

FACTORS INFLUENCING CONSUMERS' INTENTION TOWARDS ONLINE
GROCERY SHOPPING FOR TESCO MALAYSIA

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To my beloved parents, siblings and friends...

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ABSTRACT

Nowadays, Internet is one of the most popular platforms for people to do online shopping include grocery items. Many studies have been conducted to investigate the determinants of customer intentions for online grocery shopping. Till now, there is no consensus on what are the factors that actually influencing people to shop grocery items through Internet. This paper aims to explore the factors including social influences, facilitating conditions, hedonic motivations, financial risk and perceived trust which influence the consumer intention to purchase grocery online. From the literature review, this paper found that many studies have investigated numerous factors for purchase intention, especially, in the cases which fashion and trends are involved. However, few studies have focused on the factors that affect consumers' intention to online grocery shopping particularly in Malaysia. A total of 400 questionnaires were distributed to the virtual community of Tesco Malaysia using private message. Multiple regression was used to test the relationships between motivational factors and purchase intention of grocery products. The results show that social influences, facilitating conditions, hedonic motivations and perceived trust are positively related to consumers' intention to purchase grocery online. However, financial risk has no impact on the purchase intention. This can be explained that the risk of online shopping is reduced due to the popularity of online shopping nowadays and also online consumers have more confident about the security of e-commerce business transaction. Theoretical and managerial implications, as well as suggestions for future researches and limitations are discussed.

ABSTRAK

Pada masa kini, Internet merupakan salah satu platform yang paling popular untuk orang ramai berbelanja dalam talian termasuklah membeli barangan runcit. Banyak kajian telah dijalankan untuk mengkaji penentu niat pembelian pelanggan untuk berbelanja barangan runcit dalam talian. Sehingga kini, tidak ada kata sepakat mengenai apakah faktor-faktor yang mempengaruhi pengguna untuk berbelanja barangan runcit melalui Internet. Kajian ini adalah bertujuan untuk mengkaji faktor-faktor termasuk pengaruh sosial, keadaan memudahkan, motivasi hedonik, risiko kewangan dan persepsi kepercayaan yang mana mempengaruhi niat pengguna untuk membeli barangan runcit dalam talian. Daripada kajian literatur, kajian ini mendapati bahawa sudah terdapat banyak kajian lain yang mengkaji dengan pelbagai faktor untuk niat pembelian, terutamanya, dalam kes yang melibatkan fesyen dan trend. Walau bagaimanapun, hanya terdapat segelintir kajian yang memberi tumpuan kepada faktor-faktor yang memberi kesan kepada niat pengguna untuk berbelanja barangan runcit dalam talian terutamanya di Malaysia. Sebanyak 400 soal selidik telah diedarkan melalui mesej peribadi kepada masyarakat maya di Tesco Malaysia. Analisis regresi berganda telah digunakan untuk mengkaji hubungan antara faktor-faktor motivasi dan niat pembelian untuk produk runcit. Keputusan menunjukkan bahawa pengaruh sosial, keadaan memudahkan, motivasi hedonik dan persepsi kepercayaan mempunyai hubungan yang positif dengan niat pengguna untuk membeli barangan runcit dalam talian. Walau bagaimanapun, risiko kewangan dilihat tidak memberi kesan kepada niat pembelian. Ini dapat dijelaskan bahawa risiko berbelanja dalam talian telah berkurang kerana populariti membeli-belah dalam talian pada masa kini selain pengguna dalam talian lebih yakin tentang keselamatan transaksi perniagaan e-dagang. Implikasi teori dan pengurusan, cadangan untuk kajian masa depan dan batasan turut dibincangkan.

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LIST OF ABBREVIATIONS

eWOM	: Electronic word-of-mouth
IT	: Information Technology
TPB	: Theory of Planned Behaviour
SCT	: Social Cognitive Theory
ISE	: Internet Self-Efficacy
SI	: Social Influences
FC	: Facilitating Conditions
HM	: Hedonic Motivations
FR	: Financial Risk
PT	: Perceived Trust
OPI	: Online Grocery Purchase Intention
SPSS	: Statistical Package for Social Science
ANOVA	: Analysis of Variance
VIF	: Variance Inflation Factor

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CHAPTER 1

INTRODUCTION

This chapter discusses the overview and other major aspects of the study. It begins with the background of study, problem statement, research questions, research objectives, scope of the study, significance of the study and operational definitions.

