UNDERSTANDING MALAYSIAN CONSUMER ONLINE PURCHASE INTENTION: THE ROLES OF PERCEIVED RISK AND PERCEIVED VALUE

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Abstract: The 11th Malaysian Plan (2016-2020) targets broadband infrastructure to reach 95% of populated areas. This is to fulfil Malaysia’s goal of creating a production-centric digital economy by 2020, one of the strategic thrust of the Digital Malaysia programme to fully capitalise on the internet for revenue generation. The marked increase in connected device ownership in Malaysia will inevitably result in the solid growth of the number of Malaysian consumers making online purchases, thus placing a foundation for a booming online business to consumer market in Malaysia. Using the Theory of Reasoned Action (TRA), this review investigates the determinants of online purchase intention of Malaysian consumers by examining the roles of perceived value and perceived risk.

Key words: Hedonic Value Perceived Risk, Perceived Value, Online Purchase Intention

1. Introduction

Academicians and practitioners has widely recognised that conducting transactions through a virtual medium is radically different from shopping offline (Davis, Lang, & San Diego, 2014; Molina-Castillo, Lopez-Nicolas, & Soto-Acosta, 2012). The differences are in terms of access and availability of product information (Meroño-Cerdan & Soto-Acosta, 2007), product familiarity (Wu, Cheng, & Yen, 2012), the greater perceived risk (Chen, Shang, & Kao, 2009) and the increased sense of freedom and control when shopping online (Molina-Castillo et al., 2012). Web-shopping behaviour does not necessarily follow traditional consumer behaviour in the bricks-and-mortar retailing environment, thus an exploration of the determinants of customer online purchasing intention among the web shoppers is essential (Kwek, Lau, & Tan, 2010). Given the nature of such views, it is not surprising to find extant literature that attempts to identify and explore the myriad of factors that may account for the attitudes and behaviours of online shoppers (Cho & Sagynov, 2015; Dai, Forsythe, & Kwon, 2014; Mao, Zhu, & Sang, 2014; Ng, 2013; Saadeghvaziri, Dehdashti, & Askarabad, 2013).

Cheng and Ken (2010) reported that Malaysian retailers are still hesitant in using the online retail channel as they are unfamiliar and doubtful about the attitude and behaviour of their online target market. However, this view is poised to change due to the recent developments in Malaysia. Data released by Malaysian Communications And Multimedia Commission (skmm.gov.my, 2015) shows that the Malaysian broadband penetration rate per 100 households is 70.2% for the fourth quarter 2014 compared to 68.8% (Q3, 2014), 67.2% (Q2, 2014) and 67.3% (Q1, 2014) respectively. This translates into 20 million or more Malaysians having an internet connection in Malaysia. Looking forward, under the 11th Malaysian Plan for years 2016-2020, the Government targets broadband infrastructure to reach
95% of populated areas (Economic Planning Unit, 2015). One of the main reasons is to fulfil Malaysia’s goal of creating a production-centric digital economy by 2020, one of the strategic thrust of the Digital Malaysia programme to fully capitalise on the internet for revenue generation. With the appropriate policies in place, broadband is a transformative platform that can facilitate growth and innovation throughout the economy, creates new jobs, improves quality of life, facilitates micro and macroeconomic growth and improves public services (Curran & Poland, 2011; Kelly & Rossotto, 2012). Thus, the growth of connected device ownership in Malaysia is laying the foundation for a booming online business to the consumer market, as the number of consumers making online purchases is expected to be making a significant growth in the next few years.

Not surprisingly, Malaysia has also experienced major changes in online consumer behaviour. Interest in determining the consumer’s online purchase intention has also been growing. Online shopping behaviour is seeing a major directional change especially amongst the younger generation (Kwek, Daud, Tan, Kay, & Hassan, 2011; Kwek, Lau, et al., 2010; Kwek, Tan, & Lau, 2010; Sin, Nor, & Al-Agaga, 2012; Yulihasri, Islam, & Daud, 2011). However, most online consumer behaviour constructs and theories have been developed and tested exclusively in a single country, typically the USA (Tong, 2010). Thus, it is crucial to identify the determinants of consumer purchase intention in the Malaysian context (Kwek et al., 2011; Kwek, Lau, et al., 2010; Kwek, Tan, et al., 2010). By using the Theory of Reasoned Action (TRA), this research investigates the factors that determine the online purchase intention of Malaysian consumers. Malaysian consumer's perception of online purchase intention determinants adopted in this study: perceived risk, hedonic value and utilitarian value.

