APPLICABILITY OF THEORY OF PLANNED BEHAVIOUR IN PREDICTING INTENTION TO USE DIGITAL COUPONS: SOME EVIDENCE FROM STUDENTS OF IIUM

BY

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ABSTRACT

The aim of this research is to explore factors that predict intention to use digital coupons among the students of International Islamic University Malaysia (IIUM). Data were collected through distribution of structured questionnaire to 392 students of the IIUM. This research proposed a conceptual model based on the Theory of Planned Behavior (TPB) and Theory of Involvement to examine the relationships among attitude, subjective norm, perceived behavioural control and involvement on behavioural intention to use digital coupons. To test the factorial validity of the constructs and the goodness of the proposed hypothesized model, Factor Analysis and Structural Equation Modelling (SEM) were used. The findings of this research indicate that the Theory of Planned Behaviour that is extended to include Theory of Involvement can be applied to predict customers' intention to use digital coupons in Malaysia. The empirical finding of this research supported three out of the four propositions in this research. It was found that attitude, subjective norm and involvement were shown to significantly predict intention to digital coupons. Interestingly, perceived behavioural control was not significantly related to the customers' (students') intention to use digital coupons. The findings of this research are valuable assets for marketing managers who are interested in using digital coupons as an alternative sales promotion tool both in the short and in long run especially among youth consumers in Malaysia. Academicians and researchers can also benefit immensely from this research and its findings.

خلاصة البحث

يهدف هذا البحث إلى استكشاف العوامل التي يمكن استخدامها في التقسيمات الرقمية بين طلاّب الجامعة الإسلامية العالمية بماليزيا (IIUM). وقد تمّ جمع البيانات من خلال توزيع الاستبيان بين (392) من طلبة الجامعة الاسلامية العالمية، اقترح البحث أنموذجاً مفاهيمياً يقوم على نظرية السّلوك المخطط ونظرية المشاركة في بحث العلاقات بين الأخلاق، ومعيار الشخصي للسيطرة على النظرية السلوكية والمشاركة السلوكية في استخدام التقسيمات الرقمية. والختبار آثار الجودي من أنموذج الافتراض المقترحة، وقد تمّ استخدام التحليل العاملي في هذا البحث وأنموذج المعادلة الهيكلية (SEM)؛ وأشارت نتائج البحث يأنّ نظرية السلوك المخطط التي تمّ توسيعها تشمل نظرية المشاركة، وأنه يمكن تطبيق هذه النظرية عن طريق تنبؤ العملاء في استخدام التقسيمات الرقمية في ماليزيا، وقد دعّم هذا البحث ثلاثة مقترحات من بين المقترحات الأربعة التي قدّمها، كما وجد الباحث أن موقف معيار الشخصي عرض المشاركة للتنبؤ بشكل ملحوظ في التقسيمات الرقمية، وأنه مثير للاهتمام به، كما أنّ البحث كشف السيطرة السلوكية المحسوسة للعملاء (الطلاب) في استخدام التقسيمات الرقمية. وتوصلت نتائج هذا البحث بأن مديري الشركات التجارية هم لذين يرغبون في استخدام التقسيمات الرقمية كأداة بديلة في ترويج المبيعات في كل من المدى القصير والمدى الطويل خصوصاً بين العملاء المستهلكين الشباب في ماليزيا؛ كما يمكن للأكاديميين والباحثين أيضاً أن يستفيدوا من هذا البحث ونتائجه.

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 degree at IIUM or other institutions.

Abubakar Mukhtar Yakasai

Signature ……………………………..   Date…………………………………

INTERNATIONAL ISLAMIC UNIVERSITY MALAYSIA

DECLARATION OF COPYRIGHT AND AFFIRMATION OF FAIR USE OF UNPUBLISHED RESEARCH

This dissertation is dedicated to my parents, Alhaji Mukhtar Jibrin and Hajiya Maryam, and the entire Muslim Ummah. May Allah (SWT) reward them with Jannatul Firdaus.

