Exploring Customer Purchasing Intention over Online Store

Kae Tran My Loan¹, Benjamin Chan Yin Fah², Behrang Samadi³

ABSTRACT

This study aims to examine the correlation among perceived benefits, perceived risks and perceived website quality towards online purchasing intention with one of the online store in Singapore. This study used online questionnaire survey to collect 180 completed responses of male and female Singaporean aged 20 and above. The findings showed that there was a significant correlation between perceived benefits, perceived website quality and online purchasing intention while there was no significant correlation between perceived risks and online purchasing intention. Implication and limitation of this study also discussed.

Keywords: Customer satisfaction, purchase intention, online shopping.

Available Online: 24th May, 2015

This is an open access article under Creative Commons Attribution 4.0 License, 2015.

1.0 INTRODUCTION

With the rapid development of the Internet and its strong impact on many different aspects including the usual operations since the past decade, e-commerce has played an important economic role (Chiang and Nunez 2007). According to Nurshafiq and Izian (2013), customers can purchase various types of products such as clothing, shoes, books, airline tickets and so on by using online shopping which is defined as the process of purchasing of products and services over the Internet, which has brought many advantages and opportunities for the government, business retailers and customers. A Nielsen survey in 2011 reported that Singapore had the highest level of Internet access in the Southeast Asian region, with 67 per cent of Singaporeans aged 15 and above using the Internet and 80 per cent of them accessing the Internet on a daily basis (Meftah, Charleghi and Samadi, 2015). The Singaporean Internet shopping market reached SGD 1.1 billion, with the population of 3.8 million in 2010 and is predicted to hit SGD 4.4 billion in 2015, according to PayPal’s research. Although there are still many Internet users to avoid shopping online due to the concerns of security and privacy, it cannot be denied that the development of the Internet has strongly increased the popularity of online shopping. In this marketplace, young adult...

¹ Asia Pacific University of Technology and Innovation, (APU), Malaysia, Email: kaemylo@gmail.com
² Asia Pacific University of Technology & Innovation (APU), Malaysia, Research Fellow, Centre for the Study of the Economics of Ageing (CSEA), APU, Malaysia, Email: benjamin_chan@apu.edu.my
³ Asia Pacific University of Technology & Innovation (APU), Malaysia, Email: behrang@apu.edu.my
customers, generally referred to as the Generation Y, play an important part on online shopping since Generation Y shoppers are the most active and comfortable with online (Jones and Fox, 2009). This study investigated the factors that impact online purchasing intention towards online shopping store in Singapore.

According to Wu (2003), customers’ online purchasing behaviour could be influenced by many factors. One of the dimensions of attitude towards online shopping named benefit perception, which is referred as “the sum of online shopping advantages or satisfactions that meet an individual’s needs or wants”. In a meanwhile, Shim, Eastlick, and Lotz (2000) identifies that customers’ attitude towards online purchasing apparel products is not as positive as their attitude towards purchasing other products such as books or computer software. Thus, five types of risks while making purchase decision have been identified: performance, financial, time, social, and psychological risks. Moreover, demographics, vendor/service/product characteristic and website quality also influence the customers’ attitude towards online shopping consequently their online buying behaviour (Bhatnagar, Misra and Rao, 2000).

In spite of being provided several benefits when purchasing online, some respondents still wonder why they have to buy online while they could get that product at the same price in store and what the meaning of saving cost from online shopping is while they still have to pay for shipping fees and need to wait for the product to arrive? However, most of customers have a common view that the Internet has offered them an extent of information about the products that they can browse anytime they want via online stores. Thus, those customers may require spending less time and effort browsing online product information, looking for the best deal and making a purchasing decision, while others are using the Internet just to search for information without having online purchasing intention. In addition, Goodwin (1996) considers the influence of perceived risk along with the influence of perceived benefit, which mainly stems from current economics and psychological literature. From the ability of perceiving products with both positive and negative attributes, which are perceived benefits and perceived risks respectively, customers can make a decision based on the balance between the two attributing groups to maximize the value (Bertea, 2010). However, since the nature of the Internet technology is opened, customers are concerned about the security of information that is saved on online channels. As a result, perceived risks may be a significant factor in predicting the customers’ online using. In theory, it is concerned that perceived risks are the root of the reluctance of online purchasing. Therefore, the reason of this study is to seek for the answer of why customer bought from the Internet instead of store, which is seemed to be simple but complex in reality.

