

FACTORS INFLUENCE CONSUMERS' INTENTIONS TO REPURCHASE ONLINE IN MALAYSIA

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ABSTRACT

The Internet revolution has created more opportunities for businesses and individuals to explore new ways of life, and online business is a key aspect of these new forms of living. Online transaction systems enable users to buy and make payments for products and services using the Internet platform. While there is increasing research about online business, little research has focused on specific repurchase perspectives in the Malaysian context. This study examines the factors that influence consumers' intentions to repurchase products and services online. The research framework is grounded in an extended Technology Acceptance Model (TAM). We selected a sample of 350 participants using a snowball-sampling method. We then used a personal administration approach to collect 102 valid responses. Collected data were analyzed using regression techniques. Eight significant hypotheses emerged. This research provides useful information for online businesses in developing key responses to consumers' needs and in building capabilities to create and maintain competitive positions in the online marketplace. This study also provides synthesized literature relevant to the subject area, which would be critical for future research.

Keywords: Online Repurchase Intentions, Consumers, E-business, Internet, Malaysia

1. RESEARCH BACKGROUND

The emergence of internet technology provides additional avenues for firms to stay competitive through a more proactive approach (which involves building a sustainable business practice), and enables better opportunities in this digital age competitive environment. Purchasing via the internet is one of the most rapidly growing forms of shopping¹. In principle, the internet can be used to facilitate purchase transactions among all kinds of actors: consumers, employees, and businesses¹. Moreover, being a global medium, the Internet removes the many barriers to communication with customers and employees created by geography, time zones and location, creating a “frictionless” business environment². Yu² points out that it helps to simplify business operations, because it allows companies to handle transactions electronically, and thereby reduces their dependence on agents and distributors. It permits them to improve feedback and customer service by monitoring visits to their web site². Firms have realized that in order to survive in the business environment, it is necessary to venture into global markets via Internet, such as with online retailing. So having an online store is no longer an option for the businesses; it is rather a necessity.

Electronic retailing over the Internet first started in 1994³. This new concept of retailing has captured the interest of many retailers and merchants because of the general recognition that online shopping will establish itself as an alternative channel alongside traditional offline retail channels such as physical retail stores⁴. The worldwide web has enabled numerous firms to transform the challenges of the past into the opportunities of the future, not merely in the context of marketing but more importantly as an efficient medium to nurture customer relationships⁵. A study by International Data Corporation (IDC) Asia-Pacific indicates that the future forecast for online shopping in Malaysia looks promising.

Despite the statistics and success stories of many online merchants, the apprehension of going online by local firms is real, especially for smaller companies. Local firms appear to be lagging and tend to be afraid to venture into online retailing. This may be because Internet commerce is still relatively new, with few tested business models⁴. Statistics indicate that in 2006, more than 50 percent of the Malaysian population has Internet access; it rose to 53 percent in year 2007, and 54 percent in year 2008. The increasing percentages indicate that there may be opportunities for all businesses to consider conducting transactions electronically.

In Malaysia, consumers still lack confidence in conducting online shopping. Probably, they are still concerned with privacy and trust issues when purchasing online. Despite the phenomenal growth in online retailing,

little research has been done within the Malaysia context. Many consumers are still not aware of the factors that encourage customers to repurchase from an online store. If these issues are left unsolved, the development and sustainability of online businesses in Malaysia may be at risk. This study examines the determinants underlying customers' intentions to repurchase (IRO) products/services online in Malaysia. The determinants include perceived value, perceived ease of use, perceived usefulness, firm reputation, privacy, trust, reliability, and functionality. Finally, these eight determinants will be measured and examined to understand customers' perspectives on IRO.