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LIST OF ABBREVIATIONS

ADC	Attitude to use Digital Coupons
AGFI	Adjusted Goodness of Fit Indices
AMOS	Analysis of Momentum Structure
AT&T	American Telephone and Telegraph
AVE	Average Variance Extracted
B2B	Business to Business
B2C	Business to Consumer
BIDC	Behavioural Intention to use Digital Coupon
CB	Consumer Behaviour
CFA	Confirmatory Factor Analysis
CFI	Comparative Fit Index
CMC	Communication and Multimedia Commission
CPG	Consumer Package Goods
CR	Construct Reliability
DNS	Domain Name System
EFA	Exploratory Factor Analysis
ERI	European Retail Institute
FSI	Free Standing Inserts
GFI	Goodness of Fit Indices
ICT	Information and Communication Technology
IDC	Involvement with Digital Coupon
IIiBF	Institute of Islamic Banking and Finance
IIUM	International Islamic University Malaysia
IMC	Integrated Marketing Communication
IP	Internet Protocol
ISTAC	International Institute of Islamic Thoughts and Civilization
KMO	Kaiser-Meyer-Olkin
MCMC	Malaysian Communication and Multimedia Commission
MI	Modification Indices
MMS	Multimedia Messaging Service
MSC	Multimedia Super Corridor
NCS	National Convenience Store
NFC	Near Field Communication
NFI	Normed Fit Index
PBCDC	Perceived Behavioural Control to use Digital Coupons
PEU	Perceived Ease of Use
PID	Rural Internet Centre
POS	Point Of Sale
PTPTN	Perbadanan Tabung Pendidikan Tinggi Nasional
PU	Perceived Usefulness
RMSEA	Root Mean Square Error of Approximation
ROI	Return On Investment
SEM	Structural Equation Model
SIC	Squared Inter-construct Correlation
SMS	Short Message Service

SNDC	Subjective Norm to use Digital Coupons
SPSS	Statistical Package for Social Science
TAM	Technology Adoption Model
TCP	Transmission Control Protocol
TLI	Tucker-Lewis Index
TPB	Theory of Planned Behaviour
TRA	Theory of Reasoned Action
USD	Universal Service Development
WAP	Wireless Application Protocol
et al.	(et alia): and others
e.g.	(exempligratia): for example
i.e.	(id est): that is

CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

This chapter details an overview of the current research regarding the applicability of the Theory of Planned Behaviour (TPB) to predict consumers' intention to use digital coupons, using some evidence among students of International Islamic University, Malaysia (IIUM). The chapter begins with an in-depth elucidation of the study's background, explaining the general overview of the current phenomena in digital coupons usage as a sales promotional tool and its position among marketers in Malaysia on one hand, as well as the way consumers approach its usage on the other. This is followed by the statement of the problem of the study, in which the researcher examines critical justification and motivation for carrying out the research at hand. The research questions as well as the objectives of the study are explained in this chapter, followed by discussion on the significance as well as the scope of the study. Finally, in order to provide clear guideline for understanding the research theme, the contextual definitions of terms used in this research work are equally provided.

1.2 BACKGROUND OF THE STUDY

Nowadays, the consumption of Internet facilities, computers and other electronic communication devices has become the order of the day for communication and promotion specifically. Consumers in the technology savvy world progressively use the Internet to search for digital coupons, because it is easier to search and locate for the different types of products and some consumers even form their virtual coupons book (s) in which subsequent purchase with digital coupons is recorded. They get

wide assortments of product coupons for almost everything such as groceries, restaurants, theatre performances, travels, hotel bookings and a host of others. Kang and Fortin (2006) mention that the first "U-pons", a paperless, virtual coupons was issued in theUnited State by Dick's Supermarket, whereby consumers sign-up on the Internet to redeem the coupons at any time they feel like shopping.

