



FACTORS INFLUENCING CUSTOMER
SATISFACTION TOWARDS LAZADA ONLINE
SHOPPING IN MALAYSIA

BY

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ABSTRACT

Recent development in technology saw a huge boom in internet usage and many new developments in the world of technology. Development in technology gave rise to many online shopping platforms such as Lazada which operates in Malaysia. With more interest in online shopping it showed that there is a need for more research regarding online shoppers' satisfaction. This study explored the effect of four different factors namely security, website quality, payment methods and delivery process on customer's satisfaction when buying from Lazada. This research utilized a qualitative analysis and collected primary data from respondents through a questionnaire. A total of 167 responses were collected for this research from which only 156 fit the requirements of this study. Collected data was analysed using SPSS software and regression analysis was performed on the data. Results of this analysis indicated that all four factors were significant and have positive effect on customer satisfaction. It was found that from all four factors the delivery process factor had the most effect on customer satisfaction. It was followed by website quality and payment methods factors. Security factor was found to have the least effect on customer satisfaction. This research is expected to help online shops and shopping platforms to identify important factors that affect customer satisfaction in order to improve those factors.

ملخص البحث

ان التطور الأخير في التكنولوجيا أدى الى ارتفاع كبير في استعمال الانترنت اضافة الى تطورات كثيرة اخرى في عالم التكنولوجيا. فقد ساهم التطور التكنولوجي في ارتفاع أعداد مواقع التسوق الإلكتروني مثل موقع لازادا المعروف في ماليزيا. ومع تزايد الاهتمام بالتسوق الإلكتروني تزداد الحاجة الى ضرورة اجراء المزيد من البحوث حول مدى ارتياح المتسوقين الإلكترونيين. هذه الدراسة كشفت التأثيرات التي تحدثها عوامل أربعة، وهي: الأمن، جودة الموقع الإلكتروني، طرق الدفع وعملية التوصيل وفقاً لرضا المتسوق عند تسوقه من موقع لازادا. استفاد البحث من التحليل النوعي وجمع البيانات الأولية من المستجيبين عبر استبيان خاص. وقم تم الحصول على 167 استجابة في هذا البحث ومن هذا العدد استوفى 156 منهم متطلبات هذه الدراسة. وتم تحليل البيانات، التي تم جمعها، عبر برنامج **SPSS** (الحزمة الإحصائية للعلوم الاجتماعية) كما خضعت البيانات لتحليل الارتباط. وكشفت نتائج هذا التحليل أن من بين العوامل الأربعة كانت عملية التوصيل هي من أهمها وتأثيرها الايجابي على ارتياح الزبون. تلى ذلك جودة الموقع الإلكتروني وطرق الدفع في الترتيب الثاني والثالث. أما عامل الأمن فقد تبين أنه الأقل تأثيراً على ارتياح الزبون عند تسوقه من موقع لازادا. ويتوقع أن يساعد هذا البحث مواقع التسوق الإلكتروني في التعرف على العوامل المهمة المؤثرة على ارتياح الزبون وكذلك تحسين هذه العوامل بما يسهم وزيادة سعادة الزبائن.

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).

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DECLARATION

I hereby declare that this dissertation is the result of my own investigation, 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.

Surkhan Saylikhanov

Signature.....

Date

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To my dear family and friends

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LIST OF ABBREVIATIONS

IIUM	International Islamic University Malaysia
SME	Small and Medium Enterprises
EFA	Exploratory Factor Analysis
ICT	Information and Communication Technology
TAM	Technology Acceptance Model
EDP	Expectancy-Disconfirmation Theory
CLT	Comparison Level Theory
VPT	Value-Percept Theory

CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

Online shopping has proliferated in today's society to become part of the contemporary lifestyle. In this new atmosphere, the internet has become a vital platform for businesses and organisation to conduct trading activities leading many companies have opened online shops via their websites. Shopping platforms have become immensely popular places for buying and selling different products and services. Those platforms have created an online marketplace for different products and services which vary depending on the platform. Some platforms offer a broad range of products, while others are more specialised (Shergill and Chen, 2005).

Many companies acknowledge the potential of e-commerce. E-commerce has created new possibilities for companies. Since its development, e-commerce saw drastic development and has increased rapidly in popularity year by year (Haque, Sadeghzadeh and Khatibi, 2006). It provides cost-effective tools for SMEs that are not available in traditional commerce. Capitalising on such tools enables online marketing, easily accessible information, open communication with customers, and the ability to find new business partners easily (Othman and Shahzad, 2016).

