# THE EFFECT OF E-WOM QUALITY, QUANTITY AND SOURCE CREDIBILITY ON CONSUMER ONLINE PURCHASE INTENTION TOWARDS COSMETICS PRODUCTS AMONG UPSI STUDENT

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# DECLARATION

I hereby declare that the work have been done entirely by myself and no portion of this work are in any thesis that has been submitted in support of any application for any other degree or qualification of this or any other higher education institutions. This Final Year Project is presented in fulfilment of the requirements. Where the use of other people's work has been fully acknowledged and referenced accordingly.

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# ABSTRACT

This research aims to determine the effect of e-WOM quality, quantity and source credibility on consumer online purchase intention towards cosmetic products among Sultan Idris Education University (UPSI) student. A quantitative approached was used in this research. Self-administered questionnaire was used as an instrument to collect the data. A sample for this study consisted of 238 students, which selected using stratified sampling technique. The data were analysed using Multiple Regression Analysis. The findings showed that e-WOM quality, quantity and source credibility has a positive and significant effect on consumers' online purchase intention. In conclusion, the quality, quantity and source credibility of e-WOM play an important roles to influence the customer intention to purchase online. In implication, online business should pay attention on the important role of e-WOM as to induce the consumer purchase intention. As for the customer, e-WOM could serve as the best way to ensure safe and secure purchases.

# ABSTRAK

Kajian ini bertujuan untuk menentukan kesan kualiti, kuantiti dan kredibiliti sumber e-WOM ke atas niat pembelian dalam talian pengguna terhadap produk kosmetik dalam kalangan pelajar Universiti Pendidikan Sultan Idris (UPSI). Pendekatan kuantitatif telah digunakan dalam kajian ini. Soal selidik tadbir sendiei digunakan sebagai instrumen untuk mengumpul data. Sampel kajian ini terdiri daripada 238 pelajar yang dipilih dengan menggunakan teknik pensampelan berstrata. Data dianalisis dengan menggunakan Analisis Regresi Berganda. Penemuan menunjukkan bahawa kuantiti, kualiti dan kredibiliti sumber e-WOM mempunyai kesan yang positif dan signifikan kepada niat pembelian dalam talian pengguna. Kesimpulannya, kualiti, kuantiti dan kredibiliti sumber e-WOM memainkan peranan penting mempengaruhi niat pelanggan untuk membeli dalam talian. Implikasinya, perniagaan dalam talian perlu memberi perhatian kepada pentingnya peranan e-WOM dalam mempengaruhi niat pembelian pengguna. Bagi pelanggan pula, e-WOM boleh bertindak sebagai kaedah terbaik untuk memastikan pembelian yang selamat dan terjamin.

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# CHAPTER 1

# INTRODUCTION

## 1.1    Introduction

Since Tim Berners-Lee first created the World Wide Web (WWW) server and browser, it has a diverse business that has done online such as online business, marketing, gathering information and communicate with others (BBC Bitesize, 2019). The earliest online shopping was introduced by Michael Aldrich as electronic shopping in 1979 (Editorial, 2016). In 1992, the first online bookstore was created (New World Encyclopedia, 2018). Since then, the new shopping platform has been introduced where Amazon and eBay are launched (Host, 2016). Pay pal is introduced in 1998 as a money transfer tools that enable consumer pay with PayPal account balances, PayPal credits and other credit cards (Mercer-Myers, 2015). Since 2007, online shopping started move into social media when the Facebook marketplace is opened and advertises opportunities to them who want to start an online business (OMI, 2018). In 2017, Instagram launched as an additional online shopping platform that enables consumer immediately access to the particular product (OMI, 2018).

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Therefore, online shopping today exists as to convenient consumer when they purchasing and creates economic growth.

