

CHAPTER 1

INTRODUCTION

1.0 Introduction

This chapter discuss about the background of the study of online grocery. It covers the development of online grocery in western countries and Malaysia. This chapter includes research questions and objectives of the study. The research questions address the main issues of the study and objectives of the study assists researchers to achieve the goals of the study. This is follow by significance of study, scope of study and organization of the report.

1.1 Background of study

Conventional grocery stores, such as supermarkets, smaller full-line foodstores, and convenience stores, have been challenged by online grocery retailers since year 1996 (Ogawara, S., Chen, J. C. H., Zhang, Q., 2003). Retailers who involved in groceries have to provide different kinds of retail format to reach to their customers and gain the competitive advantages. They also have to look for different strategies on services, products and quality of website to attract the new

customers, retain their current customers and even compete with the rivals (Rohm, A. J. and Swaminathan, V., 2004).

Due to these reasons, online grocery business becomes one of the business models for retailers to increase the profitability and market share. Online groceries and electronic groceries can be defined as consumers purchase or order the grocery goods on the internet and online grocery retailers take care on picking, packing and delivering of the goods to end users (Raijas, A., 2002). In the past, deliveries of the grocery products especially ready-to-eat food can be categorized as niche market. But, with the potential and rapid growth of technology and internet, it modernizes the retailing in grocery products (Walters, D. M., Toase, C. M., Hong, P. P., Meckel, M., 2005). For example, Tesco.com in UK managed to gain market share approximately 45% in the online grocery industries in year 2004 (Wilson-Jeanselme, M and Reynolds, J., 2006).

According to Balsie, L., (1998), online groceries were first introduced in the US market at the end of 1980s. He also mentioned that approximately 90,000 US consumers purchase groceries via online in 1998 and the number is expected to increase tremendously to 7 million by 2002. Consumers are looking for more convenient ways to purchase groceries because the increase on the involvement of women in the work force, a greater number of dual income and thus higher income households and a greater number of single parent and elderly households who are facing time and resource constraints (Park, K., Perosio, D.,

German, G.A. and Mclaughlin, E.W., 1998). Consumers gain the benefits such as time savings and convenience and retailers maximise the profits by reducing the cost on building infrastructure and fully utilise the organisation resources to achieve efficiency and effectiveness. (Kurnia, S. and Johnston, R.B., 1999; Australian Retailers Associations, 2000; Morganosky, M. A. and Cude, B. F., 2000).

According to Ring, L. J. and Tigert, D. J. (2001), many of online grocery retailers are facing the challenges to maintain their online grocery stores. This is because online grocery has failed to gain the competitive advantage over conventional stores. They have also failed to develop profitable business model and overestimate the size of the market for online grocery shopping. Online grocery stores, such as Webvan, Streamline, Homegrocer, Homeruns and Shoplink which located at American were facing failures on internet-based grocery stores. (Tanskanen, K., Yrjola, H. and Holmstorm, J., 2002).

Based on Raijas, A. (2002), electronic groceries are one of the most complicated industries because material flows are diverse from information flows, the number of frequent customers is huge and involve many purchase items. Besides that, unexpected sales are also one of the most common problems (Ramus K. and Nielsen, N. A., 2005). Online purchase experience also influences the consumer's satisfaction in online grocery. Most of the consumers are concerned about the issues of transaction barriers such as problem of the speed of load

times, inability to locate items, insufficient information, visibility of the human interaction and missed and late deliveries (Kaufman-Scarborough, C. K. and Lindquist, J. D., 2002). Elliot, S. and Fowell, S. (2000) also support that ease of use and security of the website is the major concern on internet retailing and influence the online purchase experience.

1.2 Online grocery shopping in Malaysia

In recent years, Malaysia has experienced rapid growth in the information technology and communication sectors. In 1990, the first Internet Service Provider (ISP) in Malaysia, 'Jaring' was launched, and in 1996 the introduction of TMNET indirectly increases the Internet usage in Malaysia. Based on the analysis of The Malaysian Communications and Multimedia Commission (MCMC)¹ on the Internet usage among Malaysian population, the percentage of Internet users rapidly grew from 15% to 62.8% from 2000 until 2008. The popularity of the Internet has soared over the last few years. Indirectly, electronic commerce, including online shopping, is also expected to enjoy rapid growth due to the rising Internet penetration. Online shopping is set to grow in a big way in Malaysia.

¹ The Malaysian Communications and Multimedia Commission (MCMC), Internet World Stats, Usage and Population Statistics, available at <http://www.internetworldstats.com/asia/my.htm>

In this situation, majority of organisations starting to use online stores to penetrate international markets and maintain a good interaction with their potential customers. The most common products and services of Internet business application in Malaysia consists of online ticketing, books, movie tickets, computers, CD and etc. But online grocery is not a common internet business application in Malaysia¹. According to Paynter, J. and Lim, J. (2001), online grocery company was first introduced to Malaysia by pasarborong.com in the year 2000. This organisation concentrated in delivering seafood, meat products, and staple grocery goods straight to the homes of customers within 24 hours of ordering. Unfortunately, pasarborong.com faced a lot of problem and challenges and could not sustain their business. Until today, most of the online groceries in Malaysia such as khas.com, virgrocery.com, doorstep.com, presto.my, redtick.com were unable to lead the trend and create the consumer excitement in online grocery shopping.