There have been many developments in e-commerce in recent years. Malaysia, as a developing country, has seen a wave of innovation that has benefitted consumers. Countless e-commerce sites have been developed and are widely available for businesses and people to use (Fawzy, Sharuddin, Rajagderan and Zulkifly, 2018). Lazada is one such e-commerce platform in Malaysia. This platform grew rapidly and

became popular in just a short period. It is also one of largest to date. One of the main contributors of the platform's success is the use of many different promotions and sales which has contributed significantly to Lazada's growth (Chan, Ahmad, Zaman, Omar, Ramlan, and Tam, 2018).

With more studies focusing on customer satisfaction, online customer satisfaction has become a popular research topic in recent years. Researchers have identified that online customer satisfaction differs from offline traditional customer satisfaction. Several factors are unique to the online environment. Those factors must be studied in order to explore how customer satisfaction can be achieved and improved in an online environment (Lin and Sun, 2009).

With the growing number of internet users, much research is needed to improve the user experience online further. Several authors recommended exploring the factors that affect consumer satisfaction (Guo, Ling and Liu, 2012; Lin and Sun, 2009). Many research has been done in more developed countries and bigger platforms. However, Malaysian online shoppers' satisfaction has rarely been studied. Furthermore, regarding customer satisfaction and the factors that affect that satisfaction on Lazada's online shopping platform has not been studied.

1.2 BACKGROUND OF THE STUDY

1.2.1 E-commerce in Malaysia

Many new technological developments have allowed us to create new things that were not possible a few decades ago. In the last decade, the number of internet users has increased rapidly compared to the early 2000s. Furthermore, smartphones, tablets and many other devices that are connected to the internet have become widely available to users (Guo et al., 2012). Many small countries, like Malaysia, were falling behind

developed countries with strong economies when it came to e-commerce. However, in recent years, Malaysia has invested in technological development to boost its e-commerce capabilities (Rafaai, Rasib and Zuki, 2018).

At first, companies started using the internet to connect with their customers. Then they created websites where customers could learn more about the company and could find contact details if needed. Soon, companies realised that the internet could also be used to promote their products and services. The internet proved a great tool for companies to advertise their products. It was cheaper and could reach its target market better than many traditional marketing tools. Soon after, companies discovered that they could sell their products and services online. This created a rise in the popularity of e-commerce activities (Shergill and Chen, 2005).

Malaysia has seen a significant boost in e-commerce activities in recent years due to the widespread use of smartphones and tablets. This has helped companies to reach more customers using different platforms. With the growing number of internet users, a need arose to improve the user experience online (Guo et al., 2012). This growth marked a massive opportunity for companies to get involved in e-commerce using different online platforms. This resulted in the development of e-commerce or electronic commerce sites and platforms (Shergill and Chen, 2005). Those sites worked as an online platform to promote the company's products, help customers purchase them and provide after-sales services (Rafaai et al., 2018).

In Malaysia, e-commerce has become a vital tool for SMEs. Small businesses find it harder to reach their customers or find sufficient funds to market their goods and services. With the help of e-commerce and online trading platforms, they have easily been able to reach their customers. It has also meant that they no longer needed to rent a physical shop thereby reducing their expenses (Othman and Shahzad, 2016).

As of 2015, almost 25 million Malaysians had access to the internet. This figure is expected to increase as more effort is invested into development internet and communication in Malaysia. E-commerce has been a significant contributor to the local economy with up to RM 5 billion worth of transactions performed as of 2015. This figure was expected to rise further in the coming years. With the rise of smartphones and mobile internet, customers had more accessible access to e-commerce platforms (Othman and Shahzad, 2016).

Table 1.1 summarizes important consumers' preferences and reasons for shopping online in Malaysia that was discovered by Fawzy et al. (2018) in their research. This table summarizes the important findings from that research. This research is one of the latest research and it summarizes the important trends of online shoppers and their preferences when buying online.

Table 1.1: E-commerce preferences in Malaysia (Fawzy et al., 2018).

Preferred product(s) purchased by Malaysian	Apparel, Electronic, Sport
Preferred method(s) of payment by Malaysian	Debit, Credit, Cash
Preferred method(s) of delivery by Malaysian	By Courier, Mail, Pick up point
Reasons for Malaysian shop online	Save time, convenient and flexible, ease of price comparison
Reasons for Malaysian NOT to shop online	Product Defect, Warranty options, security and cheating.
Preferred e-commerce site(s) by Malaysian	Lazada, Mudah, 11 street
Major problem Malaysian encounter when you shop online	Fraud Seller or product warranty, delivery issues

1.2.2 Lazada Shopping Platform

Lazada is an e-commerce platform where different companies can create online shops and sell to their customers directly without the need to create a special platform (Chan et al., 2018). Lazada is a website which serves as an online marketplace. In this marketplace, different companies and people can post their products. It operates as an online shopping mall with many vendors (Suhardi and Taufik, 2018).