Another important factor that cannot be denied is website, which is to replace a salesperson and communicate with customers through a platform. Customers can feel satisfied or dissatisfied; can perceive benefits or risks, all are happening through that website. However, along with the quick adoption of using the Internet and purchasing online, customers are currently not easy to trust any information given to online channels. In order to reach customer’s concern, the online retailers need to care about the website quality, which is to perform helpful information and to be testable from the first visiting of customers. Thus, a website quality is more dominant to get customer’s attention and to decide if the given information is trustworthy enough to make a payment for their first online purchases. As a recent study, Park (2010) has proved that the success of Korean online shopping business primarily depends on customers’ repurchasing and loyalty. Therefore, this study is to look for the correlation among perceived benefits, perceived risks and perceived website quality towards online purchasing intention.

In terms of managerial perspectives, this study will contribute to the research on the factors that impact online purchasing intention and help to find out the abilities to improve the rating of online shopping. After identification, it is also to explore and provide the detail information about the impacts of these factors influencing the online purchasing intention, which are perceived benefits, perceived risks and website quality. With the aim of finding out the factors that influence online purchasing intention, this study seeks to accomplish the main objectives, which is to determine young customers’ online purchasing intention over online store. In the online purchasing context, it is obvious that the Internet
provides customers with more information about products or services, and more convenient in time and cost savings than traditional ways (Chen and Dubinsky, 2003; Jamali et al., 2015).

2.0 LITERATURE REVIEWS

Online purchasing has been developed from the emergence of electronic commerce (Jamali, Samadi and Marthandan, 2014) and become the third most popular activity through the Internet, just after email or instant messaging and web browsing (UCLA Center for Communication Policy, 2001). According to Salisbury, Pearson, Pearson, and Miller (2001), online purchasing intention refers to the strength of customer’s readiness to make a specific purchasing through the Internet. It comes into thought when a customer is trying to buy some items or services (Dodds, Monroe and Grewal, 1991). Purchaser’s intention is actually as important as forecasting customer behaviour that obviously depends on the influences and uncertain factors, which makes the measurement difficult under different circumstances. In a meanwhile, Scholosser, White and Lloyd (2006) find out that the existence of strong privacy and security statement would not lead to a higher online purchasing intention. This scholar also realizes that customer trust in the ability of the company to fulfill their needs and wants more than trust in benevolence to influence customers’ purchasing intention.

Many researchers have paid wide attention on factors influencing customers to purchase online in the last two decades. Online customer behaviour has been examined from the perspectives of customer behavior, including benefits and risks of online shopping (Moudi, 2011), which is one of the focuses of this study. Other studies suggest risk-reducing attributes can convince customers to purchase online such as a strong company reputation, famous brands, quality of products and warranties (Lwin and Williams, 2006). Compared to traditional shopping, there has been an agreement on the attractive attributes of Internet shopping such as time- and money-saving, ease of use, interactivity and the availability of information for making purchasing or ordering decisions (Kim and Kim, 2004). As stated by Ghose and Dou (1998), the interactivity of the website allows customers to personalize and customize their own experience through keyword browsing, comments and online orders, which contribute a significant positive effect on the quality rating of a website. Thus, Srinivasan, Anderson and Ponnavolu (2002) claims that the interactive attributes could help to benefit the e-satisfaction, enhance customer relationships and make the interaction between customers and retailers easier.

