

**FACTORS INFLUENCING INTENTION OF
MALAYSIANS TO SHOP ONLINE**

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**FACTORS INFLUENCING INTENTION OF
MALAYSIANS TO SHOP ONLINE**

By

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Dedication

With *lots* of *love* and *respect* to:

My *father* Mousa Metani,

My *mother* Salima Metani,

My *brothers* and *sisters*,

And my **wife** Jumana Musleh and her *family*.

I would like to dedicate this work

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**Faktor-Faktor Yang Mempengaruhi Keinginan Untuk Membeli Belah
Secara Atas Talian Di Malaysia**

ABSTRAK

Kajian ini menyelidik aplikasi Model Penerimaan Teknologi (TAM) dalam konteks pembelian secara atas talian. Untuk tujuan tersebut, kajian ini menggunakan persepsi risiko dan antesedennya (konsep sendiri, kedudukan kewangan dan kecenderungan untuk mengambil risiko) bersama dengan kepercayaan (trust) berserta antesedennya (iaitu nilai dikongsi, komunikasi dan kelakuan “opportunistic”) sebagai pembolehubah tak bersandar yang mempengaruhi sikap dan keinginan untuk membeli produk dan perkhidmatan secara talian. Sejumlah 446 pengguna Internet di Malaysia menyertai tinjauan ini. Penemuan menunjukkan kecenderungan untuk mengambil risiko mempunyai kesan negatif yang signifikan terhadap persepsi risiko. Bagaimanapun, konsep sendiri dan kedudukan kewangan tidak mempunyai kesan terhadap persepsi risiko. Penemuan juga menunjukkan nilai dikongsi dan komunikasi mempunyai kesan positif yang signifikan terhadap persepsi risiko. Disamping itu nilai dikongsi dan komunikasi mempunyai kesan positif yang signifikan terhadap kepercayaan (trust). Hasil analisis juga menunjukkan persepsi kebergunaan, persepsi kesenangan mengguna dan kepercayaan mempunyai kesan positif terhadap sikap membeli secara talian, manakala persepsi risiko didapati mempunyai kesan negatif yang signifikan terhadap sikap membeli secara talian. Persepsi kesenangan mengguna mempunyai kesan langsung yang positif terhadap persepsi kebergunaan dan kesan positif tidak langsung (melalui persepsi kebergunaan) terhadap sikap dan keinginan membeli secara talian. Tamabahan pula, kepercayaan didapati mempunyai kesan negatif yang signifikan terhadap persepsi risiko membeli secara talian. Seperti yang dijangkakan, sikap

mempunyai kesan positif yang signifikan terhadap keinginan membeli secara talian. Persepsi kebergunaan juga didapati mempunyai kesan positif yang signifikan terhadap keinginan membeli secara talian.

FACTORS INFLUENCING INTENTION OF MALAYSIANS TO SHOP ONLINE

ABSTRACT

This study explores the extension of the Technology Acceptance Model (TAM) to the online shopping context. It uses perceived risk and its antecedents (self-efficacy, wealth position and risk-taking propensity), along with trust and its antecedents (shared values, communication and opportunistic behavior), as independent variables influencing the attitude and intention to shop for products and services online. A total of 446 internet users in Malaysia responded to the survey. Findings show the significant negative effect of risk-taking propensity on perceived risk. However, self-efficacy and wealth position have been shown to have no significant influence on perceived risk. The findings also show that shared values and communication have a significant positive effect on trust, while opportunistic behavior has an insignificant influence on trust. The results illustrate that perceived usefulness, perceived ease of use and trust have a significant positive effect on consumer attitude towards using online shopping. Besides that, perceived risk was proven to have a significant negative influence on the attitude towards using online shopping. This study also found that perceived ease of use has a direct positive impact on perceived usefulness and an indirect positive impact (via perceived usefulness) on attitude and intention to shop online for products and services. In addition, it has been confirmed that trust has a significant negative impact on the perceived risk associated with using online shopping. As expected, both the attitude towards using online shopping and perceived usefulness have a significant positive impact on the intention to shop online.

CHAPTER 1

INTRODUCTION

1. Introduction

This chapter gives a general introduction to the background of the study and covers the following areas: problem statement, objectives of the study, research questions, scope of study, significance of the study, definitions of variables, and organization of the thesis.

1.2 Background

Internet technology is becoming increasingly important in the business world today. E-commerce is a business sector reaping huge profits from internet technological innovations such that it challenges traditional commerce approaches. According to Vijayasathy (2002, p. 411), E-commerce started when digital technology “was harnessed for business use in the early 1950s and has since been increasingly adopted by companies.”

As Rao, Navoth and Horwitch (1999) have observed, competition between the two modes of marketing (traditional marketing and e-marketing) demands organizational flexibility at all levels to meet consumer needs. This eventually leads to increased choice for consumers who can choose from numerous offerings and buy through multiple channels. Through the internet business network, new businesses are being offered daily and this enhances supply chain efficiency in both qualitative and quantitative ways, resulting in lower intermediary costs, reduced inventory and faster service processing time; all these improve consumer satisfaction.

