



THE IMPACT OF SOCIAL NETWORK MARKETING,
PRICE AND TRUST ON ONLINE CONSUMER
PURCHASING BEHAVIOUR

BY

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ABSTRACT

Online social networks, as a phenomenon, around the globe have formed and established a platform for interaction and communication among people. This platform, due to its online features, has created a functional way for individuals to share their knowledge, opinions and ideas among each other, which makes a possibility for direct impact on people's behaviour in terms of communication and purchasing. Hence, this study attempted to observe and discuss the effects of social network marketing, price and trust on online consumer purchasing behaviour. Moreover, the moderation effect of income related with price as the independent variable and online consumer purchasing behaviour as the dependent variable was examined. The study was carried out by taking a sample of 235 respondents. A survey method using a structured questionnaire has been used throughout this research as a collection tool for possible usable data. The Structural Equation Modelling (SEM) as a tool to estimate the effect of the factors on online consumer purchasing behaviour was used. The Partial Least Squares (PLS) technique was applied to analyse the casual relationships between constructs using the software application SmartPLS 2.0. The results revealed that social network marketing, price and trust have positively affected online consumer purchasing behaviour. Hence, all the measures were highly reliable. In addition, an income moderates the relationship between price and online consumer purchasing behaviour. It has been found that the high income level provides a greater profound effect on the relationship between price and online consumer purchasing behaviour. Finally, this research adds significant value to the respective field within the area investigated, from both the theoretical and managerial side. The present study assist marketers in different directions. From the theoretical side, the present study contributes to the body of knowledge on online consumer purchasing behaviour through the investigation of different factors that influence consumers and their online purchasing behaviour.

ملخص البحث

إن نمو شبكات التواصل الاجتماعي حول العالم خلق مساحة جديدة من التواصل والتفاعل بين الناس، حيث بإمكان الفرد مشاركة المعرفة والآراء والخبرات المختلفة مع الآخرين، كل هذا بسبب المزايا التي تقدمها شبكات التواصل الاجتماعي حيث أصبح لها تأثير واضح على سلوك التواصل والشراء، لذلك تحاول هذه الدراسة بأن توضح مدى تأثير شبكات التواصل الاجتماعي التسويقية، وكذلك السعر والثقة، وسلوك الشراء لدى الزبون. علاوة على ذلك فإن هذه الدراسة تهدف إلى توضيح مدى تأثير الدخل على العلاقة بين السعر بوصفه عاملاً مستقلاً، وسلوك الشراء لدى الفرد بوصفه عاملاً معتمداً. اعتمدت هذه الدراسة على أجوبة 235 شخصاً مشاركاً في الدراسة حيث تم توزيع بيانات استطلاع رأي هيكلية للحصول على المعلومات. وقد تم استخدام أداة برنامج نمذجة المعادلة الهيكلية (SEM) لتقويم مدى تأثير العوامل المختلفة على سلوك الشراء لدى الزبون. وقد تم استخدام تقنية (PLS) لتحليل مسببات العلاقة بين الأنظمة المختلفة. وقد أظهرت النتائج بأن هناك تأثيراً إيجابياً لشبكات التواصل الاجتماعي التسويقية، وكذلك السعر والثقة على سلوك الشراء لدى الزبون. وتصدر الإشارة بأن جميع أدوات القياس لهد التأثير كانت موثوقة بما. بالإضافة إلى ذلك، أظهرت نتائج الدراسة بأن الدخل يحدد العلاقة بين السعر وسلوك الشراء للزبون حيث أظهرت النتائج بأنه كلما زاد مستوى الدخل فإن ذلك يؤثر بشكل أكبر على العلاقة بين السعر وسلوك الشراء للزبون. وفي الختام، فإن هذا البحث يضيف قيمة مهمة من الناحية النظرية والإدارية في حقل التسويق، حيث أن الدراسة الحالية تساعد المسوّقين في المجالات المختلفة، فمن الناحية النظرية فإن الدراسة الحالية تساهم في علم سلوك الشراء لدى الزبون من خلال تحليل العوامل المختلفة التي تؤثر على سلوك الشراء لدى الزبون.

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.

