

FACTORS INFLUENCING THE PURCHASED OF PRODUCTS OR SERVICES  
THROUGH THE INTERNET

A thesis submitted to the Graduate School in partial fulfilment of the  
requirements for the degree Master of Science (Management);  
Universiti Utara Malaysia

By  
Nor Azlina Bt Kamarohim

2002 / 2003

## **PERMISSION TO USE**

In presenting this thesis in partial fulfillment of the requirement for a post graduate degree from Universiti Utara Malaysia, I agree that the University Library may make it freely available for inspection. I further agree that permission for copying of this thesis in any manner, in whole or in part, for scholarly purpose may be granted by my supervisor(s) or in their absence, by the Dean of the Graduate School. It is understood that any copying or publication or use of this thesis or parts there of for financial gain shall not be allowed without that due recognition shall be given to me and to Universiti Utara Malaysia for any scholarly use which may be made of any material from my thesis.

Requests for permission to copy or to make other use of materials in this thesis. In whole or in part, should be addressed to :

**Dean of Graduate School  
Universiti Utara Malaysia  
06010 UUM Sintok  
Kedah Darul Aman**

“This research report is specially dedicated to my lovely Mum and Dad, my husband Maswira and also my lovely son Mukhriz Iskandar with the hope that it will inspire them to achieve excellence.”

## **ACKNOWLEDGEMENTS**

I would like to express my sincere thanks and appreciation to my supervisor, Profesor Madya Abdul Aziz Abd. Latiff, for his guidance and close attention given in carrying out this proposal. This project would not have been possible done without his strong encouragement and support throughout the course of this project.

My special thanks also like to express the highest appreciation to all of the lecturers in their involvement towards their guidance and help me in accomplishing this study.

I also Indebted to my friends who had kindly help me in collecting data. Thanks are also extended to all respondent in this study as they are so cooperative and patient in filling and answering my questionnaires.

Lastly but not least, I would like to covey my grateful thanks to everyone who had given their comments and supplied information for this study.

## **ABSTRACT**

Internet shopping has received considerable attention in the popular issue as the future of in-home shopping. The Decision to attend for shopping behavior is a complex and many factors will significantly influence the consumer choice between a retail store and Internet shopping mall. The probability of adopting Web retailing by private Internet users may depend on, not only the characteristics of the products and services being marketed, but also the other characteristics of the consumers who see the Web as a viable option for their retailing activity.

In this paper, the main aim of the study is to investigate what the factors influencing the purchased of product or service through the Internet. The multistage factors that requires the consumer to consider such factors as shopping experience, time consideration, price perception, desire for comfort, risk perception and safety and security concern.

A total of 160 consumer from various level in the Kuala Lumpur were selected as a respondents of the study.

Correlation analysis were used to seek for the significant relationship between the choice decision the variables and also to seek for the significant relationship between the demographic profile and the choice decision to purchased product or services through Internet. The Descriptive analysis also used to see the percentage and standard deviation for each factors.

The result showed that all of the factors such as shopping experience, time consideration, price perception, desire for comfort, risk perception and safety and security concern are significant at the consumer choice decision to purchased product or services through Internet.

The finding of this study in general will be beneficial to consumer to make a choice for purchased product or services either through Internet or in-store based on the factors above.

## ABSTRAK

Pembelian menerusi Internet telah mendapat perhatian yang serius dalam isu popular sebagai masa hadapan bagi aktiviti membeli belah di dalam rumah. Faktor-faktor yang menentukan gelagat pembelian adalah kompleks dan terdapat banyak faktor yang mempengaruhi pengguna dalam memilih antara pembelian secara runcit atau pusat membeli belah Internet. Kebarangkalian untuk mengamalkan pembelian menerusi laman web bagi pengguna Internet persendirian tidak hanya bergantung kepada ciri-ciri produk dan perkhidmatan yang di tawarkan. Ia juga di pengaruhi oleh ciri-ciri lain pada pengguna itu sendiri yang melihat Internet sebagai pilihan yang viable untuk sesuatu aktiviti pembelian tersebut.