The internet has become a powerful communication medium and distribution channel, and continues to expand as an increasing number of consumers embrace online

shopping. It offers a relatively new approach for marketing communication that facilitates shopping since consumers now can shop using personal computers whenever and wherever they want (Vijayasathy & Jones, 2000). According to Bhatt and Emdad (2001, p. 78), a US Department of Commerce report estimates that e-business is growing exponentially; the value of goods and services traded via the internet is likely to exceed US\$300 billion in 2002, and is likely to exceed US\$1 trillion in 2005. In today's digital age, the majority of firms are planning to adopt business electronically through internet technology, thus enabling customers to benefit from lower search costs, as well as service and product customization via the internet.

E-commerce in general refers to the buying and selling of products and services via the internet. Business to consumer e-commerce requires intensive communication of information; it is an interactive behavior involving consumers and companies, conducted through the internet (Shin, 2004). Online shopping also deals with both information technology and marketing activities (Ahn, Ryu & Han, 2004).

Information technology has been used as an instrument in marketing distribution channels. E-market is a trading center that sustains the main online shopping processes – from searching and requesting target products/services, through evaluating and selecting candidate products or services, to ordering, delivery, and final payment (Shih, 2004). Online shopping is converting the marketing channels into new configurations; more and more value chain activities are conducted electronically and operate online shopping as new marketing channel to sell product and services directly to end consumers. Therefore, online shopping will become a replacement for traditional marketing channels or will be used to complement the traditional way of doing business. Online shopping not only presents lower cost, but also maintains other marketing activities (Bhatt & Emdad, 2001).

It is important to differentiate between e-commerce, e-marketing and online shopping. Abouazra (2003) suggests the following definitions:

- E-commerce: is the purchasing and selling of goods and services online.
- E-marketing: is the strategic process of creating, distributing, promoting and pricing of goods and services to a target market via the internet.
- Online shopping: is the buying and paying for an item over the internet.

In traditional markets, location and distance are important whereas in online shopping, products or services are delivered to consumers by independent delivery media irrespective of consumer location hence slashing the time, travel and inconvenience costs (Balasubramanian, 1998).

Although e-commerce revenue growth and benefits have been questioned, and criticisms regarding the lack of strategies behind internet marketing technology have been made by consumers and researchers, e-commerce adoption in making and taking global markets is still extremely important (Adam, Mulye, Deans & Palihawadana, 2002). In e-commerce, the seller-consumer relationship is easily consolidated through online communication at both local and international levels. E-commerce also maintains the information flow such as end-user feedback about goods, services, payment and experiences with internet technology. This offers strategic advantage in the longer-term through higher productivity and revenue growth.

According to Vijayasathy and Jones (2001) interactive online shopping can be implemented through internet technology which gives consumers the opportunity to compare between a large number of products and services and make their decisions accordingly. Other benefits of internet usage can be extended to those who do not use for purchases only, but also to get information about products or services of interest which is an important part of the individual purchase process. Online shopping

facilitates the buying process; it is popular because it allows quick comparisons between vendors. Internet technology is taking an exceptional position and is changing communication in private and business behavior (Klose, Hoffmann, Lechner, Corsten & Potzl, 1999). Indeed, online shopping will benefit consumers as well as companies. The internet is assuming an intermediary position where buyers and sellers can meet to exchange goods and services and facilitate their transactions (Segev, Gebauer & Farber, 1999). Through internet technology, companies can obtain information about consumers and their shopping habits that can be compiled, subjected to data mining and converted into useful knowledge to better serve consumers (Kolsaker & Payne, 2002).

Because of this, online shopping is becoming a choice for many consumers particularly when all drawbacks (e.g., the quality is unknown or product and service reliability is low) correlated to internet shopping are absent. Indeed, heightened consumer access to information technology is proposing a distinguished feature for thorough market coverage (Balasubramanian, 1998).

Traditional shopping is time consuming, offers limited data and has negative impacts on consumer satisfaction; hence, modern consumers prefer to satisfy their lifestyle needs using online shopping (Trappey & Trappey, 1998). Online shopping will meet their demands for more concerned services and supply them with more information in the limited time given (Wicke, 1999). Hence, it is necessary to address the importance of e-commerce for consumers, and identify which class of people will use this new communication technology for online shopping (Fortin et al., 2002).

An outstanding aspect over the past few years has been the speed of internet technology expansion and maturity in global commerce. It has become even more important for marketers to understand consumer preferences and choices for internet services and features (Sultan & Henrichs, 2000). Malaysia is part of this trend; most

industries in Malaysia are facing the challenges of internet technology advancement (Boon & Yu, 2003).