Lazada offers different products categories such as clothing, accessories, make-up, watches, electronic products, mobile phones, home appliances, food, leisure products and many other products. Those products are all organized under different categories to make it easier for the buyer to look for the products that they want to buy. Customers can easily search for the products that they are interested in. By utilizing numerous filters and tools, customer can easily find the products and services that they are looking for among the products offered in this platform (Chan et al., 2018).

Lazada's main focus in e-commerce is its business-to-consumer (B2C) design. This type of e-commerce activity involves a company or business, providing products and services directly to consumers. Originally, Lazada was designed with this activity in mind (Rafaai et al., 2018). Consumer-to-consumer (C2C) is another popular type of e-commerce used in Lazada. Here a consumer sells products to another consumer. This usually involves used or second-hand items (Fawzy et al., 2018).

The origins of Lazada date to 2012 when a company called Rocket Internet started this service in Singapore. With the success of sites such as Amazon and eBay, Rocket Internet tried to imitate those sites by creating a similar platform for the Singaporean market. Soon this idea became popular, and the platform saw fast growth (Chan et al., 2018). Soon the platform grow even bigger and spread to neighbouring ASEAN countries. As of today, Lazada platform operates in Indonesia, Malaysia, the

Philippines, Singapore, Thailand, and Vietnam (Suhardi and Taufik, 2018). Lazada shopping platform is managed by the Lazada Group. However, in the year 2016, Alibaba became a partial owner of Lazada Group by purchasing shares in the company (Chan et al., 2018).

As of today, Lazada remains strong and successful with many people preferring this site over others. Lazada has made itself well-known for their promotions and sales. Many sales such as “11.11”, “12.12”, and many festival-related sales happen yearly. The site also offers different promotions for its customers, such as free delivery and discounts. In 2018, the “11.11” sale saw the sale of 11 Volkswagen Polo B&W edition cars, 4,500,000 diapers and over 27 tonnes of Milo in just two hours of a single day (SoyaCincau.com, 2018).

With huge success in Malaysia, Lazada showed that e-commerce can become popular and widely used in developing countries. Soon after, many other e-commerce sites emerged following the example of Lazada. Zalora is one such online shopping platforms opened by Rocket Internet (Othman and Shahzad, 2016). By 2018, Lazada was one of the most popular online shopping sites, followed by sites such as Mudah, Lelong and 11street (Fawzy et al., 2018). According to Chan et al. (2018), the leading online trading platforms in Malaysia are Zalora Malaysia, Lazada Malaysia, Lelong, ShaShinki, Fashin Valet, ASOS, Amazon.com and 11street.

Lazada works like any standard online shopping platform. Figure 1 shows the main page layout for Lazada’s online shopping platform. Almost anyone can browse it for free and look for products. Anyone willing to use this platform has to visit their website at www.lazada.com.my or download their app in the Google Play Store or Apple App Store. However, when it comes to buying or selling something through this platform, a person must register first. Registration is free and can be done through their

website or mobile application. After registration, a user will be able to buy or sell products (Suhardi and Taufik, 2018).