Di dalam kertas kerja ini, objektif utama adalah untuk mengenalpasti faktor-faktor yang mempengaruhi pembelian produk atau perkhidmatan menerusi Internet. Terdapat pelbagai peringkat faktor yang menuntut pengguna untuk mengambil kira faktor-faktor seperti pengalaman membeli, faktor masa, pandangan mengenai harga, keperluan kepada keselesaan, tanggapan ke atas risiko dan perhatian keatas keselamatan dan perlindungan.

Sejumlah 160 pengguna dari pelbagai peringkat yang berada di Kuala Lumpur telah di pilih sebagai responden.

Analisis Korelasi telah di gunakan untuk mencari kepentingan perhubungan di antara pemilihan keputusan pembelian dengan pembolehubah dan juga untuk melihat kepentingan perhubungan diantara ciri-ciri demografi dengan keputusan pembelian samada untuk membuat pembelian melalui Internet ataupun secara runcit. Analisis deskriptif juga di gunakan untuk melihat peratusan dan sisihan piawai untuk setiap faktor.

Keputusan daripada kajian menunjukkan kesemua faktor yang di kaji di dalam kertas kerja ini seperti pengalaman , pengambilkiraan tentang masa, keperluan untuk keselesaan, tanggapan terhadap risiko and perhatian ke atas keselamatan dan perlindungan adalah mempunyai kepentingan keatas keputusan pemilihan di dalam membuat sesuatu pembelian produk atau perkhidmatan melalui Internet.

Keputusan kajian ini secara umumnya akan berguna kepada pengguna untuk membuat keputusan sesuatu pembelian produk atau perkhidmatan samada melalui Internet ataupun melalui runcit berdasarkan faktor-faktor di atas.

## TABLE OF CONTENTS

	<b>PAGE NO.</b>	
ACKNOWLEDGEMENTS	i	
ABSTRACT	ii	
ABSTRAK	iii	
TABLE OF CONTENT	iv	
LIST OF TABLES	vii	
LIST OF FIGURE	viii	
LIST OF APPENDICES	ix	
<b>CHAPTER 1</b>	<b>INTRODUCTION</b>	
1.0	Introduction	1
1.1	What is the Internet	3
1.2	What is Electronic Commerce	4
1.3	Problem Statement	6
1.4	Objectives of the Research	7
1.5	Significance of the Research	7
<b>CHAPTER 2</b>	<b>LITERATURE REVIEW</b>	
2.0	Introduction	9
2.1	Overview of Internet Shopping and Internet As a Marketing Channel	9

2.2	Product Sellable Through the Internet	12
2.3	Shopping Behavior Through Internet	14
2.4	Adoption of Internet Shopping	15
2.5	Theoretical Framework	16
2.5.1	Price Perception	18
2.5.2	Desire for Convenience	18
2.5.3	Safety of Security Concern	19
2.5.4	Risk Perception	20
2.5.5	Shopping Experience	21
2.5.6	Time of Shopping	22
2.6	Demographic Characteristic	22
2.7	Hypothesis	24
<b>CHAPTER 3 RESEARCH DESIGN AND METHODOLOGY</b>		
3.0	Introduction	25
3.1	Research Design	25
3.2	Sampling Process	26
3.3	Data Collection Procedure	27
3.4	Questionnaire Design	27
3.5	Description of Variable	28
3.5.1	Independent Variable	28
3.5.2	Dependent Variable	28
3.6	Statistical Analysis	29
<b>CHAPTER 4 DISCUSSION OF RESULT</b>		
4.0	Introduction	30
4.1	Demographic Characteristic of the Respondent	30

4.2	Mean and Standard Deviation of Antecedent	32
4.3	Testing of Hypothesis	40
4.3.1	The Effect of Antecedent Factors on the choice of Shopping Decision Either Through Internet or retail store	40
4.3.2	The Relationship Between Antecedent Factors and Internet Shopping	41
4.3.3	Effect of Demographic Characteristic on the Choice of Shopping decision through Internet.	42