2. Literature Review

2.1. Online Purchase Intention

The Theory of Reasoned Action (TRA) is a widely studied model of social psychology which is concerned with the determinants of consciously intended behaviours (Albarracín, Johnson, Fishbein, & Mueller, 2001; Taylor & Todd, 1995). From a theoretical point of view, the TRA is an intuitive, parsimonious, and insightful in its ability to explain behaviour (Davis, Bagozzi, & Warshaw, 1989). TRA assumes that individuals are usually rational and will consider the implications of their actions prior to deciding whether to perform a given behaviour. In this study, the behavioural intention link proposed by TRA is used to predict the Malaysian consumer’s online purchase intention through the consumer’s perceived risk and values. According to the theory of reasoned action, an intention is a plan or will to behave in certain ways, whether a person behaves or not (Ajzen & Fishbein, 1980). Intention to purchase online refers to the strength of a consumer's intention to perform a specified purchasing behaviour over the Internet (Salisbury, Pearson, Pearson, & Miller, 2001) and reflects the desire of individuals to make a purchase through the internet (Chen, Hsu, & Lin, 2010). Pavlou (2003) reported that online purchase intention to be a more appropriate measure of intention to use a web site when assessing online consumer behaviour and since online transaction involves information sharing and purchase action, purchase intention will depend on many factors. Literature on online purchase intentions covers a broad array of the antecedents to purchase intentions. Previous researchers have discussed the importance of perceived value in influencing online buying behaviour, and the empirical results have shown that these perceived values have significant influence on online shopper’s buying intention (Chiu, Wang, Fang, & Huang, 2014; Cho & Sagynov, 2015; R. Davis et al., 2014; Saadeghvaziri et al., 2013; Tapar, Dhaigude, Tiwari, & Jawed, 2015; Y. S. Wang, Yeh, & Liao, 2013). A more recent addition to the extant literature also considers perceived risk. (Chiu et al., 2014; Dai et al., 2014; Gong, Stump, & Maddox, 2013; W. Y. Wu & Ke, 2015).

2.2. Perceived Risk

Consumers’ perceived risk has been studied widely in previous researchers especially in the context of purchase decision making since it is involved in all purchases and influences buying behaviour. The risks perceived by consumers in traditional commerce include that proposed by Mitchell (2001): time risk and loss of future opportunity; and Kim (2005): financial, performance, psychological, physical, and social risk. However, Forsythe and Shi (2003) in their studies showed that consumers perceive higher risks online than offline because the internet is open and complex in nature and the
technology is beyond the users’ control. Additionally, risks faced by online consumers are those engendered by the Internet as a sales channel, in addition to the traditional consumer risks (Hong & Cha, 2013). Other studies have described this concept using a multidimensional approach that focuses on different facets such as (1) performance risk (i.e. risk that the products will not meet standards of quality), (2) psychological risk (i.e. poor products may harm the consumer’s ego), (3) social risk (product choice may result in social embarrassment), (4) financial risk (i.e. product may not be worth the financial price), online payment (i.e. private and credit card information misused), and delivery risks (i.e. product arrives late, lost or delivered to wrong address) (Hong & Cha, 2013; Lee & Huddleston, 2006).

Many recent studies are concerned with the perceived risks associated with online purchasing. However, results of previous studies have been mixed. Yulianto, Siti Astuti, Suyadi and Nayati Utami (2014) reported that perceived risk does not significantly affect online purchase intention. They posited that even when customers are faced with high risk, they will still choose to purchase when they have a good relationship with the company. Similarly, Gong, Stump and Maddox (2013) found no support that perceived risk negatively influences Chinese consumers’ intention to shop online. This finding is aligned with that of Rezaei et al. (2014) in their study of online re-patronage intention among Malaysian experienced online shoppers reported that for experienced customers who regularly make online purchase, their main concern is not the perception of web site risk. But for initial shoppers, the convenience and risk is important. Further, Kim and Lennon (2010) investigated the relationship of performance, financial and transaction risk with purchase intent. Their study, revealed that performance risk negatively influenced purchase intent; perceived financial risk had a negative effect on purchase intent but perceived transaction risk had no direct effects on purchase intent. Chiu, Wang, Fang, and Huang (2014) also reported that perceived risk has a weak but still significant negative effect on repeat purchase intention for experienced buyers. The possible explanation of this difference is that only a small portion of experienced buyers are heavy buyers, and thus perceived risk remains a negative determinant of repeat purchase intention.