The number of internet users in Malaysia has been rising over the past decade. In February 1997, internet users formed only 0.15% of the whole Malaysian population or 30,000 internet users, whereas in December 2001 they comprised 25.15% of the whole population or 5.7 million internet users (www.nue.com/surveys, retrieved on 5th March 2007). Teck (2002) observes that Malaysia still lags behind other developed countries such as the USA, United Kingdom and Germany in internet usage.

Most of the Malaysian internet users are young, males, educated, single and of middle to high income earners. The highest number of Malaysian internet users are in Selangor state followed by Kuala Lumpur, Johor and Penang (Abouazra, 2003). This large number of internet users is attributed to the government's efforts; the Malaysian government is greatly emphasizing information technology use and trying hard to catch up with developed nations (Ramayah, Jantan & Noraini, 2003). Abouazra (2003) has mentioned that the number of internet users in Malaysia is fast expanding due to relative wealth, high urban population and English speaking capabilities.

According to the News Flash on Monday, February 5th, 2007, in a latest research report by International Data Corporation (IDC), Malaysia with a population of 26.6 million, there were 6 million online shoppers in 2006 compared to 4.6 million buyers in 2005 (www.eonet.com/internet_marketing_blog/category/internet-shopping-online-trends/). Online shopping was initiated in the last decade as many individuals and organizations buy through the internet in Malaysia (Paynter & Lim, 2001). IDC had estimated that sales revenue generated by e-commerce in Malaysia was expected to grow from US\$ 15 million in 1998 to US\$ 46 million in 1999 to US\$ 1.57 billion in the year 2003 (Louis & Leon, 1999).

According to Harn, Khatibi and Ismail (2006), online shopping in Malaysia is importantly associated with the Chinese ethnic group, university degree holders and credit cards or chequebooks owners. They have also found that the non-online shoppers constitute more than 60% of the total number of online consumers in Malaysia. Therefore, it is imperative for the Malaysian's companies to have a good understanding of the marketplace for their goods and their target consumers before engaging themselves in online retailing (Louis & Leon, 1999).

According to Paynter and Lim (2001), a number of dot.com companies have been founded in Malaysia and about ten thousand web sites exist in Malaysia, of which only 30% is estimated to be capable of providing online shopping services for Malaysian consumers. Malaysians still use the internet as a communication and entertainment media, but not yet as a medium for commerce. Compared to western countries, Malaysians do not appear to be comfortable using the internet for applications such as shopping and banking. The culture in Malaysia is to "play it safe"; letting the others use it first and would only follow if the business succeed. Besides, the business environment is culturally different in Malaysia. In the United States, stores are not commonly close to houses as they are in Malaysia. Not only are the shops close by, but also shops' and restaurants' business hours extend through a particularly longer period compared to that found in western countries. Moreover, the majority of Malaysians prefer to shop from shopping mall. Visiting a shopping mall has become a kind of Malaysian "weekend activity"; it is a method for some consumers to release pressure or spend time with family and friends. They may not essentially go there to purchase anything; it could be for different activities that are obtainable in shopping complexes like salons, movies, and others. According to a research by the Thailand Development Institute, e-commerce in the United States captures 70% of the world market value,

followed by Europe with 14% and Canada 8%. The Asia Pacific region captures only 5% of the market value (E-revolution, 2000). According to Paynter and Lim (2001), in ASEAN countries, online shopping activity is highest in Singapore followed by Malaysia, Indonesia, Thailand and the Philippines.

However, online shopping is still a novel experience for buyers in Malaysia and the majority of Malaysians have not even made their first internet shopping transaction. A major reason for that is that most consumers are wary of making online transactions (Abouazra, 2003). Similarly, Harn et al. (2006) and Poon (2008) have concluded that online consumers in Malaysia still lack confidence and trust in using the internet as a shopping channel. Online consumers in Malaysia are essentially concerned about issues related to privacy and trust when dealing with online retailers. However, e-commerce in Malaysia is growing and expected to grow importantly over the next few decades. The growth in e-commerce is due to the rapid rise in the number of PCs in Malaysia, as well as the growth in the proportion of PCs hooked up to the internet each year.

1.3 Problem Statement

Internet shopping is gaining more importance in today's life mainly with the spread of internet technology worldwide breaking the geographical boundaries between nations. In Malaysia, very few studies of online shopping usage are available in the literature. Only a few researchers have attempted to tackle this subject in particular and the usage of information technologies in general. Among these researchers, Ndubisi and Jantan (2003) focused on the impact of perceived usefulness and perceived ease of use on information systems use in small and medium firms in Malaysia. Ma'ruf, Mohamad and Ramayah (2003) focused on the intention to purchase via the internet and compared between two theoretical models—the Technology Acceptance Model (TAM) and

Theory of Planned Behavior (TPB). Aafaqi, Jantan and Ramayah (2003) investigated the technology changes over a period of time and the influence of perceived usefulness and perceived ease of use on usage behavior through three time periods. Thus, to fill the existing gaps in research, additional contribution is required, especially in the field of online shopping in Malaysia.