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LIST OF ABBREVIATIONS

ASV	Average Shared Variance
AVE	Average Variance Extracted
B2C	Business to consumer
CFA	Confirmatory Factor Analysis
CPB	Consumer Purchasing Behaviour
CR	Composite Reliability
DV	Dependent Variable
EFA	Exploratory Factor Analysis
IT	Information Technologies
IV	Independent Variable
KMO	Kaiser-Meyer-Olkin
ML	Maximum Likelihood
MSV	Multiple Shared Variance
PLS	The Partial Least Squares
SEM	Structural Equation Modelling
SPSS	Statistical Package for Social Sciences

CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

Consumer behaviour has become one of the most inspiring areas for researchers and companies in the Internet era. Recently, there have been intensive studies of consumer behaviour conducted and most of them have attempted to classify factors which influence on online consumer attitudes and behaviour. As time changes and technology constantly improves, organizations need to stay ahead of the game and use their potential to improve relations with consumers. Due to this changing trend, they should consider various ways to attract and retain their consumers in this competitive world.

The number of social networking sites and consumers priority to spend more time online rise challenges for researchers to understand and study consumer behaviour and process of buying more thoroughly. An important fact to determine is that every practice such as buying differs from one another due to various elements such as personality and environment, with the function to influence the whole process (Gatautis, Kazakeviciute, & Tarutis, 2014).

The Internet has improved and changed the methods and techniques of communication (Fauser, Wiedenhofer, & Lorenz, 2011). It makes our lives simple and innovative and gathers all companies and consumers in one place. In recent days, the Internet has metamorphosed from the role of communication media to business media

which witnesses a tremendous impulse in online purchase of different products and services (Sakkthivel, 2009).

Due to the enormous commercial power of online shopping, the number of services and products found online is increasing rapidly (Levin, Levin, & Weller, 2005). Online shopping is becoming increasingly popular, the place where consumers are always seeking for new products, services and new attractiveness. The reason of the increase can be explained with the rapid technology usage growth connected with consumer behaviour (Oppenheim & Ward, 2006). Clearly, it is very important for marketing managers to understand deeply consumers' needs and factors which can influence many changes in their purchasing behaviour (Doaei & Hassanzadeh, 2013). It is also important to recognize that online shopping is getting popular, especially among the young generations which will be mentioned throughout the literature review.

Different factors have various influence on purchasing behaviour which should be investigated and developed, such as social network marketing, price and trust. Constantinides (2004) stated that the first step in making the influence on consumers is identifying certain influencing aspects of purchasing online.

Social network marketing has been among the most successful advertising tools which has become very popular at the global level. Social media as well as online sites present a platform for individuals to communicate over the Internet, which likewise may have a significant element of consumer socialization (Vinerean, Cetina, Dumitrescu, & Tuchindelean, 2013). This study will examine how social network marketing will influence the consumer purchasing behaviour among people who often use Internet as place where they can buy various products to satisfy their needs.

Price, like another important element in exchange relationships, is presented as an instrument that marketers apply in the process of market confrontation, through appeal for potential customers or through competition fight (Boonlertvanich, 2009). Price is a unique factor which influences the consumers' behaviour in different ways. One of them is attracting and retaining consumers through different pricing strategies. Consumers generally believe that online stores compared to store-based retailers, have lower costs and, besides that, they also believe that lower costs of doing business are reflected in the price (Jensen, Kees, Burton, & Turnipseed, 2003).

The modern marketplace is glutted with a wide assortment of products and services, where consumers fell in doubt and subjective uncertainty. This is one of the reasons why marketers need to take care of consumers' emotions, their level of trust and safety in everyday purchasing process of goods and services. The model of online consumer behaviour intentions is extremely effected by perceived risk and trust factors (Cheung, Chan, & Limayem, 2005). Consumer choices who are new on the market scene may be influenced by two competing forces: their desire for research in the ending results of more information about alternative products and their attention to avoid the risky ones (Agarwal & Aggrawal, 2012). The significance of trust as a consumer behaviour determinant might be considered equally important as other factors, such as income and price (Dierks, 2007).

There is no doubt that Malaysia has entered a new era of globalization in the 21st century where the rapid growth of computer systems and network technology have tremendous power as it diminishes the cost of items and extends geographical limits in order to reach potential customers (Salehi, 2012). The Internet is easily accessible in Malaysia, but marketers still need to work on creating awareness and

encouragement for online shopping and to analyse the factors affecting consumers' behaviour.

Briefly, the outcomes of this research study will make contribution to the existing literature with regard to the influence of the above presented factors on online consumer purchasing behaviour, as well as whether the income will have any moderating effect in relationship between price and online consumer purchasing behaviour.