Conversely, Abadi et al. (2011) reported that perceived risk, which is an affective barrier against using new systems, is a key negative predictor of a customer’s intentions to use online shopping. Perceived risk has been suggested to reduce transaction intentions (Forsythe & Shi, 2003) and consistently had a negative impact on consumer future purchase intentions (Tong, 2010) and purchase intention (Hong & Cha, 2013; Mansour et al., 2014; Mao et al., 2014; Soto-Acosta et al., 2014; Zhu et al., 2011). Perceived risk was also found to be positively related to online trust; and online trust is positively related to online purchase intention (Kwek et al., 2011; Mansour et al., 2014). Further, perceived online risk was found to have a negative influence on consumers’ attitudes towards continuing to purchase online (Bianchi & Andrews, 2012). Perceived risk also had a significant negative effect on consumers’ emotion, and both perceived risk and emotion had a significant impact on purchase intention (Kim & Lennon, 2013). Dai et al. (2014) in their findings support the propositions of perceived risk theory that increased risk associated with a purchase will lead to decreased intention to engage in purchase activities. Thus, uncertainty exists throughout the purchasing process and online transactions still involve a certain degree of perceived risk (Chiu et al., 2014). Additionally, Kim and Byramjee (2014) found that even when consumers come across a favourable deal, consumers never or rarely shopped on a web site they are not familiar with until they established a base of trustworthiness with the unknown site the majority of consumers due to perceived risks. By integrating perceived risk into the technology acceptance model (TAM) to establish and examine the significance of a consumer acceptance and continuance model for online group buying (OGB), Lim & Ting (2014) found that perceived risk has a significant relationship with consumer attitudes, which subsequently has a significant effect on intention to use online group buying sites.

2.3. Perceived Values

Perceived value is defined as a trade-off between benefits and sacrifices (costs), i.e. the consumer’s overall assessment of the utility of a product or service based on what is received and what is given (Zeithaml, 1988). However, past research (e.g. Kim & Gupta, 2009) utilises a one dimensional approach to conceptualise the perceived value construct by treating all items of a multidimensional scale as indicators of a general value construct, ignoring the complex nature of perceived value (Lin, Sher, &
Values motivating consumers to engage in retail shopping can differ, depending on whether the consumer’s motivation is primarily experiential (hedonic) or goal-directed (utilitarian) (Babin, Darden, & Griffin, 1994; L. C. Wang, Baker, Wagner, & Wakefield, 2007). Bricks-and-mortar or an online experience, includes both utilitarian and hedonic benefits (Babin et al., 1994; Fischer & Arnold, 1990; Mathwick, Malhotra, & Rigdon, 2001). Consumers who are interested in utilitarian value are concerned with making purchases in an efficient and timely manner to achieve their goals with a minimum of irritation (Children, Carr, Peck, & Carson, 2001). Conversely, hedonic value focuses on fun and playfulness, reflecting shopping’s potential entertainment and emotional worth rather than the achievement of any pre-specified end goal (Babin et al., 1994). Thus, customers perception of value could be the crucial factor in their decision to choose the online store to purchase goods from retail (Lee, Park, & Han, 2011).

Recent research have start to focus on the role of perceived value in explaining purchase behaviour in the online shopping context (Kim & Gupta, 2009). Using the concept of shopping enjoyment by connecting it to the difference between hedonic and utilitarian shoppers, Kwek, Tan, et al. (2010) reported that the positive relationship between shopping enjoyment orientation and customer online purchase is rejected. Further quoting Childers et al. (2001), the researchers posited that shopping enjoyment might be positively related to online purchase intention, mediated by the attitude toward online shopping. Lim and Ting (2014) by examining the integration of entertainment gratification in establishing and examining the significance of a consumer acceptance and continuance model reported that due to utilitarian focus and lack of provision of hedonistic site usage experiences entertainment gratification was found to be insignificant in predicting consumer attitudes on intention to use online group buying sites. Khare and Rakesh (2011) found that utilitarian shopping value for online shopping Web sites affects intention to purchase most. They reported that easy to use features of Web sites, ease in finding information about products/prices, make comparisons, convenience, and flexibility are antecedents of utilitarian benefits students seek from online shopping. The variables like attitude toward online shopping, information search capabilities of Web sites, and hedonic value comprise of other factors influencing students’ intention to purchase decisions. Perceived enjoyment was found to be positively associated with online purchase intention of real items (Cha, 2011) and have significant positive influence on online purchase intention (Abadi et al., 2011).