## 1.2     Research Background

Since then, online shopping has become a trend that spread throughout the entire country. Most of the people nowadays prefer online shopping as it is more convenient and less time-consuming compared to the traditional shopping in which they have to visit the physical store to get the products or services (Zaleha, 2016). At first, majority of the online shoppers were young educated men who are familiar with the technology (New World Encyclopedia, 2018). Since 2013, more and more women have become online shoppers where 57 percent of women made a purchase online compared to men with 52 percent (Lu, 2014). As a matter of fact, women now are the most powerful consumer on an online platform which has the ability to drive the world economy as they significantly impact economic growth every year (Brennan, 2015). According to Nelson (2019), women contributed about 70 to 80 percent of online purchases. In addition, women also hold decisive in making the decision in families for consumer goods or services. Therefore, it is apparent that women have greater buying power and influence on online platforms (Brennan, 2015).

Malaysia is a country with high rates of e-commerce usage. Malaysia boasts 16.53 million online shoppers (50 percent of the population) and 62 percent of mobile users use their devices to shop online (International Trade Administrator, 2019). To be informed that social media are one of the sources or platform for the retailer to promote their product and services. There were several social media that are often used by the retailer in Malaysia which is Facebook, Whatsapp, Instagram, YouTube, Twitter, and Wechat. It was reported, 88 percent of the consumer searched the product

and services online and 75 percent of consumers purchased the product and services online (International Trade Administrator, 2019).

Initially, the online consumer tends to purchase clothing and footwear products which accounted of 84 percent (Brophy, 2019). However lately, online consumer has started to shift slowly towards cosmetics product. A report released by Nielsen (2014) stated that there is a growth of the global online purchase of cosmetics products with the increase of 6 percent, which is from 25 percent in 2011 to 31 percent in 2014 (Nielsen, 2014).

World Wide Web (WWW) has changed the way the seller retails its product and consumer purchase style. There is some difference between WWW and traditional style which is the consumer who purchases online can't touch and feel the quality of the product as their purchase decision are based on the information that presented by the website. The information present by the websites could be in the review and feedback of the experienced consumer or the basic information of the product provided by the seller (Lin, Wu& Chen, 2013).

Word of mouth (WOM) has become a strategy in the marketing process. According to the Nielsen (2012) study, which surveyed more than 28,000 internet respondents in 56 countries, 92 percent of consumers trusted the suggestion from friends and family more than advertising. WOM became a cycle as it won't stop after only one communication. WOM will continue as one person tell another person and that person will tell another person and the person will continue to spread the information (Mosley, 2017). With WOM, not only experiences of a particular product will be spread, rumors and negative news also will be spread quickly. WOM is considered as the factor that influencing consumers in decision making process (Litvin, Goldsmith, & Pan, 2008; Mehrad & Mohammadi, 2017; Reza Jalilvand & Samiei, 2012).

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The development of technology has brought about changes in the way people get information just need to use the internet. According to Chief Statistician Datuk Seri Dr.Uzir Mahidin, Malaysia's internet penetration rose from 70 percent in 2015 to 85.7 percent in 2018 (Alias, 2018). With the internet, people no matter older or younger people can get any information at their fingertips. Besides, people that obtaining information on goods and services recorded 80.4 percent (Alias, 2018). Rather than WOM, e-WOM has become challenges for marketers in which consumer purchase intention influence by electronic word of mouth (e-WOM). Electronic word of mouth is the evolution of word of mouth where e-WOM conducted by using electronic.

However, electronic word-of-mouth (e-WOM) seems like had an effect on consumer purchase intention (Sutanto & Aprianingsih, 2016). Nearly 95% of the consumer will read the reviews before they decide to purchase the product (Spiegel Research Center, 2017). Generally, online reviews could be very useful for the consumer or could be disfigured of the products. Online consumer reviews as the second most trusted source with 70 percent of global consumer indicating they trust messages on the platform (Nielsen, 2012). People could write positive or negative comments about the products and there is no reliable standard of it (Sutanto, 2016).