One of the factors that impacts directly to customer’s decision to buy or not to buy is their attitude (Wu, 2003). Khatibi, Haque and Karim (2006) also claims it is greatly important to examine the factors those facilitate customers’ willingness to buy online, which is the key point to determine the success or failure of online shopping business. Besides, Sun (2003) justifies the measurement of purchasing intention is as good as actual use which is not easy to get its data. Other studies on service quality have reported the factors that are responsible for customers’ perceptions of quality are able to bring satisfaction for customers, as well as their behavioral intentions to purchase (Udo, Bagchi, Kirs 2010). In the meanwhile, Zhang and Prybutok (2005) points out that behavioral intention may predict customer’s behaviour which means customer service quality functions are relating to behavioral intentions as if a satisfied customer seems likely to stay longer with a company and those behavioral intentions impact the company profitability strongly and directly. Thus, Blau (1964) indicates that interpersonal interactions from an expense profit perspective are an exchange where actors get profits. Hsu and Lin (2008) believe that people who interact with each other more frequently could get benefits from sharing and exchange, especially when community website has played a greatly important role on the exchange and sharing of information. More than that, Shiau and Luo (2012) surely claim that when people who use a product or service can gain new information and purchase it at good price in transactions that are all rapidly confirmed to be able to increase customers’ purchasing intention. In contrast, reputation and suppliers are not really relevant to their satisfaction. It seems so true because customers actually cannot get the intangible benefits such as evaluation, ratings or reputation from the given contexts, as well as the feedback mechanisms while they encourage customers to start sharing the information and building customer reputation, ultimately enhancing their satisfaction with their own experience.
In the other hand, Polatoglu and Ekin (2001) point out the relative benefits are used to measure the degree to which online services such as cost savings and convenience are considered to be better than offline services. Other researches have reported that perceived usefulness and relative benefits strongly impact the intention to use e-commerce (Pavlou, 2003; Kim, Shin and Lee, 2009). Reduction in search costs is another benefit perceived by Internet users, particularly in information-related products. If a large amount of totally free and available information is well organized and easily accessed, customers would love to mention it usually as a great reason to purchase on the internet (Wolfenbarger and Gilly, 2001).

Park, Lee and Ahn (2004), as well as many other scholars argue that customer behaviour and their purchasing intention are negatively influenced by perceived risks. Bauer (1960) first introduces the conception of perceived risk as a combination of uncertainty when customers face against the difficulties that they cannot foresee the consequences of their e-commerce transaction. Especially when customers are purchasing apparel products, they also would like to examine all about materials, design, color and size. Also, fit is a very important element. Based on the nature of apparel shopping, (Bhatnagar, Misra and Rao, 2000) both agree that apparel shopping has been associated with high-perceived risks. For online purchasing, apparel products are considered to be risky to buy through the Internet due to the uncertainty of colour, fabrics and fit (Bhatnagar et al., 2000). Many people are hesitant to purchase online, and more than half give up their purchasing process before making a payment (Shim et al., 2000). Furthermore, Beck (2001) explains this fear of purchasing occurred may be related to many factors, such as perceived financial or product risk. The lack of security and privacy over the Internet has also been considered as barriers to the adoption of e-commerce (Poon, 2008). On the other hand, Pavlou (2003) refers to the trust in a company that can influence negatively to perceived risk that is associated with purchasing intention on the Internet. The more a person believes in Internet organization which means the less a person will perceive risk connected with online purchasing (Van, Verhagen and Creemers, 2003). In the meanwhile, Park, Kim, Funches and Foxx (2012) aims to understand online purchasing behaviour by focusing on perceived risk of individuals, which is concerned as the root of reluctance of customer on online purchasing. Therefore, it is stated that the relationship between intention and behaviour is based on available information to customers that influence their attempt to make a rational decision for purchasing. Due to this statement, Moudi (2011) reports there are five types of risks while making purchase decisions that have been identified: performance, financial, time, social, and psychological risks.

Beyond the possibly perceive the risks of online purchasing, customers cannot be denied that e-purchasing provides them, the convenience (Nogoev, Yazdanifard, Mohseni, Samadi and Menon, 2011) and product variety (Ha and Stoei, 2004). Similarly, Bélanger and Carter (2008) find that perceived risk has a dramatically positive effect on the e-service using intention. Nevertheless, Beck (2001) debates that even how great factors associated with online purchasing, such as information search are, sales volume seems to become lost still. As most of other study reports, perceived risk is relatively negatively associated with the adoption of new technology.