1.2 PROBLEM STATEMENT

Since the number of Internet users is increasing in Malaysia, it is a vital issue to investigate why consumers are purchasing online and which factors influence their purchasing behaviour. Researchers investigated about online consumer behaviour, but there is no final theory or concept due to fragmented researches caused by different understandings on factors influencing online consumer behaviour. According to Gatautis et al. (2014), the researchers are trying to determine the main factors with the purpose of a model creation for illustrating online consumer behaviour. The following researchers (Kwong, Cheung, Zhu, Limayem, & Viehland, 2002; Li & Zhang, 2002) wanted to analyse and methodize previous research on online consumer behaviour, however they did not extract an understandable and comprehensible idea of factors impacting online consumer behaviour.

The research on online consumer behaviour is fundamental and it helps us to clearly understand how online consumers prepare themselves for purchasing (Doaei & Hassanzadeh, 2013). Clearly, identifying the consumers and understanding their needs is related to the directions that an organization will include in the marketing strategy.

Consumers are having an important role in online market. Accordingly, looking out which variables are basically influencing the purchasing behaviour is of vital importance. Their behaviour is influenced by different factors. Previous research investigated different models related with online consumer behaviour. Therefore, there is no model where all three variables (social network marketing, price and trust) are used as comprehensive model. The linkages between social network marketing, price and trust have been extracted from the extensive review of the literature. This gap in literature requires researchers to examine the effects of different variables on online consumer purchasing behaviour. This study proposes a model in order to contribute to the topic and to find new solutions for specific problems related to the online consumer purchasing behaviour.

1.3 OBJECTIVES OF THE STUDY

1.3.1 General Objective of the Study

In general, this research attempts to identify and get insight into consumer purchasing behaviour with respect to identifying the impact of social network marketing, price and trust on online consumer purchasing behaviour. Additionally, the study will evaluate a comprehensive conceptual model and simultaneously measure the impact of different variables on online consumer purchasing behaviour in Malaysia. Furthermore, this study will attempt to measure and examine the effect of income as a moderator in the relationship among price and online consumer purchasing behaviour.

1.3.2 Specific Objectives of the Study

The study has five specific objectives:

1. To identify key factors influencing the online consumer purchasing behaviour.
2. To analyse the impact of social network marketing on online consumer purchasing behaviour.
3. To identify the impact of price on online consumer purchasing behaviour.
4. To examine the impact of trust on online consumer purchasing behaviour.
5. To evaluate the moderating effect of income in the relationship between price and online consumer purchasing behaviour.

1.4 RESEARCH QUESTIONS

The study provides several questions that can serve as the research engine to achieve and satisfy the presented objectives. Furthermore, the study tries to extract answers to the following five research questions:

- 1.4.1 What are the main factors which have an impact on online consumer purchasing behaviour?
- 1.4.2 What is the influence of social network marketing on online consumer purchasing behaviour?
- 1.4.3 What is the impact of price on online consumer purchasing behaviour?
- 1.4.4 What is the impact of trust on online consumer purchasing behaviour?
- 1.4.5 Does income moderate the relationship between price and online consumer purchasing behaviour?

1.5 SIGNIFICANCE OF THE STUDY

Having satisfied the research objectives defined in the preceding section, this study will make contributions to the literature review from different perspectives. From one side, the study will add to the body of knowledge on social network marketing, price,

trust and online consumer purchasing behaviour. In addition, this study will propose and examine the model which investigates the factors that impact on online consumer purchasing behaviour. Finally, the research will also extend the body of knowledge on consumer behaviour and provide a new view of the online concept in a developing countries (i.e. in Malaysia).

From another side, this research will assist marketers in determining which factors are the most influencing ones on the online purchasing behaviour. It will guide managers in gaining an understanding on how they can influence on the particular purchasing decision and which factors will give a support for it. This research will also explain the nature and significance of the relationship between several factors (social network marketing, price and trust).

Through reaching these goals, researchers will have the ability to find out how they can influence the specific target audience. This, in turn, will increase the likelihood of positive online consumer purchasing behaviour, as well as different strategies which will attract potential clients and help better understanding of consumer behaviour in Malaysia.

1.6 CONCEPTUAL DEFINITIONS

- 1.6.1 Consumer behaviour: “The study of people, groups, or associations and the procedures they use to choose, secure, and dispose of products, services, experiences, or thoughts to fulfil needs and the effects that these procedures have on the consumer and society.”
(Thapa, 2012, p. 98.)

- 1.6.2 Social network marketing: “The procedure of picking up site activity or attention through social networking sites.” (Bajpai, Pandey, & Shriwas, 2012, p. 214.)
- 1.6.3 Price: ”The amount of products given or received in return for another product.” (Commons, 2000, p. 309.)
- 1.6.4 Trust: ‘An individual's belief in, and willingness to act on the basis of the words, actions, and decisions of another.’” (Lewicki, McAllister, & Bies, 1998, p. 441.)