Additionally, perceived value is positively related to purchase intention in the context of online content service (Wang et al., 2013) and that that shopping for music online involves an emotional and hedonic component; specifically, consumer attitudes, emotion regulation as well as subjective norms influence repeat purchase intentions (Bui & Kemp, 2013) Davis et al. (2014) in their attempt to model the relationship between online hedonic retail shopping motivation and purchase intentions moderated by perceived offline and online gendered behaviour reported that hedonic shopping motivation online has a significant effect on purchase intentions online. In spite of this, there is no online-gender effect on hedonic shopping motivation and purchase intentions. On the other hand, offline-gendered behaviour does significantly affect hedonic shopping motivation and purchase intentions for females across all product categories. Chiu et al. (2014) in their study of customers' repeat purchase intentions in B2C commerce adopted the multidimensional approach to gain a better understanding of perceived value. They proposed four major utilitarian benefits of online shopping as the dimensions of utilitarian value: convenience, product offerings, product information and monetary savings as shown in Table 1.

Table 1: Definitions and examples of utilitarian benefits

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<th>Construct</th>
<th>Definition and examples</th>
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<td><strong>Product offerings</strong></td>
<td>The total set of items offered by a retailer, reflecting both the breadth and depth of the offered products (Simonson, 1999). For example, for a customer, a wide variety of offered products (e.g. millions of book titles provided by Amazon.com) is helpful for the purpose of making comparisons and finding the ‘right’ product (book).</td>
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<tr>
<td><strong>Product information</strong></td>
<td>The quality of information about a product carried by a retailer (Yang et al., 2005). For example, by browsing through the detailed information offered by</td>
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Amazon.com, a consumer can learn more about the size, technical specifications and attributes of each of the products featured.

**Monetary savings**

Spending less and saving money (Mimouni-Chaabane & Volle, 2010). For example, a student can buy his/her textbooks from Amazon.com and save up to 30% of the price of new textbooks and up to 90% of the original price of millions of used listings.

**Convenience**

The time and effort saved by shopping online and the less restricted store hours or locations (Childers et al., 2001). For example, through shopping at Amazon.com, a customer can take advantage of the flexibility of placing orders online at home at any time of the day and engage in ‘one-stop’ shopping that eliminates travel to and from a variety of stores.

Source: Adopted from Chiu et al. (2014), p. 92

Further, six dimensions were adopted for hedonic shopping motivation: adventure, social, gratification, idea, role and value as illustrated in Table 2.

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<tr>
<th>Components</th>
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<td><strong>Adventure</strong></td>
<td>Shopping for stimulation, adventure, and the feeling of being in another world. For example, the aural and visual stimuli of Yahoo!Kimo may make a buyer feel like he/she is in a virtual shopping mall and he/she may enjoy shopping in such a store atmosphere.</td>
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<td><strong>Social</strong></td>
<td>The enjoyment of shopping with friends and family, socialising while shopping and bonding with others while shopping. For example, a buyer may obtain enjoyment by sharing his/her good Amazon shopping experience with others via a social networking website (e.g. Facebook).</td>
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<td><strong>Gratification</strong></td>
<td>Shopping for stress relief, shopping to alleviate a negative mood and shopping as a special treat for oneself. For example, a female buyer may browse Yahoo!Kimo to buy a designer handbag in order to relieve her stress at work.</td>
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<td><strong>Idea</strong></td>
<td>Shopping to keep up with the trends and new fashions and to see new products and innovations. For example, a buyer can browse Yahoo!Kimo to see new cell phones. After ordering an iPhone, he/she may feel that he/she is keeping up with the trends due to both the shopping channel used (online shopping) and the popularity of the product.</td>
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<td><strong>Role</strong></td>
<td>The enjoyment that shoppers derive from shopping for others, the influence that this activity has on the shoppers’ feelings and moods and the excitement and intrinsic joy felt by shoppers when finding the perfect gift for others. For example, a young buyer wants to buy a digital camera for his/her parents. The buyer can easily find the right one because Yahoo!Kimo offers a variety of digital cameras. The buyer feels joyful due to his/her success in finding the perfect gift for his/her parents.</td>
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<tr>
<td><strong>Value</strong></td>
<td>Shopping for sale items, looking for discounts and hunting for bargains. For example, Yahoo!Kimo always offers sales and discounts. A buyer may feel joyful due to his/her success in purchasing items at a low price.</td>
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Source: Adopted from Chiu et al. (2014), p. 93
Furthermore, Chiu et al. (2014) noted that utilitarian and hedonic values have direct effects on repeat purchase intention. They reported that utilitarian value was found to be a stronger predictor of repeat purchase intention than hedonic value and that utilitarian value and hedonic value are stronger predictors of repeat purchase intention than perceived risk.

3. Conclusion

The focus of this review paper was to understand determinants of Malaysian consumers’ purchase intentions in online shopping. This paper emphasised the importance of examining consumers’ perceived utilitarian and hedonistic values along with perceived risks and determine their effects on customers' online purchase intention. As a result, customers' perception of value and risk could be the crucial aspect in their decision to choose the online store to purchase goods compare from retail stores.

References


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