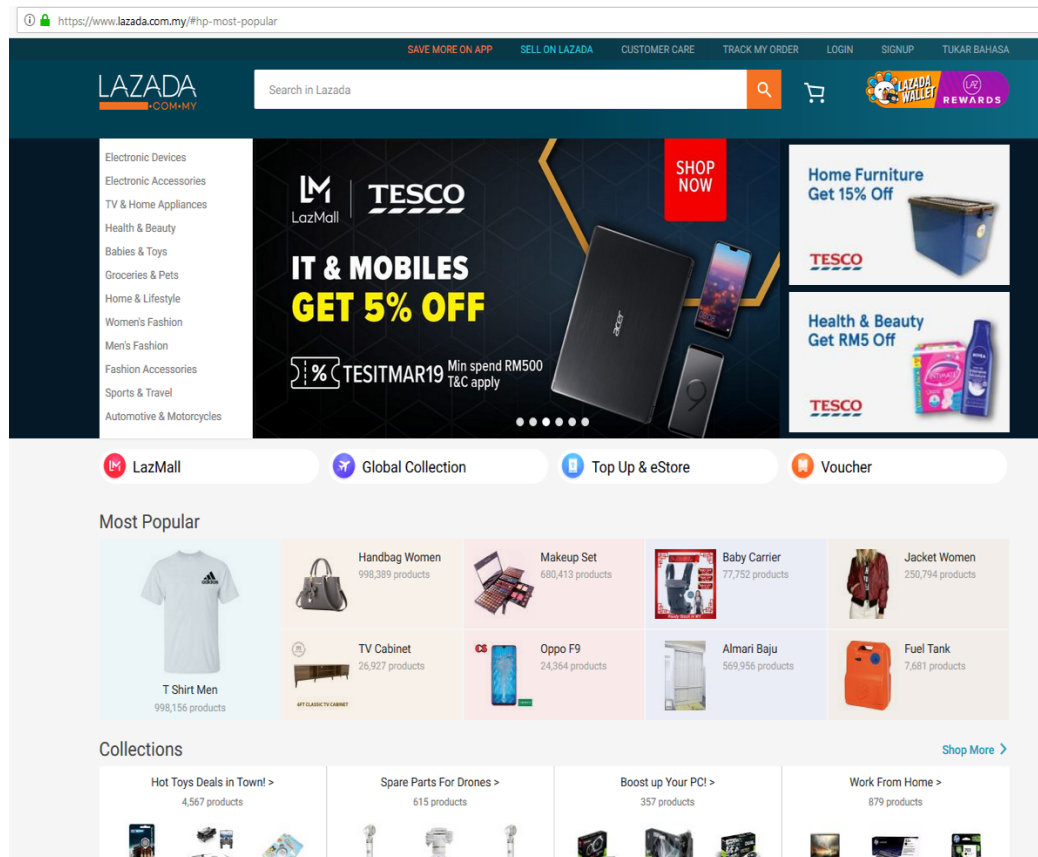


Figure 1.1: Lazada Main Page

Lazada allows both business-to-consumer and consumer-to-consumer sellers on its platforms. This means that regular businesses can post their products using this platform (Fawzy et al., 2018). There is a section on the website called the Lazada Mall, where big companies can register their official online shops. Figure 2 shows a sample of Lazada Mall's main page. This function helps to find official shops for big companies to buy original products (Chan et al., 2018).

Furthermore, this platform also allows ordinary users to sell their products and services. This helps small businesses sell across Malaysia, instead of opening an offline

store which has limited reach. This platform is also free for users, and they do not have to pay any rental fees or pay for posting their products. They will have to give a portion of their profits to the platform as a service charge, but it is a very small amount (Chan et al., 2018).

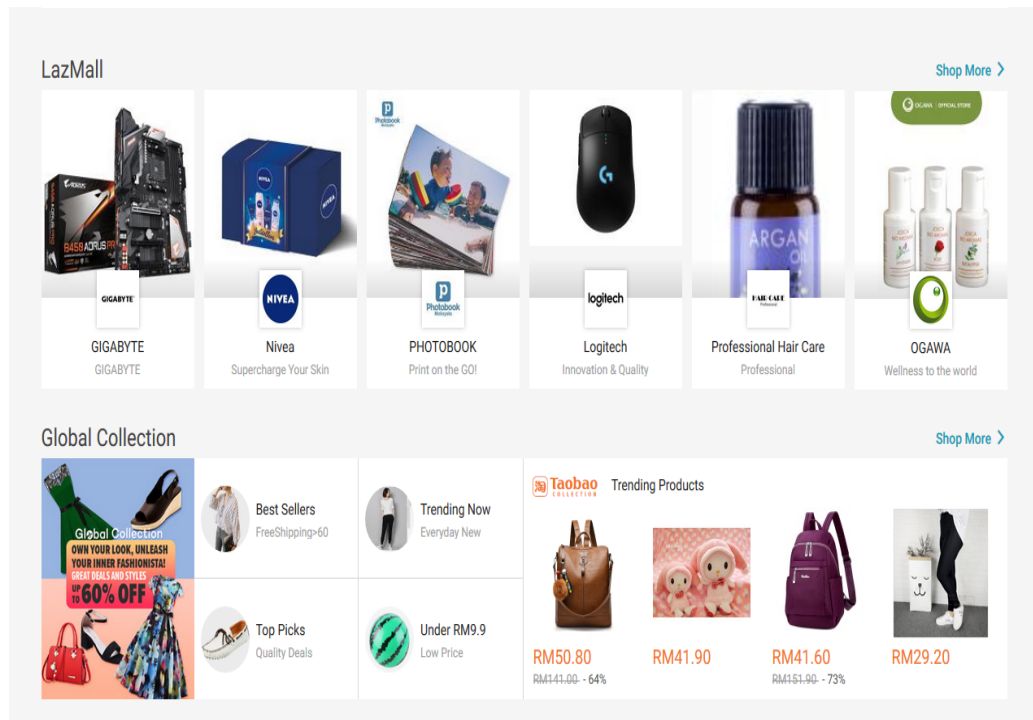


Figure 1.2: Lazada Mall page

1.2.3 Customer satisfaction in an online environment

Customer satisfaction is a term that has been studied for many years. This term is based on consumer behaviour. Consumer behaviour studies how people buy certain products and services, how they select those products and services, and how marketers can affect consumers buying decisions (East, Singh, Wright and Vanhuele, 2016).