## CHAPTER 5 DISCUSSION OF FINDINGS AND CONCLUSION

5.0	Introduction	44
5.1	Major Findings	44
	5.1.1 Descriptive Analysis	44
	5.1.2 Correlation Analysis	45
5.2	Discussion	46
5.3	Recommendations	48
5.4	Implication for Future Research	49
5.5	Conclusion	50

## BIBLIOGRAPHY

## APPENDICES

## LIST OF TABLES

<b>TABLES</b>		<b>PAGE NO</b>
4.1	Respondent Profile	31
4.2	Mean and Standard Deviation of Antecedent for Safety Factors	32
4.3	Mean and Standard Deviation of Antecedent for Risk Factors	34
4.4	Mean and Standard Deviation of Antecedent for Time Factors	35
4.5	Mean and Standard Deviation of Antecedent for Convenience Factors	36
4.6	Mean and Standard Deviation of Antecedent for Price Factors	37
4.7	Mean and Standard Deviation of Antecedent for Shopping Experience Factors	38
4.8	Percentage Rating of the Internet Purchase	39
4.9	Chi-Square Test for Antecedent Factors	40
4.10	Correlation Test Between Antecedent Factors and Internet Shopping	42
4.11	Chi-Square Test for Demographic Factors	43

## LIST OF FIGURES

	<b>PAGE NO</b>	
FIGURE 1	Relationship Between Shopping Construct	15
FIGURE 2	Theoretical Framework of the Consumer Purchased Decision Through Internet	17

## **LIST OF APPENDICES**

### **APPENDIX**

- A**      A Sample of Questionnaire
- B**      Statistical Result

## CHAPTER 1

### INTRODUCTION

#### 1.0 INTRODUCTION

In 1993 the internet was first opened to commercial use. Before that, it was only used by the non profit sectors, such as academic, state and military institutions. In Asia the number of host computer connected to the internet started to increase from around 1996 which was considered as the first year of the internet age. Singapore, however was more advanced than other countries in this respect and the internet used started to grow from 1995.

The extent of the internet use can be assessed by comparing the number of internet hosts in each ASEAN country with its total population. Thus the countries can be divided into three groups. The first group consists of the countries with widespread internet use. Singapore, Malaysia and Brunei belong to this group. The second group consists of the countries with moderate internet use with one host for every 4,000 to 20,000 people. This group includes Thailand, Indonesia and the Philippines. The last group consists of the countries with scarce internet use. This group includes Cambodia, Vietnam, Myanmar and Laos. Therefore, in assessing the spread of the internet and electronic

The contents of  
the thesis is for  
internal user  
only

## BIBLIOGRAPHY

Adam P. Vrechopoulos, George F. Stomkos and Georgios I. Doukidis (2001), “Internet shopping adoption by Greek consumers”, *European Journal of innovation Management*, Vol. 4, No. 3, pp. 142-152.

Alka Varma Citrin, David E. Sprott, Steven N. Silverman and Donald E. Stem, Jr., (2000), “Adoption of Internet shopping: the role of consumer innovativeness”, *Industrial Management & Data Systems*, Vol.100 No. 7, pp. 294-300.

Akaah, I. And Korgaoankar, P.K. 91989), “The influence of product manufacturer, and distributor characteristics on consumer interest in direct marketing offerings”, *Journal of Direct marketing*, Vol. 3, Summer, pp.27-33.

Arora, R. (1991), “Formulating direct Marketing offers with conjoint analysis”, *Journal of Direct Marketing*, Vol. 5, winter, pp. 48-56.

Bellenger, D.N. and Korgaonkar, P.K. (1980), “Profiling the recreational shopper”, *Journal of Retailing*, Vol. 56, pp. 77-92.

Bellman, S., Lohse, G.L. and Johnson, E.J. (1999), “Predictors of online buying behavior”, *Communication of the ACM*, Vol. 42 No. 12, pp. 32-8.