Davis, Bagozzi and Warshaw (1989) investigated the effect of perceived usefulness and perceived ease of use on attitudes toward using technology and intention behavior utilizing the TAM theory. In addition, Cho and Lee (2006) have studied the influence of risk-taking propensity, self efficacy and wealth position on perceived risk. In their study, the proposed model concerned risk and risk-reducing strategies regarding consumers' investment decisions. However, they have suggested that future research investigate the effect of risk-taking propensity, self-efficacy and wealth position on perceived risk regarding consumer's behavior viewpoint. Besides, Lu, Hsu and Hsu (2005) have investigated the effect of perceived risk on attitude and behavioral intention. Mukherjee and Nath (2003) have investigated the impact of shared values, communication and opportunistic behavior on trust. Wu and Chen (2005) have studied the influence of trust on attitude and intention behavior. Cho (2006) and Teo and Liu (2007) have investigated the influence of trust on perceived risk.

Numerous investigators have made use of the TAM theory. Yet, no research has been done on the extension of this theory to online shopping context by examining the impact of perceived risk and its antecedents (self-efficacy, wealth position and risk-taking propensity), along with trust and its antecedents (shared values, communication and opportunistic behavior), on the attitude and intention to shop for products and services via online shopping.

Consumers' intention to shop online in Malaysia is low compared with other developed countries such as the USA, and Canada and Europe in general. Besides, it might be that perceived usefulness and perceived ease of use do not completely explain the intention to shop online. Therefore, this might be a convincing reason to include not only the core determinants of TAM but also other antecedents that might influence the attitude and intention to shop online. It might be that extending of the TAM model by other variables specific to online shopping in a more comprehensive manner will help in creating understanding of the intention to shop online. By extending the TAM model with additional relevant variables, it may be possible to gain a rich understanding of why consumers accept or reject online shopping.

It is the spirit of this study to answer the question "what are the impacts of perceived usefulness, perceived ease of use, and perceived risk and its antecedents (self efficacy, wealth position and risk-taking propensity), together with trust and its antecedents (shared values, communication and opportunistic behavior), on the attitude and intention to shop for products and services via online shopping in Malaysia?"

1.4 Research Objectives

Since further information to better understand online shopping in Malaysia is needed, this research investigates the impact of perceived usefulness, perceived ease of use, perceived risk and its antecedents (self efficacy, wealth position and risk-taking propensity) in addition to trust and its antecedents (shared values, communication and opportunistic behavior), on the attitude toward using online shopping and intention to shop online. Specifically, this research intends to:

1. Examine the effect of perceived usefulness on the attitude toward shopping for products and services via online shopping.

2. Examine the effect of perceived ease of use on the attitude toward shopping for products and services via online shopping.
3. Examine the effect of perceived ease of use on perceived usefulness.
4. Examine the effect of self efficacy, wealth position and risk-taking propensity on perceived risk.
5. Examine the effect of perceived risk on the attitude toward shopping for products and services via online shopping.
6. Examine the effect of shared values, communication and opportunistic behavior on trust.
7. Examine the effect of trust on the attitude toward shopping for products and services via online shopping.
8. Examine the effect of trust on perceived risk.
9. Examine the effect of attitude toward shopping for products and services via online shopping on the intention to shop for products and services via online shopping.
10. Examine the effect of perceived usefulness directly on the intention to shop for products and services via online shopping.

1.5 Research Questions

The research questions in this study are as follows:

1. How does perceived usefulness influence the attitude toward shopping for products and services via online shopping?
2. How does perceived ease of use influence the attitude toward shopping for products and services via online shopping?
3. How does the perceived ease of use affect the perceived usefulness?

4. How do self efficacy, wealth position and risk-taking propensity influence perceived risk?
5. How does perceived risk influence the attitude towards shopping for products and services via online shopping?
6. How do shared values, communication and opportunistic behavior influence trust?
7. How does trust influence the attitude towards shopping for products and services via online shopping?
8. How does trust influence perceived risk?
9. How does attitude toward shopping for products and services via online shopping influence the intention to shop for products and services via online shopping?
10. How does the perceived usefulness directly influence the intention to shop for products and services via online shopping?

1.6 Scope of Study

This research focuses on the implementation of internet shopping in Malaysia. Besides, it examines the internet users in Malaysia; for instance, how these users employ internet technology in shopping, and the impact of perceived usefulness, perceived ease of use, and perceived risk and antecedents (self efficacy, wealth position and risk-taking propensity), as well as trust and its antecedents (shared values, communication and opportunistic behavior), on attitude toward using online shopping and intention to shop online for products and services. Hence, this research offers important information about internet users' intention to shop online in Malaysia.

