FACTORS INFLUENCING CONSUMERS' TRUST IN ONLINE PURCHASE
VIA SOCIAL NETWORKING SITES

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ABSTRACT

Internet is a mass medium that can be accessed anywhere. The Internet is integrated into nearly all aspects of activities including businesses. The advancement of Internet contributes to the development of electronic commerce (e-commerce) to conduct online business, and consumer trust plays an essential role in the development of e-commerce. However, lately, the trend of e-commerce has been shifted to a brand new platform that is called Social Networking Sites (SNSs). As in e-commerce, consumer trust is also important in SNSs. Therefore, the factors that influence consumer trust in online purchase using SNSs has become the primary concern of this research, since there are limited studies investigating the factors as compared to in e-commerce. In this study, four factors were examined which are propensity to trust, experience in Internet usage, testimonial, and monetary risk. The sample of this research consists of 129 respondents that have a Facebook account. Questionnaires were distributed through email and also posted on the researcher's Facebook. Independent t-test, ANOVA and multiple regression analysis were used to test the relationships between variables used. The study revealed that propensity to trust and testimonial are the factors that influence consumers' trust in online purchase via SNSs.

ABSTRAK

Internet merupakan satu medium massa yang boleh dicapai di mana-mana. Internet diintegrasikan ke dalam hampir semua aspek aktiviti termasuk perniagaan. Kemajuan Internet menyumbang kepada pembangunan dagangan elektronik (e-dagang) untuk menjalankan perniagaan dalam talian, dan kepercayaan pengguna memainkan peranan penting dalam pembangunan e-dagang. Walau bagaimanapun, sejak kebelakangan ini, aliran e-dagang telah beralih kepada satu pelantar jenama baru yang dipanggil laman rangkaian sosial (SNSs). Seperti dalam e-dagang, kepercayaan pengguna adalah juga penting dalam SNSs. Oleh itu, faktor-faktor yang mempengaruhi kepercayaan pengguna dalam pembelian dalam talian menggunakan SNSs telah menjadi perhatian utama kajian ini, kerana terdapat kajian yang terhad dalam mengkaji faktor-faktor tersebut, berbanding dalam e-dagang. Dalam kajian ini, empat faktor telah diselidiki iaitu kecenderungan untuk mempercayai, pengalaman dalam penggunaan Internet, testimonial, dan risiko kewangan. Sampel kajian ini terdiri daripada 129 responden yang mempunyai akaun Facebook. Borang kaji selidik telah diagihkan melalui email dan dihantar melalui akaun Facebook penyelidik. T-test tidak bersandar, ANOVA dan analisis regresi berganda telah digunakan untuk menguji hubungan-hubungan di antara pembolehubah yang digunakan. Keputusan dari hasil kajian ini bahawa kecenderungan untuk mempercayai dan testimoni adalah faktor-faktor yang mempengaruhi kepercayaan pengguna dalam pembelian dalam talian melalui SNSs.

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LIST OF ABBREVIATIONS

ANOVA   Analysis of Variance

B2B   Business to Business

B2C   Business to Commerce

B2G   Business to Government

C2C   Consumer to Consumer

CT   Consumer trust

e-bookstores   Electronic Bookstores

e-business   Electronic Business

e-commerce   Electronic Commerce

e-marketers   Electronic Marketers

EXP   Experience

FA   Factor Analysis

ICT   Information and Communication Technology

KMO   Kaiser Meyer-Oklin

M2C   Mobile to Commerce

MR   Monetary Risk

PT   Propensity to trust

RM   Ringgit Malaysia

SNSs   Social Networking Sites

SPSS   Statistical Packages of Social Science

TEST   Testimonial

VIF   Variance-Inflation Factor

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CHAPTER 1

INTRODUCTION

1.1   Introduction

Internet is a mass medium that can be accessed anywhere. It has enabled people from all walks of life to bring virtually entire libraries, entertainment venues, post office, and financial centers to a workplace, a desktop or a shirt pocket. In fact, the Internet has been used by many people around the world. Table 1.1 depicts the number of Internet users in year 2010 for each world region (Internet Stats Today, 2010).

Today, the Internet is integrated into nearly all aspects of activities including businesses (Hong and Cho, 2011). The globalness of the Internet and its interactive capabilities have served as an important medium for marketing (Ranganathan and Ganapathy, 2002). Some companies have realized that the Internet can be used to boost productivity and increase profit. Since the Internet was started as commercial use in 1991, many business owners took this opportunity to create websites and then promote their product (Ecommerce-Land, 2004). This scenario has shown that Internet has revolutionized business by allowing companies to interact electronically with their customers. It has provided more flexibility and efficiency in their

operations, and it seems to be an important tool to build closer relationships with customers and suppliers alike (Cameron, 1997).