1.7 ORGANIZATION OF THESIS

The study has been divided into five chapters. Chapter one begins with the topic introduction, problem statement, research objectives and questions followed by the significance of the study. Chapter two presents a review of previous studies on online consumer purchasing behaviour and impact of different factors on it. In addition, chapter three discusses the methodology used in testing the research hypothesis developed in chapter two.

Chapter four presents the research findings, the analysis and interpretation of the results. Finally, the outcomes obtained in chapter five in testing the research hypotheses will be discussed as well as their implications for online consumer purchasing behaviour followed by limitations and further suggestions for future studies.

CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

The main aim of this chapter is to highlight and give an overview of literature relevant to this research as well as to provide a conceptual model. In order to understand the online consumer purchasing behaviour in a more relevant way in today's changing environment of online shopping, this study will explain the concepts of social network marketing, price and trust, so it can give a clear idea about this research area. Section 2.2 presents the literature closely related with the concept of online consumer purchasing behaviour in the online world. Section 2.3 explains the literature which is related to social network marketing. Section 2.4 explains the literature related to price, while section 2.5 presents the literature related to trust and online consumer purchasing behaviour. Section 2.7 discusses the potential gap in the literature, while section 2.8 and 2.9 explains theoretical underpinning of study, development of the proposed research model and hypotheses development. Finally, section 2.10 summarizes the points discussed in this chapter.

2.2 CONSUMER PURCHASING BEHAVIOUR

The consumer is perceived as the main actor performing on the market scene (Galalae & Voicu, 2013). According to Thapa (2012), consumer is an individual who select, buy and utilize goods and services to fulfil their own needs and wants. The study of these individuals and groups is called consumer behaviour. Khan (2006) stated that

consumer behaviour is characterized as physical activity and decision-making process involved in gaining, assessing and utilizing of goods and services. Consumer behaviour is emotional and mental process of consumers during purchasing and post consumption of a products or services (Bhattacharya & Sen, 2003).

Purchasing behaviour is defined as the act by which individuals are involved in the process of buying goods and services (Sharma, 2014). According to Agarwal and Aggrawal (2012), consumer buying behaviour is the method of selecting, securing and using goods, services, or thoughts in order to fulfil consumers' needs and impacts that these methods have on the purchaser and environment. Since consumer behaviour and its extensive study has been a backbone of the marketing strategy, a broad and comprehensive study of all its parts become imperative for the success of an organisation (Sharma, 2014).

Consumer behaviour studies characteristics of individuals as well as groups in order to understand their needs and wants (Bakshi, 2012). It presents a multi-dimensional process where all marketing decisions are based on consumers and their behaviour (Khan, 2006).

Sharma (2014) stated that the consumer's buying behaviour types are:

Routine response-programmed behaviour: low purchasing contribution, purchase of inexpensive products and services, slight effort as well as search

Limited decision making: purchasing goods incoherently, requests a medium period of time for collecting the data

Extensive decision making: buying involvement is large in amount, purchase of costly items, high degree of risk

Impulse buying: no conscious planning.

Different determinants and factors affect the consumers in changing their minds and switching from one product or service to another. Switching behaviour is the process of being loyal to one goods or services and switching to the other one because of dissatisfaction or another problems that can occur (Sathish, Kumar, Naveen, & Jeewanantham, 2011). According to Thapa (2012), switching behaviour is the method demonstrated by a consumer, behaving differently to a specific product or services. Due to the possibility of a product to shift from one category to another, the purchase of a same product does not always imply an identical buying behaviour (Sharma, 2014).

Furthermore, improved service and detailed product information attract many consumers in order to shift their behaviour from the conventional mode to modern Internet shopping, therefore present companies are applying this paradigm shift, since it is unavoidable trend, so they have to change their marketing strategies as well (Mittal, 2013).

There are many factors that impact on the way individuals behave in a specific situation. Moreover, to retain consumers, organizations need to satisfy their needs and preferences and to understand their behaviour (Oyenyi & Abiodun, 2009). Having understood the behaviour of consumers which require a detailed study of the external and internal environment, the marketers formulate the marketing plans (Khan, 2006).

2.2.1 ONLINE CONSUMER PURCHASING BEHAVIOUR

The Internet is becoming an important aspect of communication strategy due to its ability of delivering information, entertaining and e-shopping (Richard, Chebat, Yang, & Putrevu, 2010). According to Haque, Sarwar, and Yasmin (2013), the emergence of