Online review changes the way consumers purchase intention (Obiedat, 2013). Before they make a purchase, they will read the review about information on the product, services provided and comments of the former buyers. Consumer is able to contact each other and exchange their experiences with cosmetic products through a different platform such as social media, chat room, and cosmetics companies' websites. Purchase action will occur when the consumer considers the e-WOM messages. E-WOM act as another medium for the advertisement for any product and services as most of the consumer search for online review as the first step in shopping (Sa'ait, Kanyan & Nazrin, 2016).

Cosmetics products today are sold openly in both online and offline (Actionline, 2018). The offline cosmetics products basically are sold in the shopping mall, night market or other cosmetics retailed shops. Cosmetics products that sold online can be obtained in online shopping platforms such as Shoppe, Alibaba and Hermo. Through the internet, consumer is easier to get their goods by just one click and searching for cosmetics products. However, there is some cosmetics product that's banned by the country as the ingredient of the cosmetics product will damage the skin (Ng, 2018). For example, there is a various brand of the cosmetics products that are banned by Ministry of Health Malaysia due to the product include mercury that will damage to the kidneys especially to kids (Haziq, 2019).

Nevertheless, online purchases are causes many cases such as consumers are purchasing shoddy cosmetics products from online shopping platforms (Dancer, 2018). Shoddy products were affecting the people's skin and health, such as swelling and allergies after they bought cosmetics products online (Debra, 2019). Some of the consumers purchased shoddy cosmetics products as they attracted by the cheap price of cosmetics products (Zavertailo, 2018). It is important for the consumer to identify the banned and counterfeit cosmetics products by reviewing the review of other consumers. Therefore, the consumer needs to identify the quality, quantity of the online review and the source credibility of the online review.

To understand the factors drives a consumer to purchase cosmetics products, it is important to analyse the factors that lead to purchase intention. There are various studies (Lkhaasuren & Nam, 2018; Sutanto, 2016; Alhedhaif, Lele & Kaifi, 2016; Putri & Wandebori, 2016; Chen, 2014) on factors affecting consumer purchase intention of cosmetics products. The present study aims to discover the effect of e-WOM on consumer online purchase intention towards cosmetics products including e-WOM quality, e-WOM quantity, and e-WOM source credibility. The cosmetics companies need to understand the effect of e-WOM on consumer purchase intention.

Developing insight into e-WOM factors will enable the cosmetics companies to predict the behaviour of the consumer and effective marketing strategies that can be used by the companies to create more purchase intentions.


## 1.3    Research Problem.


Much research has done to link between e-WOM and purchase intention (Almana & Mirza, 2013; Balakrishnan, Dahnil, & Wong, 2014; Elseidi & El-Baz, 2016). However, with recent conceptual of e-WOM, it gains interest to investigate the multidimensionality of e-WOM (Bataineh, 2015; Abd-Elaziz, Aziz, Khalifa & Abedel-Aleem, 2015; Migin, 2018). To add in the fresh insight on the effect of e-WOM quality, quantity and source credibility on purchase intention the study seeks to provide a general overview of this study.

Many studies have investigated the influence of e-WOM on consumer purchase intention and with a discussion of there was a positive and significant influence of e-WOM quality and source credibility (Sutanto, 2016; Lkhaasuren, 2018; Bataineh, 2015) to consumer purchase intention. According to the study of Bataineh (2015) and Sutanto (2016), there is a positive and significant influence of e-WOM quality, e-WOM quantity and e-WOM source credibility on consumer purchase intention. Nevertheless, Lkhaasuren, (2018) study showed that only e-WOM quality and e-WOM source credibility has a positive and significant influence on purchase intention. According to the study, it has shown e-WOM quantity had no significant influence on the purchase intention for Korean cosmetic products.