Table 1.1: Internet users in the world

World Regions	Population (2010 Est)	Internet Users Dec. 31, 2000	Internet Users Latest Data	Penetration (%Population)	Growth 2000-2010	Users % of table
Africa	1,037,524,058	4,514,400	**118,609,620**	11.4 %	2,527.4 %	5.7 %
Africa	3,879,740,877	114,304,000	**922,329,554**	23.8 %	706.9 %	44.0 %
Europe	816,426,346	105,096,093	**476,213,935**	58.3 %	353.1 %	22.7 %
Middle East	216,258,843	3,284,800	**68,553,666**	31.7 %	1,987.0 %	3.3 %
North America	347,394,870	108,096,800	**272,066,000**	78.3 %	151.7 %	13.0 %
Latin America/ Caribbean	597,283,165	18,068,919	**215,939,400**	36.2 %	1,037.4 %	10.3 %
Oceania/ Australia	35,426,995	7,620,480	**21,293,830**	60.1 %	179.4 %	1.0 %
WORLD TOTAL	6,930,055,154	360,985,492	**2,095,006,005**	30.2 %	480.4 %	100 %

Sources: (World Region, 2010)

In recent time, the advancement of Internet contributes to the development of electronic commerce (e-commerce). It involves in carrying out business over the Internet with the assistance of computers, which are linked to each other forming a network. Using e-commerce, consumers can buy and sell products or services and

transfer fund through digital communications. The trend has resulted in economic development.

1.2 Background of Study

Purchasing online or online shopping is no longer being treated as a new phenomenon among Internet users. Shopping through Internet offers a convenient way to consumers that cannot be achieved by local store (Harn *et al.*, 2006). Consumers can access more information about products before they make any decision to purchase. Busy consumers can save time and find shopping more convenient as merchants serve their needs individually (Harn *et al.*, 2006). This happens because consumers can simply visit websites from home, purchase with a click of mouse and wait for the product to be delivered at home. They can save on transportation cost and at the same time they can avoid traffic congestion. Unlike shopping via offline, survey on prices can be repeatedly done before making any purchase.

The growth rate of the Internet usage is not only limited to the networking media, but also as a medium of transaction at global market as well. The growth of e-commerce has affected the implementation of payment system. There are various types of payment that can be chosen by consumers based on their convenience. According to WPM Education (2011), there are several online payments, which are credit card payment, direct debit payments, PayPal's payment, online direct debits (also known as paperless direct debits) and other online payment types (example: mobile online). The description is explained in Table 1.2.

Table 1.2: Mode of online payment

Type	Explanation
Online credit card payment	A form of borrowing where the card issuer is in effect allowing their cardholder to borrow money in line with a credit agreement. Therefore, the amount of funds is based on their credit limit agreed and the availability of spending.
Online debit card payment	It is directly deducted from the cardholder's bank account. Any payment is authorized only if there are funds in the account.
PayPal's payment	Traditionally, the paper-based methods include cheque and money order have been used to make any payment and money transfer. To make it faster, PayPal has been electronically used via the Internet.
Online charge card payment	Typically, charge card payment is treated in a similar way as online credit card payment. The difference is the transactions are directly processed through the card issuer. One of the well-known charge card is American Express.
Online direct debit	For each bank's account holder that uses the facility of direct debit, an instruction can be given to his or her bank to transfer some amount of money directly from another account.
Other online payment	This method has a very small market share. Generally, it can be used better on fit niche applications, including mobile billing and others.

These systems offered many advantages to consumers such as convenience, cost, anonymity, control and traceability. These advantages yield from the emergence of e-commerce that is being financially effective, unlike the traditional payment systems (WPM Education, 2011). It can be concluded that the evolution of the modes of payment successfully have given positive impact to the growth of e-commerce.

In recent years, the function of e-commerce has been shifted to Social Networking Sites (SNSs). Nowadays, there are variety of types of SNSs like Facebook, My Space, Friendster, and etc. The enhancement of these SNSs have changed the mentality of companies and individual sellers to operate their business, and it also gives choices to consumers to purchase products (Ranganathan and Ganapathy, 2002). According to the latest report by Nielsen Global Online Survey, The Social Media Report (2011), seventy percent of active online social networking users is using SNSs as the place to shop. This shows the new application at SNSs that is performing e-commerce, traditionally meant for socializing.

As mentioned above, there are many advantages to purchase via online, including convenience, speed, pricing and access to the best financial products available. Despite many benefits in using online purchase, many of Internet users have no confident to use it. Based on the previous studies (Gefen, 2000; Harn *et al.*, 2006; Koufaris and Hampton-Sosa, 2004), lack of trust is a major problem in online purchase. Thus, it is important to investigate factors that affect consumer trust in online purchase via SNSs.