When they arrived initially, digital coupons only allowed for print-at-home (Blondo et al., 2005). Though coupons make it easier for consumers to access and use, they still have to print and take them to the redemption centre (point of purchase). Traditionally, daily and weekly circular paper coupons (Free Standing Insert) were the order of the day. However, as a result of the rapid proliferation of digital technologies and social media, as well as incorporation of different shops' loyalty programmes, marketers can better convey the right offers to the right customers at the right place in time thereby redeeming them instantly. This trend has resulted in the advent of digital coupons. Even though many consumers use coupons in their traditional advertisement form (i.e. paper based coupons), digital coupons still progress in popularity. According to e-Marketer report (2013), digital coupons will grow each year by 4.6% over the next several years and developed nations will have high numbers of digital coupons users by 2014 and beyond.

Moreover, the massive influx of handheld devices has tremendously improved the usage of digital coupons among consumers, especially price sensitive consumers (Rogers, 2013). This means there is great promise for marketers in the coupons markets. Meanwhile, the possibility of using digital coupons to stimulate purchase of products is very high. Digital coupons also increase the amount of economic incentives that a consumer can derive because of less cost involved in searching, clipping and redeeming coupons for different varieties of products. For example, the

research conducted by the European Retail Institute (ERI) found that 78% of the respondents strongly believe that digital couponing can increase sale of a specific product (Jean-luc, 2012). Even though the majority of consumers are still prone to using coupons from the newspaper, digital coupons are rapidly increasing among consumers thereby gaining more popularity. The findings of a research by e-Marketer (2013) has particularly illustrated that Gen Y (specifically 18 to 24 year-olds) is very focused on coupons in the United States and Europe. More than 90% of Gen Y cohort reveals that as a result of coupons distribution online, they clip more coupons than they did previously. The majority of them spend many hours online looking for better deals and 35% have downloaded a coupon to their mobile device. Further, digital coupons are currently piloting trends for couponing, appealing to segments of the population previously oriented towards using traditional coupons clipping. This demonstrates that digital distribution of coupons has stimulated large numbers of consumers to begin shopping online (Gaile-sar, 2007). This is mostly seen in food and groceries, beverages and pet products (YOU, Technology, 2012). According to a report published by Knowledge Network (2013), 46% of the digital coupons users were previously non-buyers of the product (Hefferman, 2011). Therefore, digital coupons are attracting more buyers of products compared to traditional coupons users. In addition, digital coupons drive more incremental redemptions than traditional coupons. Also, the Knowledge Network (2013) report deduced that 77% of coupons redemption in the U.S. market is incremental for digital coupons against 68% for traditional coupons. With this background in global digital coupons market, it shows that digital coupons are transforming the coupons marketplace and gaining heavy redemption in Europe and America. This suggest a great need for further investigation into the usage and adoption of digital coupons in other parts of the world especially in

developing countries like Malaysia, where digital revolution has engulfed every facet of the populations' consumption behaviour. In the same vein, empirical research (You, Technology, 2012) reveals that the use of digital coupons has outweighed traditional paper coupons due to the fact that 33% of digital coupons users normally do not use paper coupons in any format. Other reasons according to this research indicates that there was 5% to 20% digital coupons redemption rates compared to 0.9% paper coupons, and 53% of customers who shop using digital coupons are first time users of a product. In relation to this therefore, the rate of mobile coupons redemption is 10 times more than that of traditionally distributed paper based coupons.

Despite the outcome of this research, only 8% of retailers are really incorporating digital couponing in their promotion activities. Among the reasons advanced is that some marketers believe that digital coupons can really stimulate purchase but cannot improve return on investment (IEEE Computer Society, 2010). This is courtesy of higher redemption rates, thereby resulting in slow adoption of digital coupons by many marketers especially those who maintain higher return on investment (ROI) as a corporate objective.