Berkowitz, E.N., Walton, J.R. and Walker, O.C. (1979), “In-home shoppers: the market for innovative distribution system”, *Journal of Retailing*, Vol.55, Summer, pp. 15-33.

Brezen, T.S., Block, M. and Schultz, D.E. (1987), “Consumers’ perception of direct marketing techniques”, *Journal of Direct Marketing*, Vol.1, Winter, pp.38-49.

Bull, P. (1997), *Internet Market*, Proceedings of Australian Marketing Institute.

Cash, J.I., "A new farmer's market", *Information Week*, 26 December 1994, p.60.

Coursey, D. (1998), "Why are only Triple-X sites making money on the Web?", Proceedings: *Internet Showcase '98 – E-Commerce Submit*.

Cox, D.F. (1967), "Risk Taking and Information Handling in Consumer Behavior", *Harvard University Press*, Boston, MA.

Crain Communications (1995), *University of Michigan Business School Online Survey (Web)*.

Croft, M. (1998), "Shopping at your convenience", *Marketing Week*, 2 July.

Cunningham, C.M. and Cunningham, W.H. (1973), "The urban in-home shopper :socio-economic and attitudinal characteristics", *Journal of Retailing*, Vol. 49, Fall.

Darian, J.C. (1987), "In-home shopping: are there consumer segments?", *Journal of Retailing*, Vol. 63 No. 2, pp. 163-86.

Dholakia, R.R., Pedersen, B. and Hikmet, N. (1995), "Married males and Shopping: are they sleeping partners?", *International Journal of Retail and Distribution management*, vol. 8 No. 2, Spring, pp. 37-44.

Doney, P.M. and Cannon, J.P. (1997), "An examination of the nature of trust in buyer-seller relationships", *Journal of Marketing*, Vol. 61, 35-51.

Eastlick, M.A. and Feinberg, R.A. (1994), "Gender differences in mail-catalog patronage motives", *Journal of Direct marketing*, Vol. 8 No. 2, Spring, pp. 37-44.

Eastlick, M.A. and Liu, M. (1997), "The influence of store attitudes and other nonstore shopping patterns on patronage of television shopping programs", *Journal of Direct Marketing*, Vol. 11 No. 3, pp. 14-24.

Efraim Turban, Jae Lee, David Kings, H. Michael Chung (2000), "Electronic commerce- A managerial perspective", *Business-to-Business Marketing*, Prentice Hall.

Engel, J.F. and Blackwell, R.D. (1970), "Perceived risk in mail-order and retail store buying", *Journal of Marketing Research*, August, pp. 364-9.

Fareena Sultan and Roy B. Henrichs ( 2000), " Consumer preferences for Internet services over time: initial explorations", *Journal of Consumer marketing*, Vol. 17, No. 5, pp. 386-402.

Fischer, e. and Arnold, S.J. 91994), " Sex, gender identify gender role attitudes and consumer behavior", **Psychology and Marketing**, March/April, pp. 163-82.

Fram, E.H. and Axelrod, J. (1990)" The distressed shopper", **American Demographics**, Vol. 12, October, pp. 44-5.

Godwin J. Udo (2001), " Privacy and security concerns as major barriers for e-commerce: a survey study", **Information Management & Computer Security**, Vol. 9, No. 4, pp. 165-174.

Goldsmith, R.E. and Newell, S.J. (1997), "Innovativeness and price sensitivity: managerial theoretical and methodologies issues", **Journal of Product & Brand Management**, Vol.6 No. 3, pp. 163-74.

Grandinetti, M. (1996), "Establishing and maintaining security on the Internet", **Sacramento Business Journal**, vol. 13 No. 25, p.22.

GVU (1998), 8<sup>th</sup> WWW User Survey (Web). Graphic, Visualization, &Usability Center. Available : [http://www.gvu.gatech.edu/user\\_survey-1997-10/](http://www.gvu.gatech.edu/user_survey-1997-10/).