1.1 Background of the Study

E-commerce and digital technology have changed the shopping preferences around the world. Online shopping is a form of electronic commerce which customers can directly purchase products or services from a dealer over the Internet. Online shopping is conducted through an e-shop, Internet shop, e-store or online store. In fact, online shopping has become a flourish trend in commercial world today, especially in developing nations like Malaysia. Statistics showed that the number of shoppers buying online is increasing and the quantity of their purchases is also rising worldwide. In Europe, more than 71% of European has online purchase experience and the electronic commerce market was around £101,840 million in year 2011 (Retail Research, 2012). On the other hand, the e-commerce market in United States is around USD 312 billion in year 2013 and it is expected will continue to

increase in the future. According to e-Marketers (2014), global electronic commerce market was about USD1.7 trillion by year 2015. There is a similar upward trend in Malaysia. A study by Paypal and ACNielsen (Marketing Interactive.com, 2011) found that online shopping in Malaysia has recorded transactions value RM1.8 billion with about 1.1 million online purchasers in year 2011. This statistic is 70% more than what has been recorded in the prior year. Furthermore, [Shoppu](#), an e-marketplace project by AEON has recently done a survey on consumers' online shopping behaviour. The research reported that 90% or more online consumers are shopping online and only 10% prefer offline (eCommerce Milo, 2016). This change has started in 1990s when electronic commerce grew significantly and changed the process of selling (Chen and Chang, 2003). In fact, customers are browsing the Internet not just to purchase products and services but also to search online stores or to obtain knowledge about possible purchases. Therefore, online store website is a crucial factor for sellers to develop strategies in order to satisfy their customers (Demangeot and Broderick, 2007).

Nowadays, the estimated population of Malaysia is roughly 31.7 million of people (Department of Statistics Malaysia, 2016) and there are 21,090,777 million or 68.6% of Malaysians are using Internet (Internet Live Stats, 2016). In addition, the National Information and Communications Technology (ICT) Association of Malaysia (2015) in Bernama reported that Malaysia ICT sector was expected to increase at a pace of 14.2% in 2015 and these trends continue. This result shows that Malaysia is a perfect marketplace for e-commerce activities. For electronic mercantile activities, it is crucial to analyse the purchase intention of the online customers. Additionally, in order to develop and apply effectual marketing plans, the factors that influence consumer intentions should be explored. Online sellers can better understand consumers' needs and wants by directly examining the interaction between consumers and online store.

The first electronic retailing was began in 1994 (Hsin and Su, 2008). It is considered as a form of direct customer marketing of non-store retailing through the Internet. This innovative idea of retailing has captured the interest of numerous merchants and retailers since this new way of shopping would begin as a superior channel of retailing other than traditional shopping such as brick-and-mortar retail store (Lawrence and Tigert, 2001). Specifically, the online grocery sector is described as the online sales of meal and beverages as well as in-home consumption products. The online grocery store offers consumers to buy grocery items through the Internet. In mid-2000, online grocery shopping concept was first started in Malaysia by PasarBorong Online, CGdeMart.com, Citrasspicemart.com and SubangGrocer.com (Zaini *et al.*, 2011). Nevertheless, these companies are not popular among Malaysians. Currently, Malaysian online grocers such as presto.com, grocerexpress.com, happyfresh.com, doorstep.com, redtick.com and foodworld.com.my are the players of online grocery business. These online grocers deliver their goods all year round across the Klang Valley using vans and lorries. This location is the focus of the companies since it has the highest percentage of people with computer literacy and connected to the Internet in Malaysia (Singh, 2011). Therefore, it was recorded that Internet groceries in Malaysia witnessed a sales growth of 15% in 2015, as it provides convenience to the shoppers (Euromonitor International, 2016).