2. CONCEPTUAL FRAMEWORK

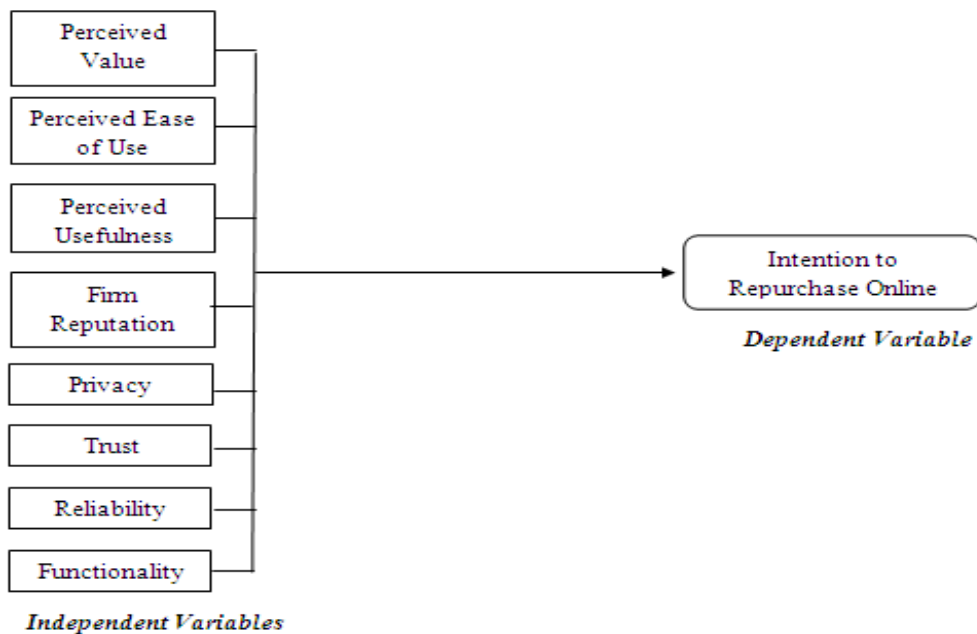


Figure 1. Conceptual Framework of IRO Determinants in Malaysia

Figure 1 shows the research framework for this study and illustrates eight independent variables previously named. We generated eight hypotheses based on this framework to test the influence of each variable on IRO. We used TAM as the theoretical underpinning for this framework.

3. HYPOTHESES DEVELOPMENT

Based on the conceptual framework, we developed 8 hypotheses as shown below:

- H1: **Perceived Value** will have a positive influence on customers' IRO.
- H2: **Perceived Ease of Use** will have a positive influence on customers' IRO.
- H3: **Perceived Usefulness** will have a positive influence on customers' IRO.
- H4: **Firm Reputation** will have a positive influence on customers' IRO.
- H5: **Privacy** will have a positive influence on customers' IRO.
- H6: **Trust** will have a positive influence on customers' IRO.
- H7: **Reliability** will have a positive influence on customers' IRO.
- H8: **Functionality** will have a positive influence on customers' IRO.

4. RESEARCH METHODOLOGY

The data for this research were gathered from primary and secondary sources. The primary data was derived from a survey questionnaire. Sources for secondary data include journals articles, magazines, and newspapers. We chose a questionnaire as it is considered more suitable in covering a wider range of respondents with relatively little constraints, particularly time⁶. In addition, this method appears to be popular among researchers in the information system domain.

For instance, the study by Kim et al.⁵ on Buying Environment Characteristics in the Context of e-Service used a questionnaire. Chua et al.⁴ also used questionnaires in their research on E-Commerce: A Study on Online Shopping in Malaysia. In addition, we employed a snowball-sampling method to select the participants for this research. This was to ensure that the participants had used the Internet to purchase a product or service. Since, we were interested in participants' willingness and ability to repurchase products/services online, it was considered reasonable to collect data from those who have prior experience in buying products or services online. The snowball approach was considered appropriate as it enabled the achievement of the research objective.

The questionnaire for this research was divided into two sections A and B. Section A of the questionnaire concerned the demographic profile. Section B solicited responses on the key constructs for the conceptual framework. The measurement for the conceptual variables was based on a 7-point Likert scale with scale anchors from "1" = Strongly Disagree to "7" = Strongly Agree. We also conducted a pilot study using 30 participants to assess the face validity of the survey questionnaire^{7,8}. The suggestions from the

participants were evaluated and incorporated into the survey before generating the final survey questionnaire.

5. RESULTS AND FINDINGS

Twenty-two of the 124 completed questionnaires were invalid due to incomplete responses, which resulted in 102 valid responses within a 29.14% response rate. A majority of the respondents were from the age group of 20-30 years (48.0%). In addition, a majority of the respondents had a bachelor's degree, earning monthly income ranging from RM2,000 to RM4,000. Besides that, 67.6% of the respondents had purchased items or services online once in a year. In addition, 27.5% of the respondents had purchased materials online 2-3 times in the past 5 years. About 36% of the respondents spent more than 45 minutes on a website when they wanted to purchase products/services online, and most of them had experiences with 2-3 online shops to purchase products/services.