Hoffman, D.L. and Novak, T.p. (1996), marketing in hyper-media computer-mediated environments: conceptual foundations", **Journal of Marketing**, Vol. 60, July, pp. 50-68.

Ian Phau and Sui Meng Poon ( 2000), "Factors influencing the types of product and services purchased over the Internet", **Internet Research: Electronic Networking Applications and Policy**, Vol. 10, No. 2, pp. 102-113.

International Mass Retail Association (IMRA) (1993), **The 1992 Consumer Research Study: Stop, Look and Buy...Where and Why**, IMRA, Washington, DC.

Jennifer Rowley (1996), Retailing and shopping on the Internet", **Journal of Retailing and Distribution Management** , Vol. 24.No.3, pp. 26-37.

Joseph M. Jones and Leo R. Vijayasarathy, (1998) " Internet consumer catalog shopping: findings from an exploratory study and directions for future research" **Internet Research: Electronic Networking applications and Policy**, Vol. 8, No. 4, pp. 322-330.

Kinsey, J. and Senauer, B. (1996), Consumer trends and changing food retailing formats", *American Journal of Agricultural economics*, Vol. 78 No. 5, pp. 1187-91.

Kono, K. and Buatsi, S. (1984), " A comparative study of three direct marketing modes : catalogues, direct mail, and direct ads on radio/ television", in *Klein, D.M. and Smith, A.E. (Eds), Marketing Association, Carbondale, IL*, pp. 71-4.

Korgaonkar, P.K. (1981), "Shopping orientations of catalog showroom patrons", *Journal of Retailing*, Vol. 57 No. 1, pp. 78-90.

Korgaonkar, P.K. (1984), "Consumer shopping orientation, non-store retailers, and consumers' patronage intentions: a multivariate investigation", *Journal of the Academy of Marketing Science*, Vol. 12, Winter, pp. 11-12.

Korgaonkar, P.K and Smith, A.E. (1986), "Psychographic and demographic correlates of electronic in-home shopping and banking service", in Shimp, T.A. et al. (Eds), *American Marketing Association Educator's Proceedings*, American Marketing Association , Chicago, IL, pp. 67-9.

Leo R. Vijayasarathy and Joseph M. Fones ( 2000), " Print and Internet catalog shopping: assessing attitudes and intension", *Internet Research : Electronic Networking Applications and Policy*, Vol. 10, No.3, pp.191-201.

Mahajan, V. and Dowling, G.R. (1978), "Innovativeness: the concept and its measurement", *Journal of Consumer Research*, Vol. 4, pp.229 – 42.

Martin, J. (1973), *Security Accuracy, and Privacy in Computer Systems*, Prentice-Hall, Englewood Cliffs, NJ.

Meeker, M. and Pearson, S. (1997), *The Internet Retailing Report*, Morgan Stanley & Co., New York, NY.

Michael R. Ward and Michael J. Lee 9 (2000), " Internet shopping, consumer search and product branding", *Journal of Product & Brand Management*, Vol. 9, No. 1, pp. 6-20.

Michelle a. Morganosky and Brenda F. Cude ( 2000), " Consumer response to on line grocery shopping", *International Journal of Retail & Distribution Management*, Vol. 28, No. 1, pp. 17-26.

Murphy, P. (1998), "New programs help counter Internet payment fraud", *Stores*, January, p. 60.

Namjae cho and sanghyuk Park (2001)," Development of electronic commerce user-consumer satisfaction index (ECUSI) for Internet shopping", *Industrial Management & Data Systems*, Vol. 101, No. 8, pp. 400-405.

Oakely, A. (1974), *The Sociology of Housework*, Pitman, Bath.

Ohanian, R. and Taschian, A. (1992), " Consumers shopping effort and evaluation of store image attributes: the roles of purchasing involvement and recreational shopping interest", *Journal of applied Business research*, Vol. 8 No. 4, pp. 40-9.

Palendran, S. and Burton, S. (1998), "Internet use (and non use): a comparison of Internet behavior and alternative purchase channels", *Proceeding of Australian & new Zealand Marketing Academy conference (ANZMAC'98)*, University of Otago, 2910-16.