1.3   Problem Statement

Trust is one of the critical key success factors in online transaction (Beldad *et al.*, 2010; Corritore *et al.*, 2003). It helps consumers to overcome perceptions of uncertainty and risk in using online transaction (Jones and Leonard, 2008). Trust is related to competence, responsibility, dependability, and honesty (Swan *et al.*, 1988). Hong and Cho (2011) suggest that trust affects consumer behavior in electronic commerce. However, according to Hoffman *et al.,* (2010), there seems to be a lack of understanding and knowledge on consumers' attitudes towards online shopping. According to Alam and Yasin (2010), knowledge can give positive effect with the existence of trust. It means that knowledge can determine the level of trust. If

consumers have more knowledge, they will be more confident to use Internet as a medium to purchase goods and services. In addition, by having the Internet knowledge, it can avoid some threats like scam and phishing websites.

A study by Kraeuter (2002) found the important reason why online consumers are reluctant to go shopping through online because in this method, lack of faith could occur between consumers and companies. To support the above finding, Koufaris and Hampton-Sasa (2004) found that lack of trust is a primary reason for the Internet users not to shop via online as there are no direct physical involvement between seller and customer, and also the experience with the product as well. Another aspect that contributes to the lack of trust is fraud. According to the Internet Crime report in year 2009 and 2010, they received 336,655 and 303,809 complaints, respectively. The data show that the amount of complaints of the Internet crime has decreased. However, it is still high compared to previous years as depicted in Figure 1.1. In Malaysia, 15,218 incidents of fraud were reported via the Cyber Security Malaysia which was an 88 per cent increase compared with 2010 when only 8,095 incidents were reported (Lee, 2012). This shows that the cyber crime is a global phenomenon that affects all net citizens, corporations and governments, which can also cripple the social wellbeing and economic development of the country.
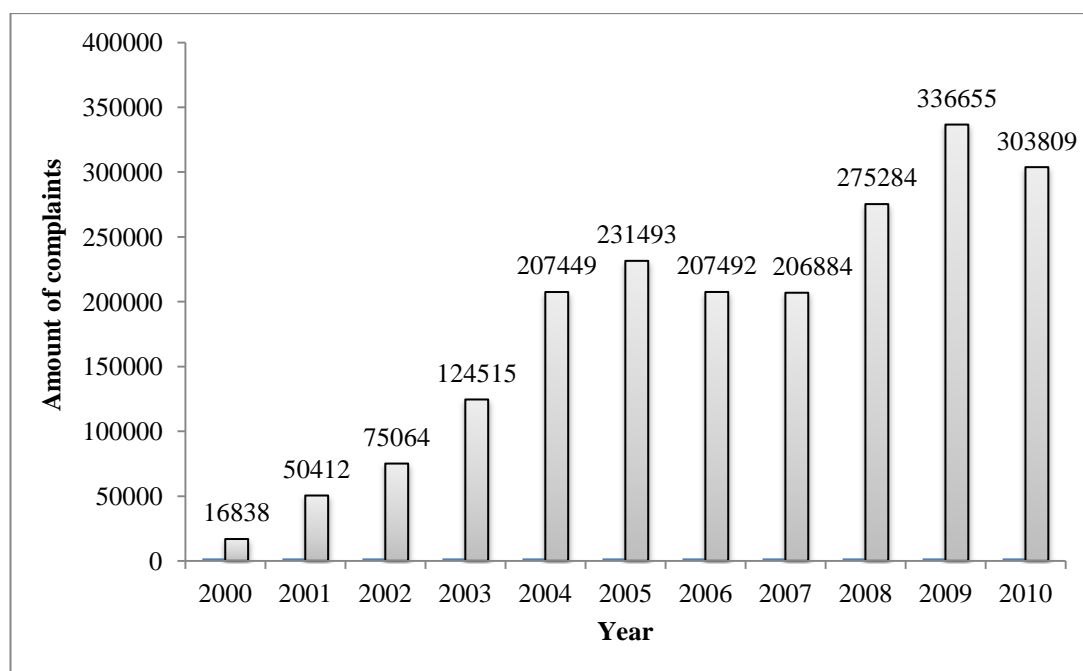
Figure 1.1: Complaints of the Internet Crime

In the online perspective, earlier studies suggested that there are differences between male and female perceptions of online shopping. Gender is one of the key variables of the marketing analysis to identify the dimension that includes the advertising effectiveness and the differences in the level of trust with the product online (Haque *et al.*, 2007).

According to Reichheld and Cho (2011), the Internet users build trust on the first time they visit a website. However, misunderstanding may happen between sellers and buyers. The misunderstanding may be due to no trustworthy way to identify either the information is right or wrong. This is because electronic service is different from traditional service in terms of uncertainty, lack of control, and potential of fraud to happen (Liu *et al.*, 2010). According to Akin and Singh (2005), there are significant factors that contribute to enhancing transaction based on trust especially in e-commerce; they are easy access to description of product and services, easy placing of orders, order confirmation, order tracking and post sales services.