The study of online shopping behaviour emerged with the development of e-commerce. This is similar to consumer behaviour that studies how customers buy certain products and services online (Li and Zhang, 2002). Most research started with

the assumption that online and offline shoppers follow the same consumer behaviour. In this regard, understanding the factors that affect consumer behaviour is an important step (Shergill and Chen, 2005).

There are mainly two methods for explaining consumer satisfaction. The transaction-specific approach explains that customer satisfaction is an emotional response by the buyer to the transaction with the organisation. This method refers to one transaction. Overall satisfaction includes all the transactions with the company in evaluating customer satisfaction. In the online environment, the same overall satisfaction model can be used to explain customer satisfaction (Yang and Peterson, 2004).

In online environment, there are many variables that are different from normal offline shops. According to Ariff, Sylvester, Zakuan, Ismail and Ali (2014) there are many risks that are associated with buying online. In online shops we cannot physically inspect the item or try it. Ting, Ariff, Zakuan, Sulaiman and Saman (2016) found that service quality and website user experience are both important in attracting customers online.

Customer satisfaction is vital because it leads to customer loyalty. Customer loyalty will guarantee that a customer will keep buying a company's products or services. Researchers found that satisfaction leads to customer loyalty (Ting et al., 2016; Lin and Sun, 2009), which has a positive effect on the company and its profits (Uncles, Dowling and Hammond, 2003). Rust and Zahorik (1993) concluded that customer satisfaction leads to customer retention and retention of market share. This means that companies will maintain their current market share and will have loyal customers who will continue buying their products as long as they are satisfied.

1.3 STATEMENT OF THE PROBLEM

Consumer satisfaction is a critical field of study. There is still much that must be uncovered regarding the factors that influence customer satisfaction among online shoppers (Shergill and Chen, 2005). Consumer satisfaction and consumer behaviour in offline environments have been studied extensively. Things like e-satisfaction and online shopping behaviour are relatively new and have been subject to much less research (Ariff et al., 2014).

Most research has focused on satisfaction in the traditional shopping environment with minimal research dedicated to the online environment. Since online and offline shoppers have different expectations regarding satisfaction, they cannot be analysed using similar theories. Furthermore, online satisfaction is affected by different factors than offline satisfaction (Li and Zhang, 2002). Some of those factors might be very influential for one study and might be unimportant for another. This underscored the inconsistent results on this topic (Lin and Sun, 2009).

Many developing countries have studied online customer satisfaction. Guo et al. (2012) explored online customer satisfaction in China and the different factors that affect customer satisfaction. Shergill and Chen (2005) explored online customer satisfaction for New Zealand. Minimal studies have focused on the Malaysian context. As a developing country with developing e-commerce, it is essential to analyse online customer satisfaction and the factors that affect it.

In the case of Lazada, it has become very popular in recent years (Chan et al., 2018). Customer satisfaction is essential for a platform like Lazada, and it must be one of the reasons for such sudden popularity (Lin and Sun, 2009). Nevertheless, minimal work has investigated its shopping platform. Suhardi and Taufik (2018) are the only

researchers to have studied the customer satisfaction in Lazada online shopping platform.

Online customer satisfaction is a new field and it is an important for the companies to understand the importance of this field. Despite the fact that some research has been done on online customer satisfaction, there is still much room for the improvement in this field. Thus more research is still needed. Furthermore, Malaysian customers' online customer satisfaction has not been studied much. Therefore, research on customer satisfaction and the factors that affect customer satisfaction in Lazada's online shopping platform is needed.

1.4 RESEARCH OBJECTIVES

This research explores the factors that affect customer satisfaction when buying things on Lazada's online shopping platform. The specific objectives of this research are as follows:

- To examine the influence of security on customer satisfaction.
- To study the influence of website quality on customer satisfaction.
- To analyse the influence of payments methods on customer satisfaction.
- To examine the influence of the delivery process on customer satisfaction.