By 2011, although there are several online grocery players in Malaysia but none of them is well-known and able to achieve significant sales (Euromonitor International, 2011). Nonetheless, since 2013, the introduction of online retailing by Tesco Stores (Malaysia) Sdn Bhd has marked a significant online grocery presence in Malaysia as the company delivers groceries to few high populous locations such as Klang Valley, Penang and Johor Bahru. Tesco Stores owns 30% market share of the Malaysian hypermarket industry by sales. Though grocery online shopping gains popularity gradually in Malaysia, there are consumers who still prefer to pick up tangible goods from brick-and-mortar stores, and some of them believe that online shopping channel offers less promotion than the physical stores (Kearney, 2014). In

contrast, online grocery retailing is for tech-savvy and young consumers who do not like crowds and pushing the trolley around the store to buy goods (Brown *et al.*, 2003).

Tesco online store is the focus of the study. Tesco provides online shopping as part of their integrated shopping experience to their customers. After customers placing orders via their online platform, the trained shoppers will carefully pick the ordered products, pack them separately and store them in controlled temperatures so that the customers can receive their items in fresh conditions. Tesco delivers the groceries to few areas such as Klang Valley, Penang and Johor Bahru. Tesco delivers daily, 7 days a week, at 2 hour-intervals. However, customers might have to place their order in advance if they want the groceries to reach at a preferred time as each delivery slot has a maximum capacity. Moreover, customers can choose to pay the groceries with a credit card or a debit card upon checking out of the website or upon delivery of goods. If the customers are not satisfied with the delivered items, they can return the items to the customer delivery assistant without charges (Tesco, 2017). Therefore, in order for Tesco to expand its online store business, it is imperative to investigate factors affecting consumers' purchase intention toward groceries in Malaysia.

1.2 Problem Statement

Online shopping platform requires consumers to transform their traditional ways of shopping since information finding, transaction and purchasing processes as well as the issues in logistics are absolutely different as compared to the existing groceries shopping experience using brick-and-mortar concept (Seitz, 2013). There are many shoppers purchasing groceries through Internet as online shopping provides variety goods selections, better virtual facilities, better prices, convenience and time

savings. Therefore, the concept of home delivery is very popular for those who are facing hardships such as physical disability, transportation problem, and individuals with busy lifestyle. However, purchasing groceries through Internet is not extensively used in Malaysia (Yunus *et al.*, 2016). There are many reasons why Malaysians would rather choose traditional way of grocery shopping. One of the impediments for grocery online shopping in Malaysia is that customers are sceptical or suspicious about the quality of grocery products that they purchase online (Muhammad, Sujak and Rahman, 2016). It is because customers cannot see and touch the grocery products by themselves like they do in groceries stores (Galant, López and Monroe, 2013). Moreover, most of customers lack trusts in employees' choice when picking up their ordered items especially for fresh item like fish, vegetables, fruits and others. Through a review of Tesco's Facebook posts in February to March 2017, there are some customers complain about the Tesco online store in terms of items sold are not fresh, limited choices, always out of stock, late delivery and last minute cancellations of customer orders. As such, Tesco online store's credibility is important since consumers' trust in grocery online shopping is built on high product quality, high service quality and website quality.

In online shopping, a perceived risk appears when customers feel uncertainty and fear of financial loss, non-delivery concerns and misusing of personal information (Iconaru *et al.*, 2013). All of the factors will lead to low online purchase intention among customers. Every online payment involves risk, so customers feel uneasy to make a payment through Internet especially using their credit card or debit card. It is because customers afraid of fraudsters hacking into databases, stealing payment-related and other information that can lead to financial loss (Braun *et al.*, 2008). Tesco's term and conditions provide their customers to pay with credit card or debit card as a purchase payment. At this time, Tesco Company does not accept cash for the home delivery service. In fact, there are some customers' complaints about making payment using their debit card. The transaction system shows that the payment is undetectable but actually the amount is deducted from the customers'

debit account. Therefore, it becomes one of the barriers for customers to purchase at Tesco online store since making payment using credit card is not secure.