Table 1. Mean and Reliability of Variables

ID	Variable name	Mean (n = 102)	Std. Deviation	Number of Items	Cronbach's Alpha
PV	Perceived Value	5.49	0.993	9	0.781
PE	Perceived Ease of Use	5.46	0.905	7	0.711
PU	Perceived Usefulness	5.52	0.963	7	0.741
FR	Firm Reputation	5.54	0.924	8	0.796
PR	Privacy	5.64	0.926	7	0.830
TR	Trust	5.67	0.903	7	0.809
RE	Reliability	5.47	1.009	7	0.781
FU	Functionality	5.60	0.950	8	0.748
IRO	Intention to Repurchase online	5.61	0.893	8	0.817

Table 1 presents the mean values, standard deviations, and the number of items of the variables. Trust yielded the highest mean (TR=5.67), followed by Privacy (TR=5.64), Functionality (FU=5.60), Firm Reputation (FR=5.54), Perceived Usefulness (PU=5.52), Perceived Value (PV=5.49), Reliability (RE=5.47), and Perceived Ease of Use (PE=5.46). Since all variables yield mean values of more than 5, therefore respondents tended to

agree that these factors were necessary for online businesses. Table 1 also depicts the Cronbach's Alpha (α) values for the key variables. The results indicate that the α values range from 0.711 to 0.830, considered good for further analysis. α of 0.7 or higher is acceptable⁹.

During factor analysis, items were retained according to the following criteria: (i) factor loadings greater than 0.5 and (ii) no cross-loading of items. In other words, items were dropped where they have a loading of less than 0.5, or where their loadings were greater than 0.5 on two or more factors^{10,11}. Both convergent and discriminant validities were satisfied, as the items measuring each factor clustered together to form distinct factors, and there were no cross-loading of items.

Table 2 shows the estimated coefficients where β (constant) is -0.559, β_{PV} is 0.130, β_{PE} is 0.125, β_{PU} is 0.165, β_{FR} is 0.141, β_{PR} is 0.147, β_{TR} is 0.169, β_{RE} is 0.101 and β_{FU} is 0.131. The results show that all eight variables are significant at 0.05 significance level ($p < 0.05$). This indicates that there is linear relationship between the dependent variable (intention to repurchase online) and the predictor variables.

Table 2. Regression Analysis

Model	Unstandardized Coefficients		<i>t</i>	Sig.	Collinearity Statistics	
	β	Std. Error			Tolerance	VIF
1 (Consta)	-.559	.213	-2.619	.010		
PV	.130	.045	2.914	.004	.470	2.127
PE	.125	.056	2.234	.028	.363	2.754
PU	.165	.057	2.906	.005	.291	3.439
FR	.141	.066	2.153	.034	.226	4.422
PR	.147	.039	3.775	.000	.527	1.899
TR	.169	.056	3.022	.003	.288	3.476
RE	.101	.049	2.068	.041	.325	3.077
FU	.131	.054	2.414	.018	.355	2.820

6. CONCLUSIONS

Generally, the results indicate that all the factors tend to positively influence the IRO, consistent with prior findings. This document represents a small contribution to the literature on the subject in the context of Malaysia. However, some factors emerged with stronger effect compared with others, as their coefficients suggest. As consumers in different countries might have different perceptions and behaviour, we considered it appropriate to conduct a research based on the Malaysian perspective. The outcomes of this research appear valuable to the industry, consumers and agencies responsible for Internet infrastructure in Malaysia. As indicated earlier, this research has identified key factors that could contribute to effective IRO behaviour and experiences. Online businesses could use the findings to enhance their service offerings by deploying more information and knowledge management systems with stronger capabilities.

Firms should continue to focus on improving their goodwill by maintaining good business ethics, which will help in building trust among consumers. In addition, it is crucial for the respective online firms in Malaysia to recognise the importance of managing consumer expectations and being able to provide reliable systems that enable enjoyable online purchase experiences. Consumers will be happy to repurchase products and services from an online store that offers a reliable store front that is free of hiccups and other constraints that could frustrate potential users.

Based on the findings in this study, online firms in Malaysia would be able to better understand specific areas to focus on, particularly on providing great experiences, and should also prepare for challenges from rapid changes and developments in the marketplace. To achieve success in the marketplace, online firms in Malaysia would need to invest resources in human development, company infrastructure, and providing very attractive store fronts to be able to gain competitive positions in the market.

Based on this research, the online firms in Malaysia would also be able to develop applicable marketing strategies to retain their customers, which would enhance repurchase activities. In addition, relevant government agencies could find the results in this study useful, particularly for Internet infrastructure development in Malaysia. There is the need to enhance competition among Internet Service Providers (ISPs) in Malaysia. With greater competition, consumers would have more potential options at reasonable rates and with greater quality access. This will enhance experiences in online transactions and possibly reduce frustrations among users.

One weakness of this study is the low response rate. Future research should strive for a higher response rate. This will enable the application of stronger statistical tools such as Structural Equation Modeling techniques. In addition, future research may consider responses from firms. This will enable a stronger and more balanced perspective on the research issues.

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