Conversely, the situation is not so congruent in the developed markets of Europe and America. For example, the usage of coupons in Asia is skewed towards traditional couponing in most of the Asian countries (Jayasingh & Eze, 2009). Compared to those in Europe and US, the marketers of Japan, China, and Singapore, though well acquainted with Information Technology usage, rely mostly on traditional couponing. In addition, there is little digital coupons distribution where traditional freestanding inserts (FSI) dominate the markets. Though digital coupons market is relatively promising in Malaysia, it is still at its infancy with few websites actively involved in distributing internet coupons (Jayasingh & Eze, 2009). Some of these

websites include groupon.my, streatdeal.my, mydeal.com.my, bigsale.com.my among others – most of which distribute digital coupons for use in restaurants, and for purchasing groceries, clothing, fashion, cosmetics, electronics and house appliances (ITU La Pascal, 2011). Notwithstanding, it is pertinent to know that the high rate of Internet adoption in Malaysia is a testimony that digital coupons will sooner or later engulf the coupons market even though marketers in Malaysia are still reluctant to use them. As at 2012, there is a 60.70% Internet penetration rate equivalent to about 17,724,000 million Internet users in Malaysia out of a total population of 29,179,952 (Internet World Stats, 2012; Sanour, 2013). This is a positive signal for marketers to consider the possibility of digital coupons distribution in Malaysia.

Although traditional couponing has been well researched for over 50 years using different paradigms mostly in western nations, not many studies have been done on digital coupons (Jayasingh, 2009). Little is exposed about the different factors involved such as customers' attitude and behaviour towards digital coupons and usage intention, especially in developing countries like Malaysia. However, it is evident that the new social media environments have dramatically changed consumers' attitude and perceptions towards couponing behaviour. Notwithstanding, little attention is given by academic researchers and marketers alike to relatively new kinds of digital coupons such as electronic coupons (e-coupons) and mobile coupons (m-coupons), thereby resulting in little data and information with regard to coupons usage in Malaysia. This suggests important need for a thorough research into the various aspects of digital coupons usage especially in the context of Malaysia that will explore the likely factors that can predict intention to use digital couponing in consumers' daily purchase behaviour. This has been among the motivating factors behind the current research work.

1.3 STATEMENT OF THE PROBLEM

In this present world of digital revolution, adopting digital coupons as one of the sales promotional tools that can stimulate consumers' quick purchase has become a paramount issue among marketers. A good understanding of the driving force behind target market's purchase behavioural intention to use digital coupons is among the fundamental issues that must be properly looked into by any proactive marketer. Marketers that leverage their information technology capabilities in digital coupons usage have become high achievers in attaining sales objective (Hefferman, 2011).

Despite the fact that the Internet penetration rate in Malaysia exceeded 60% in 2012 (Internet World Stats, 2013) and is still significantly growing through 2013, digital coupons is not well adopted in Malaysia. According to Euromonitor report (Malaysia Country Fact File, 2014), Internet penetration in Malaysia increased by more than 23% between 2010 to 2013 (16,095.2 to 19,972.4 million Internet users) resulting in more Malaysians, especially youths, spending their time on the Internet mostly via handheld and mobile devices. In addition, a study conducted by (Goi and Ng 2011) shows that there are approximately 30.4 million mobile subscribers in Malaysia, with a penetration rate of around 106% due to multiple subscription. The majority of these subscribers constitute more than 30% youths (MCMC, 2010) who own different brands of smartphones and at the same time, most are connected to the Internet. However, the digital coupons usage remains at its infancy (Wong et al., 2005). The rapid spread of smartphone use among youths has been one of the greatest blessings to marketers because it has dramatically changed the consumer retail shopping experience in various developed markets. Youths nowadays want prompt access to pricing information, special offers and good deals which they get through their devices (Hasan, 2010; Khan & Rizvi, 2011; Senecal et al., 2005). This clearly

means that the youths' cohort will be a promising target market for digital coupons in Malaysia because of its ease of reach to consumers at minimal cost.