According to Singh (2011), the biggest challenge for online groceries business in Malaysia is about the customers' perceptions. It is because consumers still prefer traditional groceries shopping instead of online groceries due to there are more choices if they purchase at offline store. Grocery shopping involves buying decisions that are significantly different from those in other product type (Verhoef and Langerak, 2001) since grocery products are perishable, have a short shelf life and require refrigeration. This may explain why most of the consumers are not purchasing groceries online though they have online shopping experience with other product categories (Zaini *et al.*, 2011). Indeed, social media and marketing communication as well as social influences could play important roles to change customers' perception about online grocery purchase. However, in Malaysia, Tesco does not reply or responds late to every complaint message that customers send through Facebook. Thus, dissatisfied customers are motivated to spread negative electronic word-of-mouth (e-WOM). This may lead to negative eWoM in social media. Negative comments exchanged through WOM channel are powerful to influence consumers' purchasing decision making. Individuals tend to tell about their bad experiences to friends or family members (Keller and Berry, 2003).

Many studies have investigated online grocery shopping from different perspectives such as relationship with situational variables (Robinson *et al.*, 2007), profiling of consumer segments (Rohm and Swaminathan, 2004) or adoption (Hansen, 2005; Pechtl, 2003), attitudes (Hsu, 2012; Blomqvist *et al.*, 2015), time availability and convenience (Zaini *et al.*, 2011), behaviour (Ranadive, 2015; Hand *et al.*, 2009; Katawetawaraks and Cheng, 2011) consumer perception (Sathiyaraj *et al.*, 2015), service quality (Muhammad *et al.*, 2016) and so on. In addition, there are studies investigating factors affecting grocery online shopping in developed countries (Lim *et al.*, 2016; Chien and Kurnia, 2003; Kearney, 2014; Kempiak and Fox, 2006; Morganosky and Cude, 2000). However, limited studies are found in Malaysia to

investigate factors influencing purchase intention of online grocery shoppers (Yunus *et al.*, 2016; Noor *et al.*, 2011; Ghazali *et al.*, 2006; Hasanov and Khalid, 2015) especially studies on factor of hedonic motivations that impact on online grocery purchase intention. The hedonic shoppers are often looking for fun, entertainment and satisfaction of desires while carrying out their shopping activities (Cardoso and Pinto, 2010). This means that the hedonically motivated shoppers do not necessary to complete the transaction of the shopping; in fact, the shopping experience itself is the outcome they desire. This group of customers like to spend time to search for product information. The more time individuals spend online, the more likelihood they would do online shopping as well as online grocery shopping. Therefore, this study aims to investigate social influences, facilitating conditions, hedonic motivations, financial risk, perceived trust toward online grocery purchase intention in Tesco Malaysia.

1.3 Research Questions

In this study, the following research questions are addressed:

1. What is the relationship between social influences and consumer intention in online groceries shopping?
2. What is the relationship between facilitating conditions and consumer intention in online groceries shopping?
3. What is the relationship between hedonic motivations and consumer intention in online groceries shopping?
4. What is the relationship between financial risk and consumer intention in online groceries shopping?
5. What is the relationship between perceived trust and consumer intention in online groceries shopping?

6. Are there any significant differences in demographic profile groups (gender, age, income, education, occupation and experience in online shopping) in consumers' intention of online groceries shopping?

1.4 Research Objectives

This study aims to achieve the following research objectives:

1. To determine the relationship between social influences and consumer intention in online groceries shopping.
2. To test the relationship between facilitating conditions and consumer intention in online groceries shopping.
3. To establish the relationship between hedonic motivations and consumer intention in online groceries shopping.
4. To identify the relationship between financial risk and consumer intention in online groceries shopping.
5. To examine the relationship between perceived trust and consumer intention in online groceries shopping.
6. To examine whether there are significant differences in demographic profile groups (gender, age, income, education, occupation and experience in online shopping) in consumers' intention of online groceries shopping.

1.5 Scope of Study

The aim of this research is to identify the relationship between social influences, facilitating conditions, hedonic motivations, financial risk, perceived trust and consumer intention in Tesco online groceries shopping in Malaysia. The respondents are individuals who liked Tesco Facebook page. As of 20th October 2016, there are 543,971 likes in Tesco Facebook fan page.

1.6 Significance of the Study

The result of this study is significant to online stores, particularly for Tesco to identify what factors could influence consumers' intention in buying groceries online. By identifying the factors including social influences, facilitating conditions, hedonic motivations, financial risk and perceived trust, grocers and managers could have better understand on what motivates their customers to purchase groceries in a digital environment. Furthermore, the findings of demographic characteristic on online groceries purchase intention could assist Tesco or other grocers to better position their products and services to target specific customers' needs and desires.