Many scholars defines web design structure as a multidimensional structure that is classified into three main categories: visual design (means graphical elements and structural factors that impress on customers), social design (refers to social signals such as face-to-face interactions and social presence that are embedded into web interface via media), and content design (consists of all information of the website, either text or graphic). To be more detailed, Montoya and Grewal (2003) identify visual design such as colour, structure, graphic and informative presentation, which are the most effective attributes of B2C (business to customer) websites. In addition, there is a relationship between visual attractiveness and quality perceptions, which leads to a link between visual attractiveness with trustworthiness on the website. Consequently, perceived website quality is referred as a multidimensional latent structure which of informativeness, friendliness, usefulness, playfulness, organization, technology and navigability (Chung and Tan, 2004). As a result, the online presence of a company is an important element that customers can judge its reliability in the absence of tangible signals of another ‘real world’ (Flavián, Guinaliu and Gurrea, 2006). A well-designed and well-organized interface of the web can help users
reduce the cost of searching and time wasted for information process. Thus, there are many studies attempting to identify the components that lead to online purchasing business success, which may be creating customer value (Francis and White, 2004), improving e-service quality (Boshoff, 2007), web-based customer management (Santouridis et al., 2009), and website quality. Similarly, other studies also report that website characteristics have direct influences on initial purchase (Koufaris, Kambil and LaBarbara, 2002).

In the meanwhile, Smith and Sivakumar (2004) prove that many users strongly emphasize on browsing and information gathering when shopping online. Browsing behaviour allows user to reduce risks relating to shopping tasks. Another important concern of web browsers is to buy products effectively and timely, in order to gain their goals of cost saving and convenience with less effort (Overby and Lee, 2006). In the context of online apparel shopping increasing, online apparel retailers have put more efforts to improve and enhance website technologies to gain more user’s shopping experiences. Moreover, there is a must for a systematic quality and information quality to support online shopping activity such as speed, security, accessibility and other convenient features (Chan and Teo, 2007). Therefore, contrast to traditional shopping, the biggest advantages of online purchasing is an ability of receiving the most convenient and effective way in updating accurate and useful information of shopping users, which determines the customer satisfaction.

3.0 DATA AND METHODOLOGY

This is a quantitative study and in terms of its application, it is a causal study. In terms of sampling methodology, this study used a purposive sampling method, one of non-probability sampling designs. It was chosen because it is a quick and inexpensive way to obtain the data from the population who are convenient to provide their information (Sekaran and Bougie, 2010) and it is also required to target the Singaporean online buyers. Looking at the sampling methodology, the population in this study includes all young Singaporeans with a wide range of age in Generation Y who was born from 1977 to 1990 (Jones and Fox, 2009), meaning between 24 to 37 years old. Since the total population between 20 to 39 year-old in Singapore in 2013 was approximately 1.1 million, which is considered as a large sample group. The results from Raosoft Sample Size Calculator suggested that 96 is the minimum sample size of the survey. (Margin of error = 10%; confident level = 95%). Finally 180 people responded to this survey.

Online questionnaire survey was mailed to the respondents and they can complete it at their home with the most convenience. Another advantage of this online questionnaire survey is it is fast delivery and can save much cost of printing as normal survey. However, the responses may not be guaranteed as Sekaran and Bougie (2010) consider a 30% return rate is acceptable and the respondents may get confused if the questionnaire has not been clarified. In this study, data were collected using an online survey in order to minimize data entry error. A total of 183 responses was originally received from the survey respondents. A pre-analysis data cleaning was conducted on the data received before the final analyses. This data cleaning was done to guarantee the accuracy of the collected data, identify any missing data, as well as identify extreme cases or finding outliers. As a result, after the removal of three responses from missing data and finding outliers, a total of 180 responses were available for further analyses.

4.0 FINDINGS

A total of 180 respondents in this study were asked including gender, age, level of online shopping experience and monthly income. From the 100% responded questionnaires, the respondents in this study consisted of approximately 41% male and 59% female from the respondents. It showed that female users were slightly higher than male users. In terms of age group, approximately 81% of respondents were in younger age groups, ranging from 20 to 29; considered as older age group, 19% of respondents were from 30 to 37. It obviously showed that the majority of the respondents were at the stage of Generation Y. Looking at the pattern of online shopper typology, only approximately 14% respondents were at the expert level of online purchasing while the most users were at the level of beginner (45%) and
intermediate (41%). Referring to monthly income, income between SGD 1,000 to SGD 2,000 consists of approximately 69%, followed by 17% respondents with income between SGD 2,001 to SGD 4,000 and 14% with income of more than SGD 4,000.