From this point of view, one will notice that very limited studies had been conducted in assessing and exploring the consumer acceptance and perception of online grocery shopping in Malaysia. The aim of this study is to understand and identify factors that influence the acceptance and future purchase intention of online grocery shopping. The factors are including perceived convenience, perceived information accessibility, perceived order accessibility, perceived risk, perceived enjoyment, and social factors. In practice, the findings of this study can

be used by Malaysian retailers to facilitate and implement a competitive strategy to encourage consumers to purchase groceries via online.

1.3 Research questions

Based on the background of study, we find out that there have very limited studies had been conducted in assessing the acceptance of online grocery shopping especially in Malaysia. This has inspired the title of this research paper “Factors influenced the acceptance and purchase intention of online grocery”.

Thus, the following research questions were developed:

1. Do Malaysians have strong interest in online grocery shopping?
2. What are the relationship between each of factors with consumer attitude towards online grocery shopping and future online grocery buying intention?
3. What are the significant factors that can lead to influence Malaysian consumers' attitude and future buying intention of online grocery shopping?
4. How does each of the attributes, namely perceived convenience, perceived information accessibility, perceived order accessibility, perceived risk, perceived enjoyment and social factors contribute to consumer attitude and future purchase intention on online grocery stores among Malaysians?

1.4 Objectives of the study

The main objective of this study is to empirically investigate the key factors that influence consumer acceptance and purchase intention of online grocery shopping among Malaysian consumers. The study investigates how factors such as perceived convenience, perceived information accessibility, perceived order accessibility, perceived risk, perceived enjoyment, social factors influence the consumer future purchase intention of online grocery shopping.

This research specifically endeavours to achieve the following objectives:

1. To observe the relationship between the factors with consumer attitude towards online grocery shopping and future online grocery buying intention.
2. To investigate positive and negative motivation factors towards online grocery shopping among Malaysian.
3. To investigate the significant factors that influence the consumer attitude towards online grocery shopping and future online grocery buying intention.
4. To examine the factors that influence consumer attitude towards online grocery shopping and future online grocery buying intention.

In 2010, Malaysian Government's Performance Management established Economic Transformation Programme (ETP) to strengthen Malaysia's economy

and propel Malaysia towards a high income developed nation. There are 12 National Key Economic Areas (NKEAs) including wholesale and retail was defined as a driver of economic activity. In this case, the study of online grocery shopping among Malaysian is important where it can assist traditional retailers to understand the level of acceptance in online grocery shopping among Malaysian while transform their retail format.

1.5 Significance of the study

This study attempts to enhance the understanding of consumer online grocery shopping behaviour model by adding new constructs, which is perceived enjoyment and social factors into the existing model. The finding will contribute to the body of knowledge relating to the acceptance level of online grocery shopping among Malaysian, examining the key factors which linked with consumer attitude towards online grocery shopping, namely perceived convenience, perceived information accessibility, perceived order accessibility, perceived risk, perceived enjoyment and social factors and observing the relationship between the factors with consumer behaviour and future online grocery buying intention.

This study is important for retailers who interested to expand their business to online grocery stores. Retailers can evaluate how to tap into internet-based grocery store in the best ways and whether consumer response favourable or

unfavourable towards online grocery shopping. In order to understand how Malaysian consumer response to online grocery shopping, it is imperative for retailers to understand the characteristic of Malaysian consumer, by delving into the key factors as mentioned earlier. It is possible for retailers to understand Malaysian consumer future purchase intention on online grocery buying.

The research findings may provide some insights on Malaysian acceptance level towards online grocery stores. Retailers who interested to expand their business to internet-based retailer stores may have better understanding of Malaysian consumers from this research angle and important factors influence consumer response on online grocery shopping.

In fact, such studies has yet to be carried out in Malaysia, hence this research will provide additional insights on the factors influence consumer attitude towards online grocery shopping, in Malaysia context.

1.6 Scope of the study

The scope of this study is limited to Malaysian who above 20 years old. Basically, the targeted respondents of this study consist of 70% female and 30% male with or without online purchase experience. The majority of the targeted respondents are female because women are still the family member who take care the household matters and purchase for grocery products. The survey will be

distributed to targeted respondents from different education and income level as well. The area of coverage of this study is Klang Valley since Klang Valley is the largest metropolitan in Malaysia. The study will focus on the factors influence consumer attitude and future purchase intention of online grocery shopping. The factors are including perceived convenience, perceived information accessibility, perceived order accessibility, perceived risk, perceived enjoyment and social factors.

1.7 Organisation of the report

The study is divided into five chapters. The first chapter briefly describes the internet users, the development of online grocery shopping in Malaysia and the interest of the research in online grocery shopping. In additional, it examines the research questions, objectives of the study, significant of the study, scope of the study and organisation of the report.

In Chapter 2, the literature review related to online grocery shopping and factors influence the consumer acceptance and future purchase intention. The factors including perceived convenience, perceived information accessibility, perceived order accessibility, perceived risk, perceived enjoyment, social factors and attitude towards online grocery buying.

Chapter 3 precise the research methodology of the study. The chapter begins with the discussion on present the hypotheses of study. There is followed by the selections of measure, sampling design, data collection procedure and data analysis techniques.

In Chapter 4, the research results are presented. It contains the summary of respondent's demographic profile, summary of statistics, analyses of measures by using factor analysis and reliability test, correlation analysis, multiple regression analysis and testing of the hypotheses by using structural equation modeling (SEM).

Lastly, the final chapter is conclusion. In generally, this chapter discusses about overview of study, major findings, discussion, contribution of the study in terms of theoretical and practical, limitation of study and lastly with the recommendations for future research.