile shopping application in Malaysia.
3. To examine the effects of efficiency on customer satisfaction towards Lazada mobile shopping application in Malaysia.
4. To examine the effects of system availability on customer satisfaction towards Lazada mobile shopping application in Malaysia.

1.4 RESEARCH QUESTIONS

1. What are the impacts of design aesthetics on customer satisfaction towards Lazada mobile shopping application in Malaysia?
2. What are the impacts of information quality on customer satisfaction towards Lazada mobile shopping application in Malaysia?
3. What are the impacts of efficiency towards customer satisfaction towards Lazada mobile shopping application in Malaysia?
4. What are the impacts of system availability on customer satisfaction towards Lazada mobile shopping application in Malaysia?

1.5 SIGNIFICANCE OF THE STUDY

Malaysia is one of the fastest growing countries in the mobile phone market (Moorthy et al. 2017) and its smartphone users are expected to reach 30.74 million in 2025. Lee and Wong (2016) observed that this high penetration of mobile phone use has contributed to the burgeoning m-commerce market in Malaysia that has a very bright future with government support. This has in turn, attracted many others m-commerce players to the Malaysian market (Paiz et al., 2020). Lazada mobile shopping is an important example of m-commerce service provider which has become very renowned in Malaysia (Hussain et al., 2017).

However, Lazada Malaysia is facing severe competition from other rivals in the mobile shopping environment, as if each is trying to retain its customers and attract more customers (Yee et al., 2019). Duhan and Singh (2019) argued that mobile retail companies could increase the chance of their success among their rivals when m-customers experience satisfaction in the purchase process via their mobile shopping apps. To achieve a competitive advantage among competitors, mobile retail companies should increase m-customers' satisfaction (Meng & Sego, 2020) and evaluate the features of mobile shopping companies having the same goals is useful and vital to attract the attention of m-customers and increase satisfaction (Yee et al., 2019).

Therefore, it is crucial that factors affecting satisfaction among customers of Lazada mobile shopping in Malaysia are analyzed if Lazada wants to maintain its position as one of the key players in the e-commerce market. If these factors are

identified and accordingly addressed, they would contribute to keeping current customers, attracting new potential (Yee et al., 2019), achieving sustainable competitive advantage, and customer satisfaction (Meng & Segó, 2020).

In addition, this survey would contribute to a knowledge base on customer satisfaction and behavior. Since mobile shopping is relatively new and much remains to be explored, this research will be helpful to researchers and companies that want to learn more about their customers' satisfaction. Researchers and students who desire to undertake research in the future will also benefit from this study.

More importantly, this research will benefit Lazada firms and other mobile shopping companies the most because it will allow them to ensure that their customers are happy with the purchasing process via the mobile shopping apps. Happy customers will stay longer, spread positive reviews, and buy repeatedly (Marinkovic & Kalinic, 2017). Adding to that, this study is expected to contribute and help Lazada mobile business to precisely identify the factors that affect customers' satisfaction.

1.6 DEFINITION OF TERMS

Customer Satisfaction in Mobile Shopping: The level of person's feelings that arise after individual experience on a service and the offered service come across to their expectations (Kotler & Keller, 2012).

Design Aesthetics: Aesthetic refers to visual appearance of a user interface design of a mobile shopping app including color animation, pictures, text, format, sound, layout, and structure (Wulfert, 2019).

Information quality: Information quality refers to comprehensive and related information to products or services presented in a mobile shopping app by a business organization According (Fadhillah et al., 2021).

Efficiency: Efficiency refers to the ease and speed of accessing and using the shopping application (Huang et al., 2015).

System Availability: System availability can be referred to the correct of technical functions of a mobile commerce app (Desmal et al., 2019).