This study is important for Tesco or online sellers to increase consumers' intentions to purchase groceries online, Tesco or online sellers could shape the customers' trust in product quality and service quality using media and word of mouth or social influences. The experience of purchasing groceries online is unlike other forms of online shopping due to the grocery products are perishable. Also, the findings of the study aim to assist e-retailers to develop strategies and reduce risk to increase consumers' intentions to purchase groceries online.

Social Cognitive Theory, Perceived Risk Theory, Hedonic Consumption Theory and Relational Exchange Theory are used to explain the factors influencing online grocery shopping in Tesco Malaysia. The factors including social influences, facilitating conditions, hedonic motivations, financial risk and perceived trust are used to examine consumer purchase intention for online groceries shopping. This study adds to the existing body of knowledge related to online groceries shopping, particularly in Malaysia.

1.7 Operational Definitions

The below definitions are adopted in this study:

i. **Social Influences**

In this study, social influence is defined as how family members, peers and media directly or indirectly change the behaviour, attitude, feelings and thoughts of an individual. It is a process by which individuals develop their real feelings and behaviours as a result of the interaction with other people who are important to them. Social influence may be represented by peer pressure, persuasion, media and marketing (Lin, 2007; Clemes *et al.*, 2014).

ii. **Facilitating Conditions**

In this study, facilitating conditions is defined as the level of an individual's perception in controlling and using a system in online groceries shopping

process. The individual can be presumed to be rather confident since they have the resources and knowledge with using different types of IT applications and connecting in web-enabled social environments in order to purchase groceries online. The facilitating condition is an important predictor of the purchasing intention (Huh, Kim, and Law, 2009; Taylor and Todd, 1995; Venkatesh *et al.*, 2003)

iii. Hedonic Motivations

In this study, hedonic shopping motivations are defined as the benefits such as fun and satisfaction gained from the individual's purchasing decision based on their occurrence. The appearance of hedonic on purchase groceries consists of pleasant based on the shopping experience itself. Hedonic motivations are related with searching for the product information which consumers think it is fun and also a good way to spend their time (Cotte *et al.*, 2006; Overby and Lee, 2006; To *et al.*, 2007; Bridges and Florsheim, 2008; Gupta and Kim, 2009).

iv. Financial Risk

In this study, financial risk is one of the most common risks associated with the online shopping experience. Risk is known as an individual's degree of doubt concerning the outcome of their decision in purchasing groceries online. Financial risk is associated with the belief that consumers are scared that their credit card number will be stolen, bank accounts will be hacked, and personal account will be traumatized. Financial risk is subjective which differentiates the users individually because every individual has his or her own thought on matter and experiences. Moreover, buyers may also face risk

in which they are not able to find the lowest prices when they shop groceries online (Teo and Liu, 2007; Vijayasathy, 2004).

v. Perceived Trust

In this study, perceived trust is defined as a safe feeling to sellers and something that individuals can depend on. Trust is a form of the purchaser's assumption that the online stores can offer a good service, do the right job and keep their promises and agreements. Furthermore, buyers also believe technology is suitable for purchasing groceries online and they have confidence that the technology used by online stores providers will work properly (Gefen, 2000).

vi. Online Purchase Intention

In this study, purchase intention is defined as the probability of customers to purchase groceries online in future and it is considered as the standard step to reward the real purchasing. Moreover, the individual will probably use Internet as a medium to perform their groceries shopping and will increase their frequency to purchase groceries online compared to purchase at physical store in the future (Pavlou, 2003; Moon and Kim, 2001; Kim *et al.*, 2008).

vii. Online Grocery

In this study, grocery is defined as household and food supplies which sell at a store. Online grocery refers to business activities that are involved in selling household items to consumers through the Internet. Nowadays, online

grocery is becoming the alternative way for the customers to purchase their groceries without need to go to brick-and-mortar stores (Miller and Layton, 2000).

1.8 Summary

In this chapter, this study discusses the phenomena of online shopping in Malaysia from the past until present. It includes the research problem, research questions and objectives, scope of the study, significance of the study and operational definitions. The study is conducted to determine the factors which motivate customers to purchase online especially for groceries shopping. The next chapter discusses the literature review of the study.

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