1.7 Significance of the Study

The theory used in this study is the Technology Acceptance Model. This study may lead to better and deeper understanding of this theory by applying it to online shopping. The theoretical significance of this research is in the extension of the TAM theory through the use of perceived risk and its antecedents (self-efficacy, wealth position and risk-taking propensity), in company with trust and its antecedents (shared values, communication and opportunistic behavior), as independent variables influencing the attitude and intention to shop for products and services online.

Market scholars have been trying to understand consumer behavior for several decades. This research may provide further evidence on consumers' intention to shop online. Hence, the practical importance of this research comes through the understanding of the consumers' intention to shop for products and services via online shopping, and identifying the factors that can impact consumers' intention to shop online in Malaysia. This issue is crucial because the answer holds the clue that would help retailing industries in Malaysia devise marketing strategies for promoting new forms of online shopping systems in the future. Understanding of consumers' motivations and limitations to shop online is of major significance to e-tailers for making adequate strategic and marketing decisions to enhance consumer satisfaction.

1.8 Definitions of Key Terms

Perceived Usefulness:

“a person's perception that using a particular system would enhance his or her job performance” (Davis, 1989, p. 320). Applying the definition to this research context, “usefulness” refers to consumers' perception that using the internet as a

shopping medium enhances the outcome of their shopping experience (Monсуwe, Dellaert & Ruyter, 2004).

Perceived Ease of Use:

“a person’s perception that using a particular system would be free of effort” (Davis, 1989, p. 320). Applying the definition to this research context, “ease of use” is the consumer’s perception that shopping on the internet will involve a minimum of effort (Monсуwe et al., 2004).

Self-efficacy:

“the belief that one has the capability to perform a particular behavior” (Wu, Tsai, Chen & Wu, 2006, p.292). Applying the definition to this research context, it refers to perception of ability to use online shopping.

Wealth Position:

(such as income or household assets) “determines the significance of outcomes for the individual, because wealth position dictates one’s capacity to absorb monetary loss and also to recover from it” (Cho & Lee, 2006, p.114). In other words, greater wealth position may lower perceived risk associated with online shopping since the capacity to absorb monetary loss and also to recover from it is relatively high.

Risk-taking Propensity:

“refers to a person’s willingness to take risk” (Cho & Lee, 2006, p.114). Applying the definition to this research context, risk-taking propensity refers to consumer’s tendency to take risk in using online shopping.

Perceived Risk:

“the subjectively determined expectation of loss by an internet shopper in contemplating a particular online purchase” (Forsythe & Shi, 2003, p.869). In

other words, perceived risk is a consumer's perception of the possibility of having negative outcome or losses associated with online shopping.

Shared Values:

“the extent to which the bank and the customers share common beliefs on critical values like ethics, security, and privacy” (Mukherjee & Nath, 2003, p.7). Applying the definition to this research context, shared values mean the extent to which the retailing industries or the online sellers and the consumers share common beliefs on critical values like ethics, security, and privacy.

Communication:

“the formal as well as informal sharing of meaningful and timely information” (Anderson & Narus, 1990, p.44). Applying the definition to this research context, communication on the internet may involve openness, high speed of response, and great quality of information (Mukherjee & Nath, 2003).

Opportunistic Behavior:

“is conceptualized as regulatory control and information asymmetry” (Mukherjee & Nath, 2003, p.8). Opportunistic behavior is defined as “self-interest seeking with guile or deception” (Ping, 2002, p.170). This refers to the fact that consumers' level of trust might be somehow based on whether they believe that online sellers would accomplish their promises and obligations or not (Mukherjee & Nath, 2003).

Trust:

“is an expectancy of positive (or non negative) outcomes that one can receive based on the expected actions of another party in an interaction characterized by uncertainty” (Sahay, 2003, p.556). This means that the consumer has confidence and reliability in buying on the internet.

Attitude towards Online Shopping:

“is the individual’s feeling or emotion about using the online shopping” (Stoel & Lee, 2003, p.365). This means that consumers have positive or negative feelings about performing the online shopping.

Intention to Shop Online:

“likelihood that an individual will use the online shopping in the future” (Stoel & Lee, 2003, p. 368). This refers to the fact that whether the consumer has the intention to shop for products or services via online shopping in the future or not.

1.9 Organization of the Thesis

This thesis is organized into five chapters. Chapter one presents the introduction, background of the study, problem statement, research objectives, research questions, scope of the study, significance of the study, definitions of key terms, and organization of the thesis. Chapter two, the literature review, presents the opinions of experts on online shopping. Chapter three draws the research design and the research methodology while chapter four provides the survey findings and the results of statistical analysis; finally chapter five provides the discussion of findings, implications of findings, limitation of study, and offers suggestions for future research.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

This chapter covers the literature review, and studies the opinions of experts on online shopping and using internet technology in commerce. It also provides an overview of the technology acceptance model (TAM), discusses perceived risk and its antecedents (self-efficacy, wealth position and risk-taking propensity), as well as trust and its antecedents (shared values, communication and opportunistic behavior).