However, the digital coupons usage is not well exploited. This is partly because customers have insufficient knowledge about digital coupons hence their over reliance on traditional coupons usage. There are also insufficient research and data findings on digital coupons usage in Malaysia in comparison to other developed markets such as the United States or European countries (Jayasingh, 2009). For example, research finding from FactBrowser (2013) shows that in the U.S., 34% of smartphone users were found to use their devices for digital coupons, 13% of tablet owners use their device to find coupons online, 47% of mobile user consumers prefer to receive coupons through their mobile devices from the retailers when they are in the store or close by, as a result, as much as 10% of the mobile coupons received via such means were redeemed as against 1% for paper based coupons. However, such data for coupons usage are either unavailable or insufficient in Malaysia and in most developing countries alike (Eze & Jayasingh, 2009). It is pertinent to note that the 10% redemption rates of digital coupons over 1% of print coupons in the developed nation as indicated by the Fact Browser study above, is a testimony of the great impact of digital coupons as a viable promotional tool, which should be equally applied in developing marketing like Malaysia. This has been the driving force behind the current research. In the words of Blondo et al. (2005), the potential of digital coupons has not been fully exploited on the web; salient among the reasons is the lack of proficient methods to manage the development and distribution of e-coupons.

Meanwhile, there is a pressing need for marketers in Malaysia to explore possible ways that will entice the target market to close deal with minimal efforts possible. Marketers in Malaysia should fully embrace digital coupons over and above

traditional coupons because of its wide distribution at lesser cost, stimulation of purchase of new products and ultimately encouragement of repeat purchase (IEEE Computer Society, 2010; Kang & Fortin, 2006).

So much is expended by marketers to produce and distribute traditional free standing inserts. Such traditional free standing inserts is not redeemable in a number of occasions, adding to marketing costs without corresponding significant effect (IEEE Computer Society, 2010). The amount expended on traditional coupons, in addition to the physical production and distribution costs added to the total product's cost to the manufacturers and retailers alike, hence translates into additional price on the consumers. However, this will be drastically reduced by digital coupons, if adopted and properly managed.

Studies conducted by Cognizant Inc. (2011) shows that retailers who do not embrace digital coupons strategy are risking lost business. However, there is over dependence on traditional coupons usage among marketers in Malaysia (Eze & Jayasingh, 2009); as such the majority of customers do not give even a trial due to lack of marketers' action to encourage the use of digital coupons among consumers especially students of higher learning in Malaysia who constitute the majority of consumers that shop online.

In essence, in order for marketers in Malaysia to enhance promotional capabilities, it is mostly to compulsory to embrace digital coupons as a means of acquiring new customers and retaining existing ones. Therefore, to address this problem, this present study tries to find the predictive factors upon intention to use digital coupons in Malaysia, thereby enhancing retail sales.

1.4   RESEARCH OBJECTIVES

The aims of this study are sub-divided into general and specific objectives as follows:

1.4.1   General Objectives

To date, there is insufficient research on digital couponing in Malaysia. For this reason, the main objective of the current research is to use the Theory of Planned Behaviour (TPB) to determine important factors that predict intention to use digital coupons among consumers and propose a framework of intention to use digital coupons. Factors are identified and examined in order to ascertain, which amongst them are the most influential, and generate the greatest likelihood to predict intention to use digital coupons among consumers. The study also aims to introduce involvement into the Theory of Planned Behaviour and to propose a framework of predicting intention to use digital coupons among consumers.

1.4.2   Specific Objectives

Specifically, the objectives of the current research are:

1. To explore factors that predict intention to use digital coupons among IIUM students.

2. To examine the relationship among attitude, subjective norm, perceived behavioural control and involvement towards intention to use digital coupons among IIUM students.

3. To suggest recommendations to attract consumers to use digital coupons in their daily product purchase.