Many of the previous studied has conducted in the context of premium cosmetic products (Sutanto, 2016; Lkhaasuren, 2018). However, they are only focused

on Korean cosmetics products. The previous studies only provide the knowledge of e-WOM towards premium cosmetics and Korean cosmetics to consumer. In fact, the knowledge only useful for the consumer that are wealthier but not for all consumers as some of the consumers are only affordable for some cheaper cosmetics products. This study will tend to account for all types of cosmetics products as the respondent of this study were a student and there just some of the student are affordable to premium and Korean cosmetics.

Even though the research of e-WOM quantity, quality and source credibility has been found to influence consumer online purchase intention on cosmetics products by several researchers (Lkhaasuren, 2018; Sutanto, 2016; Putri, 2016), there is still lack of research regarding e-WOM information on general cosmetics products including skincare product. Although there are several studies of e-WOM on consumer purchase intention on cosmetics products, there still have some cases that consumers were purchased shoddy cosmetics products that damaged their skin (Actionline, 2018). Besides, there is also a case that dangerous levels of mercury founded in cosmetics products that bought on Amazon and eBay (Dancer, 2018). These studies will enable consumer to consider e-WOM messages based on the online review quality, quantity, and source credibility to avoid purchased counterfeit and high level mercury cosmetics products when they make online purchases. Signaling theory and Information Adoption Model will be adopted in this research.

## 1.4    Research Objective

The purpose of this study is to determine the effect of e-WOM on consumer online purchase intention towards cosmetic products among Sultan Idris Education University (UPSI) student.

Specifically, this study seeks to:

i. To determine the effect of e-WOM quality on consumer online purchase intention on cosmetics products.

ii. To determine the effect of e-WOM quantity on consumer online purchase intention on cosmetics products.

iii. To determine the effect of e-WOM source credibility on consumer online purchase intention cosmetics products.

## 1.5 Research Question

To achieve the research objective, this study attempt to answer the following question:

Does e-WOM (quality, quantity and source credibility) affect consumer purchase intention on cosmetics products?

Specifically, this study attempt to provide answer to the following question:

i. Does e-WOM quality affect consumer online purchase intention of cosmetics products?

ii. Does e-WOM quantity affect consumer online purchase intention of cosmetics products?

iii. Does e-WOM source credibility affect consumer online purchase intention of cosmetics products?

## 1.6　　Research Hypothesis

$H_1$: E-WOM quality significantly affect consumer online purchase intention of cosmetic product.

$H_2$: E-WOM quantity significantly affect consumer online purchase intention of cosmetics product.

$H_3$: E-WOM source credibility significantly affect consumer online purchase intention of cosmetics products.
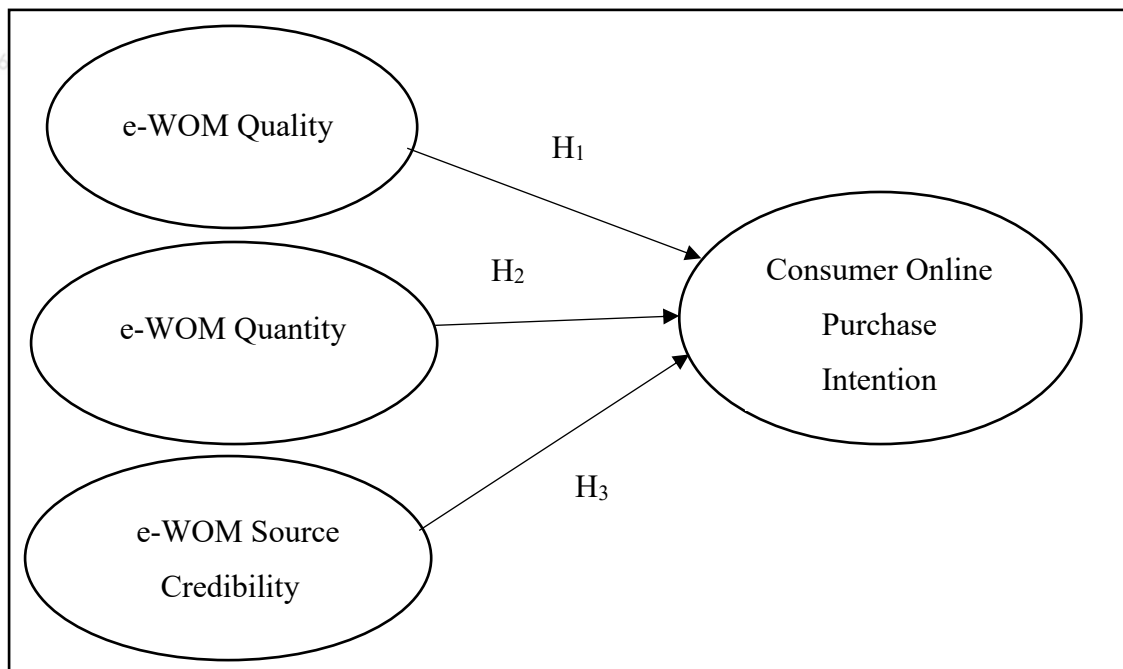
## 1.7　　Theoretical Framework