2.2 Background

Consumers today can select from myriad technology options for preferred services. Convenient internet access in the new environment has facilitated e-commerce, as customers can now avoid intermediaries by linking directly and electronically with suppliers. A new techno-economic paradigm has been created at national and international levels offering new approaches and new services based on information infrastructure (Pattinson & Brown, 1996).

Rapid expansion of goods and services offered online was brought about by high accuracy and low cost through automation enabling a great deal of information to be communicated across borders (Bussiek, 1999). Given the enhanced global competition, firms need to expand and overcome these competitive challenges by linking with their customers directly and supplying information about products and services online. This changed landscape has forced marketing to focus on changing from physical transactions to electronic transactions by developing models for consumer access and behavior within the new environment (Pattinson & Brown, 1996). New customer-supplier relationships are being encouraged by technology and IT development. For

instance, bank clients prefer to use credit cards over cash in their transactions (Chircu & Kauffman, 1999).

Information technology accelerates the coordination of economic activity and reduces the cost of coordinating transactions such as wealth transfer from the buyers to the sellers via the net with higher efficiency. Moreover, changes in distribution channels predict that selling products or services will be more entertaining even though prices in the electronic marketplace exceed that in traditional marketing channels. Reducing prices in electronic commerce is however not necessary given the enhanced convenience to buyers, intermediaries, and sellers (Palvia & Vemuri, 1999).

Having seen tremendous growth, internet infrastructure and technology have now become integrated into market strategies. Internet technology facilitates changes incorporated in the information exchange and distribution process resulting in several advantages such as the ability to attract the younger generations and reach out to large numbers of consumers in diverse geographical locations. Since the internet is becoming readily accessible, millions of consumers are learning to search for product or service information from the internet before buying (Chen & Chang, 2003). They can surf the internet 24 hours a day to collect related information needed to make buying decisions or to collect information about specific destinations (Anckar, 2003).

2.3 E-Commerce and Online Shopping

As part of the e-economy, e-commerce (Bughin & Hagel, 2000) has more than one definition in the literature. Madlberger and Kotzap (2001, p. 65) defined it as “ Any business transacted electronically including diverse activities as conducting market research, identifying opportunities and partners, cultivating relationships with customers and suppliers, documents exchange, and joint product design”. Aldin and Stahre (2002,

p. 273) defined e-commerce as “one of many possible channels to the market including catalogue sales, salesman, dealers, etc...”. In general, e-commerce refers to the buying and selling of products and services online.

E-commerce transforms the basis of business, driving out businesses based on market inefficiencies. Besides, e-commerce access is expected to be available at a very low price and may even become totally free like other communication technologies such as television and radio broadcast, and so forth. Numerous researchers are making efforts to develop e-commerce and provide the theoretical foundation of a model for effective integration of the internet into markets (Fortin et al., 2002).

The rise of e-commerce as an online distribution channel has altered the competitive dynamics of industry. The internet has spawned new distribution channels, and e-commerce adoption has the potential to reduce distribution cost by delivering goods and services directly to the end consumer through new technologies of online shopping (Zhu, 2001). Chircu and Kauffman (1999) note that e-commerce creates competitive advantage for content and access technology such as licensing and application development and market innovation.

The internet revolution enables e-commerce by improving price, service, and speed of delivery which are expected to be conducted globally in the future by using the WWW (or internet) to provide a platform for a paradigm shift. According to Palvia and Vemuri (1999), however, although consensus exists regarding the phenomenal growth of e-commerce it may be too soon to reach a firm conclusion on the best way to leverage the growth of this new marketing channel.

Online shopping offers various information that customers may use for several purposes such as interacting with others, sending complaints and suggestions, and receiving quick response. Such state of the art communication channels facilitate

immediate attention to problems in real time. This will undoubtedly boost shopping efficiency and convert customers from regular into loyal by informing them, electronically, of any new product or service offers (Berthon, Pitt & Watson, 1996). Online shopping renders distance and time irrelevant since customers can shop day and night at their convenience from several providers simultaneously. This strengthens customer loyalty to internet commerce (Yue & Chaturvedi, 2000).

Online shopping applications are growing rapidly. The usefulness of these applications depends on increasing benefits and effectiveness leading to improved consumer satisfaction (Lu, Tang & McCullough, 2001). According to Lightfoot and Harris (2003), online shopping technology creates new opportunity for consumers to customize their shopping, cut costs, and increase efficiency that can leverage the internet to add value to consumers and increase profitability. Online shopping is considered as a new marketing distribution channel and it benefits both consumers and distributors (Jawahitha, 2004; Jelassi & Leenen, 2003; Ngai, 2003; Potzl, 2000).