**Table 1: Socio-demographic profile of the respondents**

<table>
<thead>
<tr>
<th>Gender</th>
<th>N</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>74</td>
<td>41</td>
</tr>
<tr>
<td>Female</td>
<td>106</td>
<td>59</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Age Group</th>
<th>N</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>20 – 29</td>
<td>146</td>
<td>81</td>
</tr>
<tr>
<td>30 – 37</td>
<td>34</td>
<td>19</td>
</tr>
<tr>
<td>Above 37</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Monthly Income (SGD)</th>
<th>N</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,000 – 2,000</td>
<td>124</td>
<td>69</td>
</tr>
<tr>
<td>2,001 – 4,000</td>
<td>30</td>
<td>17</td>
</tr>
<tr>
<td>Above 4,000</td>
<td>26</td>
<td>14</td>
</tr>
</tbody>
</table>

Number of Analysis such as exploratory data analysis and reliability has been done before testing the relationship between variables. Sets of Pearson correlations were calculated to determine whether there were any significant relationships among three different independent variables, namely perceived benefits, perceived risks and perceived website quality. The correlation between online purchasing intention with perceived benefits (r= 0.589), perceived website quality (r=0.505) and perceived risks (r=0.460) which is significant at the 0.05 level.

**Table 2: Multiple Regression Summary**

- **Variables Entered/Removed**

<table>
<thead>
<tr>
<th>Model</th>
<th>Variables Entered</th>
<th>Variables Removed</th>
<th>Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Perceived_Website_Quality, Perceived_Benefits, Perceived_Risks</td>
<td>b.</td>
<td>Enter</td>
</tr>
</tbody>
</table>

- **Model Summary**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.678  a</td>
<td>.460</td>
<td>.441</td>
<td>2.74145</td>
</tr>
</tbody>
</table>

- **ANOVA**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>550.061</td>
<td>3</td>
<td>183.354</td>
<td>24.397</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>646.339</td>
<td>86</td>
<td>7.516</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>1196.400</td>
<td>89</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **Coefficients**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>6.436</td>
<td>2.547</td>
<td>2.527</td>
</tr>
<tr>
<td></td>
<td>Perceived_Benefits</td>
<td>.430</td>
<td>.087</td>
<td>.438</td>
</tr>
<tr>
<td></td>
<td>Perceived_Risks</td>
<td>-.234</td>
<td>.092</td>
<td>-.231</td>
</tr>
<tr>
<td></td>
<td>Perceived_Website_Quality</td>
<td>.295</td>
<td>.070</td>
<td>.421</td>
</tr>
</tbody>
</table>

According to table 2, The F statistic for the overall goodness of fit of the model is 24.397, which is
significant at $\alpha = 0.01$. After excluding the non-significant variables, the final regression model produced by entering method for online purchasing intention is: **Online Purchasing Intention** = 6.436 + 0.430 **perceived benefits** − 0.234 **perceived risks** + 0.295 **perceived website quality**. This model explains 44% of the variance in online purchasing intention. This indicates that 44% of the dependent variable (online purchasing intention) was explained by the linear combination of the three-predictor variables. Among the three-predictor variables, perceived benefit was found to contribute more significantly towards one’s online purchasing intention. One of the three-predictor variables has shown a negative relationship (perceived risks) with online purchasing intention. It can be explained by the more benefits they get, the higher standard they go for online purchasing intention. Besides, the more risks they have the lower online purchasing intention they take.

5.0 CONCLUSION

Three key findings were derived from this study. Firstly, this study has proved that there was a significant correlation between perceived benefits and online purchasing intention among the Singaporean ($r = 0.589^{**}$) and this again re-affirmed with the previous study which was coed by Razinah, Erlance and Jamaliah in year 2009, indicated that perceived benefits are important in engaging customers’ intention to purchase online. Second, this study found that there is a significant negative correlation between perceived risks and online purchasing intention in Singaporean. This means that the less risks customers get, the higher intention they may go for online purchasing. The previous research such as Moudi (2011) and Park, Lee and Ahn (2004) also validated this finding. Lastly, as Syuhally, Chan and Choo (2010) have highlighted that website quality is crucial among Malaysians online users, the same results did apply to Singaporeans young online shoppers.

As mentioned in the research objectives, the results of this investigation also contribute several implications that would be useful to marketers, customers and future research. Either from marketer’s or customers’ perspective, they would be more understanding the important concerns before making an online purchase decision. As a result, online stores need to aware that in order to secure their profit though e-business, the benefits, risks and good website are still the main concern among the young generation.

REFERENCES


Exploring customer purchasing intention...