Peterson, R.A., Balasubramanian, S. and Bronenber, B.J. (1997), "Exploring the implication of the Internet for consumer marketing", *Journal of the Academy of Marketing Science*, Vol. 25 No. 4, pp. 329-46.

Prasad, V.K. (1975), "Socioeconomic product risk and patronage preferences of retail shoppers", *Journal of Marketing*, Vol.39, July, pp. 42-7.

Quelch, J.A. and Klein, L.R. (1996), "The Internet and International marketing ", *Sloan Management Review*, Vol.37, Spring, pp. 60-75.

Reda, S. (1996), "Growing privacy debate", *Stores*, December, p. 21.

Resnick, R. (1995), "Business is good, not", *Internet World*, June, pp.71-3.

Reynolds, F.D., Martin, W.S and Martin, W.K. (1977), "Media habits of in-home buyers", *Journal of Advertising*, Vol.6, Spring, pp.32-5.

Ruby Roy Dholakia, (1999), "Going shopping :key determinants of shopping behaviors and motivations", *Journal of Retail & Distribution Management*, Vol. 27 No. pp154-165.

Schiffman, L.G. and Kanuk, L.L. (1994), *Consumer Behavior*, Prentice-Hall, Englewood Cliffs, NJ.

Settle, R.B., Alreck, P.L. and McCorkle, D.E. (1994), "Consumer perception of mail / phone order shopping media", *Journal of Direct Marketing*, Vol.8 No.3, pp.30-45.

Sharma, S., Bearden, W.O. and Teel, J.E.(1983), "Differential effects of in-home shopping methods", *Journal of Retailing*, Vol. 59, pp.24-51.

Shern, S. and Crawford, F. (1999), *The Second Annual Internet Shopping Study*, Ernst & Young LLP, New York, NY.

Shi, C.S. and Salesky, A.M. (1994), "Building a strategy for electronic home shopping", *The McKinsey Quarterly*, Vol.4, pp. 77-95.

Shim, S. and Drake, M.F. (1990), " Consumer intention to utilize electronic shopping", *Journal of Direct Marketing*, Vol. 4 No. 3, pp. 22-52.

Shim, S. and Mahoney, M.Y. (1991) , Electronic shoppers and non shopper among videotex users', *Journal of Direct Marketing*, Vol. 5 No. 3, pp. 29-38

Spence, H.E., Engel, J.F. and Blackwell, R.D. (1970), "Perceived risk in mail order and retail store buying", *Journal of Marketing Research*, Vol.7, August, pp.364-69.

Soo Jiuan Tan (1999), " Strategies for reducing consumers' risk aversion in Internet shopping", *Journal of Consumer Marketing*, Vol. 16, No. 2, pp. 163-180.

South, S.J. and Spitze, G. (1994), "Housework in marital and non-marital household", *American Sociological Review*, Vol. 59, June, pp. 327-47.

Stern, J. (1995), *World Wide Web marketing: Integrating the internet into Your Marketing Strategy*, John Wiley & Sons, New York, NY.

Tino Fenech, Aron O' Cass, (2001), "Internet users' adoption of Web retailing: user and product dimensions", *Journal of Product and Brand Management*, Vol. 10 No. 6, pp. 361-381.

Van den Poel, D. and Leunis, J.(1996), "Perceived risk and risk reduction strategies in mail-order versus retail store buying", *The International Review of Retail, Distribution and Consumer Research*, Vol.6 No. 4, pp. 351-71.

Verity, J.W., "Ready or not, the electronic mall is coming", *Business Week*, 14 November 1994,pp.84-5.

Welz, G. (1995), "Information highway revs up", *Computer Reseller News*, January, pp. 27-8

Zhang, C. and farley, J.E. (1995), "Gender and the distribution of household work: a comparison of self-reports by female college faculty in the United States and China" *Journal of Comparative Family Studies*, Summer, PP. 195-203.