Internet shopping aids help internet shoppers search for products and services, and assist them in making in-depth comparisons among alternatives such as price from multiple vendors of a specific product and service. These online shopping aids can increase the number of alternatives considered, while reducing search time and cost (Grewal, Lyer, Krishnan & Sharma, 2003; Jiang, 2002; Lee, Lee, Kim & Lee, 2003; Liang & Huang, 1998; Vijayasathy & Jones, 2001). Online shopping provides consumers different options on products and services. The extra value obtained by consumers can be billed at a different price option, because online shopping formulates it easier for consumers to compare the prices of similar offerings by different companies. Not only can they gain the price of the offering, but consumers also can

understand the prices charged for add-on features. Therefore, they can speedily customize their product and service selections (Bhatt & Emdad, 2001).

One of the major advantages of online shopping is that shoppers do not need to carry their groceries because they can be delivered direct to their homes or offices (Rowley, 2003). They are no longer required to drive to the supermarket and suffer long queues as they can purchase groceries from their home PCs for delivery right to their door step (Sheng, 2004). Today's home delivery is more attractive because of the greater number of people, higher transport costs, and bigger crowds in traditional stores (Klinger, Boyer, & Frohlich, 2003). Online shopping offers flexibility in option pricing and customization, by reducing the constraints of time and space (Bhatt & Emdad, 2001). Zhu (2001) mentioned that higher use of online shopping may lead to significant cost reductions while Klinger et al. (2003) observe that online shopping can remove a link in the supply chain, thus reducing costs of home delivery. Lu et al. (2001) stress the significance of cost-benefit for successful online shopping, implying that cost-benefit considerations figure in the reason for success and use of online shopping. Accordingly, direct purchase from companies through online shopping will bypass traditional wholesalers and retailers and lead to lower cost. In traditional marketing distribution channels, a buyer would have to drive around town or call several sellers, which takes more time and cost. Besides, online shopping increases competition among sellers, and thus online channel prices would be less than those in traditional channels (Lee et al., 2003). As a new marketing distribution channel online shopping could decrease delivery costs considerably (Kiang, Raghu, & Shang, 2000).

Online shopping will eventually replace many traditional physical stores. Consumers will have easier access to more information about products and services with the development of home shopping via the computer system (Potzl, 2000). They

can leverage this information for more efficient negotiation and planning when an integrated communication environment between buyers and sellers is available (Trappey & Trappey, 1998).

The popularity of online shopping is attributed to reduced search time, effort, cost, and comparison facilities between different vendors (Vijayasathya & Jones, 2001). For example, information about services and products can be easily reached by browsing the internet, which is considered fun without the need to leave the house or the office and have the order delivered to the door (Chen & Chang, 2003). Besides, online shopping is more convenient and effortless for working people who lack time for shopping in stores (Morganosky & Cude, 2000; Sheng, 2004).

Indeed, consumer shopping behavior and attitude are linked directly to what benefits result from that particular internet shopping and not to online shopping by itself. However, a survey carried out in the United Kingdom by Roberts, Xu and Mettos (2003) demonstrated that 66% out of 107 consumers preferred online shopping and regarded traditional shopping as a chore, frustrating and not enjoyable. In addition, some consumers found traditional shopping too time consuming. Likewise, Parsons (2002), Brown, Pope, and Voges (2003), Klinger et al. (2003) and Oliver and Shor (2003) described traditional shopping as a time consuming routine chore. Bobbitt and Dabholkar (2001) and Dabholkar, Bobbitt and Lee (2003) have mentioned that consumers prefer technology because it is convenient, timesaving, accurate, superior, novel, familiar, fast, easy to use and enjoyable. Consumers now are highly motivated to purchase via the internet and thus have a favorable attitude toward online shopping.

Being busy working people, modern consumers are often described as overworked and stressed. They are seen as much more technologically aware and comfortable. Internet shopping may present advantages by providing entire information

about price and product or service availability (Balasubramanian, 1998). Likewise, Foucault and Scheufele (2002) and Brown et al. (2003) mentioned that limitations on discretionary time had a positive impact on an individual's decision to shop online; consumers who have busy lifestyles use online shopping because it provides them extensive information about products and services with timesaving convenience. In addition, Richmond (1996), Dholakia and Uusitalo (2002), Yang, Peterson and Cai (2003), Chang and Samuel (2004) and Flett, Alpass, Humphries, Massey, Morriss, and Long (2004) note that online shopping offered time saving and the convenience of shopping without restriction to store hours or store location.