Consumer trust plays an essential role in the development of e-commerce (Kraeuter, 2002). Many studies have been conducted to investigate the factors that influence consumer trust in online purchase, however generally are focused in e-commerce context (Connolly and Bannister, 2008; Dolatabadi and Ebrahimi, 2010; Ha, 2004). According to the literature, the study on consumer trust in online purchase via SNSs is very limited. Hence, the aim of this research is to investigate factors that influence consumers trust in online purchase via SNSs.

1.4 Research Questions

In addressing the underlying issues of this study, the following questions are raised:

1. What is the level of trust among consumers in online purchase via SNSs?

2. Is there any difference in the level of trust in online purchase via SNSs according to gender?

3. Is there any difference in the level of trust in online purchase via SNSs according to age?

4. What are the factors that influence consumer trust in online purchase via SNSs?

1.5   Research Aim

Based on the above research questions, the direction of this study has been set to empirically verify the factors that influence consumer trust in online purchase via social networking sites.

1.6   Research Objectives

The objectives of this study are:

1.   To measure the level of trust among consumers in SNSs.

2.   To examine whether there are differences in trust level between male and female in online purchase via SNSs.

3.   To examine whether there are differences in trust level in online purchase via SNSs according to age.

4.   To investigate factors that influence consumers' trust in online purchase via SNSs.

The following hypotheses are formulated based on literature support and will be explained in detail in Chapter 2 and Chapter 3.

H1:   Testimonials have positive effects on consumer trust in online purchase   via Social Networking Sites.

H2:   Propensity to trust has a positive effect on consumer trust in online purchase through Social Networking Sites.

H3:   Experience has a positive effect on consumer trust in online purchase through Social Networking Sites.

H4:   Monetary risks affect consumer trust in online purchase via Social Networking Sites.

1.7   Scope of the Study

This study focuses on factors influencing consumer trust in online purchase through SNSs. Based on the previous studies, four factors were derived. They are testimonial, trust propensity, experience in Internet usage and monetary risk. In this research, the data were collected from the researcher's friends in the Facebook account. Presently, Facebook has risen to become the top social network (Internet Stats Today, 2010; The Social Media Report, 2011). To get more respondents, the researcher had requested her friends to share some links from their Facebook account with their friends. This study is just limited to the respondents who live in Malaysia and the range of age is limited from 18 to 45 years old. These limitations are appropriate as proposed by The Nielsen Company (2009), where the people within this range of age are the most active user in social networking.

1.8   Significance of the Study

This study was conducted to identify factors that influence consumer trust in online purchase via SNSs. The finding of this study will be a reference to other researchers to obtain additional information and it also can enhance knowledge in this research area. Moreover, the information and statistics from this research would be able to help other researchers who plan to do further research and uncover more details regarding online purchase via SNSs. There are limited researches done by researchers in this area of study. Thus, this study can contribute as a new reference to both academicians and non academicians. The findings also can be used as a guideline for businesses and individuals to do online business through SNSs.

1.9   Structure of the Thesis

The thesis is organized as follows. Chapter 1 is introduction, background of the study, problem statements, research questions and scope of the research. Chapter 2 discusses the literature review on factors that influence consumers' trust in online purchase via Social Networking Sites. Chapter 3 explains the methodology, sampling and instruments used in this study. Chapter 4 describes the details on analysis method and interpretation of the data collected. Discussion and conclusion of the findings and recommendation for future research are presented in Chapter 5. The outline of this thesis is shown in Figure 1.2.

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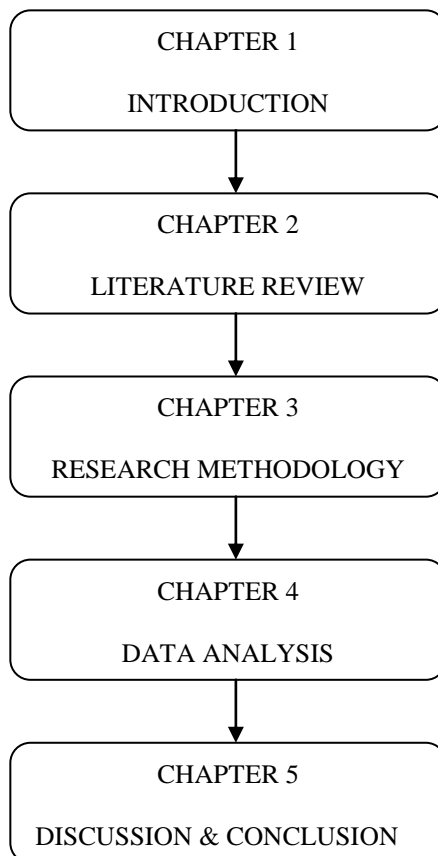
Figure 1.2: Structure of thesis

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