Consumer dislike of online shopping can be attributed to various causes including the thought that product quality cannot be verified by the end user hence affecting home delivery negatively. In this case, consumers ought to trust that online providers be required to apply the same quality standards in order to promote internet shopping (Madlberger & Kotzab, 2001; Monsuwe et al., 2004). Consequently, such consumers still prefer to traditional means of shopping because they think that the product returns are easier and the gratification is faster (Balasubramanian, 1998; Kau et al., 2003). Another motivation for preferring traditional delivery is linked to social aspects. Consumers prefer to go shopping with family members to meet friends. They also would like to touch, taste or smell the products before buying, and enjoy shopping because they want to find bargains. These are the consumers who are less likely to purchase through internet technology and have more negative attitude towards home delivery because social aspects are absent in online shopping. To them, traditional shopping along with traditional delivery are considered fun that they do not find in internet shopping (Barlow, Siddiqui & Mannion, 2004; Roberts et al., 2003). Brown et al. (2003) also mentioned that people who enjoy the shopping process were unlikely to

shop online. Likewise, Monsuwe et al. (2004) showed that consumers with high “need for human interaction” would avoid internet shopping, whereas those with a low “need for human interaction” were most likely to shop online. Although some may find online shopping reliable, they still prefer the traditional way; they believe that traditional shopping is actually more reliable and may feel a greater sense of control in using this kind of delivery (Dabholkar et al., 2003). Socializing, however, does not have to be limited to face-to-face interaction in the traditional shopping way of delivery because internet shopping does support socializing via discussion forums, chat rooms, and virtual communities (Dholakia & Uusitalo, 2002; Jun, Yang & Kim, 2004).

Consumer lifestyle is a key factor in determining the type of delivery chosen. Some customers prefer traditional shopping because they wish to examine the products and services first. On the other hand, marketing scale via internet is still small due to customers’ limited internet access as most of them are not professionals in using software and computers. Because of the difficulties linked with internet shopping, this type of customer prefers traditional shopping (Falk et al., 1994).

Dennis, Harris, and Sandhu (2002) in their study on two groups of consumers (university students and sixth-form school students) found that both groups preferred traditional shopping. Traditional shopping was seen as enjoyable and sociable, despite their acknowledgment that online shopping was more convenient. Furthermore, their preference for traditional shopping stemmed mainly from the fact that they like to try, see and use their personal experience in shopping.

The next section discusses TAM and its applications. TAM theory has been widely researched in the domain of management technology and it has been used to investigate consumer attitude and behavior. In the current work, TAM theory has been

applied to understand the consumer attitude and intention behavior to shop for products and services online.

2.4 Technology Acceptance Model (TAM)

TAM (Figure 2.1) was derived from the Theory of Reasoned Action (TRA) (Fishbein & Ajzen, 1975) (Figure 2.2). TRA drawn from social psychology, “TRA is one of the most fundamental and influential theories of human behavior. It has been used to predict a wide range of behaviors” (Venkatesh, Morris, Davis, & Davis, 2003, p. 428). In accordance with TRA, a person’s attitude towards a behavior is determined by his or her beliefs about consequences of performing the behavior multiplied by the evaluation of those consequences. It is important to mention that another theory derived from TRA is called the Theory of Planned Behavior (TPB) (Ajzen, 1991; Mathieson, 1991). TPB extends TRA by adding the factor of perceived behavioral control. In TPB, perceived behavior control is theorized to be another determinant of intention behavior. This indicates that the major difference between the TRA and TPB is that TRA does not consider perceived behavioral control.

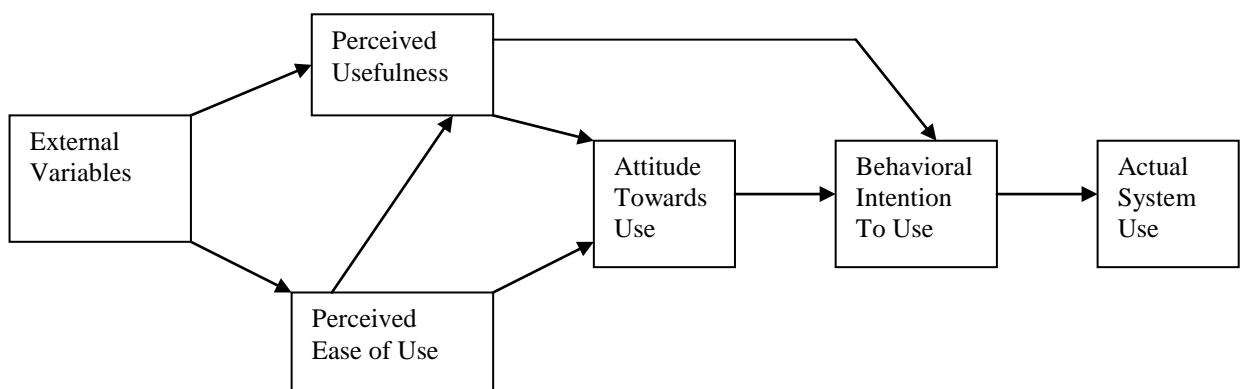


Figure 2.1 Technology acceptance model (TAM).

Adopted from Davis et al. (1989).