Figure 1.1: Framework

This framework is formulated based on Lkhaasuren (2018). This framework proposes to determine the effect of the independent variable on the dependent variable. This

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study proposes to determine the effect of e-WOM on consumer online purchase intention. The independent variable in this study include e-WOM quality, e-WOM quantity and e-WOM source credibility and the dependent variable are consumer online purchase intention towards cosmetics products. This study focuses on consumer online purchase intention towards cosmetics products that may be influenced by e-WOM. The purpose of developing the theoretical framework is to provide a guideline for the researcher while collecting the data.

## 1.8     Operational Definition

In this part, a brief description of the definition of e-WOM quality, e-WOM quantity, e-WOM source credibility and purchase intention will be presented to outlines a clear understanding to this research.

### 1.8.6     Electronic Word-of-Mouth (e-WOM)

E-WOM refers to any positive or negative statement that made by potential, actual or former consumer about their experience about a product or company, which is available to a multiple of people and institutions through the internet (Lkhaasuren, 2018).

### 1.8.7     E-WOM Quality

E-WOM quality refers to the convincing strength of online comments that embedded in an information message (Bataineh, 2015).

### 1.8.8　E-WOM Quantity

E-WOM quantity refers to the huge quantity of the online information as the online reviews perhaps be a sign of popularity and valuable of the product to reduce making mistakes (Bataineh, 2015).

### 1.8.9　E-WOM Source Credibility

E-WOM source credibility is the extent of consumer' perceives the online massage or recommendation as true, believable, trustworthy and credible (Lkhaasuren, 2018).

### 1.8.10　Online Purchase Intention

Online purchase intention refers to an individual's awake plan or willingness to purchase the product or services that provided by an online store (Wu & Chang, 2016).

### 1.9　Significant of the study

This research is to study the effect of e-WOM (quality, quantity, source credibility) on consumer online purchase intention of cosmetics products among UPSI students. This study is important to help the marketers to understand that e-WOM could be used as the marketing strategies that would help the companies generated more purchase

intention and income. Besides, this paper also helps the individual to identify the cosmetics products when they purchased the product.

## 1.10 Structure of the study

This chapter has provided a brief background of the research along with the following: research background, research problem, research objective, research question, research hypothesis, theoretical framework, operational definition.

Chapter 2 presents a review of existing literature regarding this research. This chapter has mentioned related theories to understand the research study. Then, it is followed by the dependent variables and independent variables before leading to chapter three. This chapter will explain how e-WOM (quality, quantity, source credibility) influences the consumers' purchase intention towards cosmetics products.

Chapter 3 outlines the research design of the study and discussed the methodology that has been used in this research including research setting and scope, sample and sampling, instruments and measurement items, pilot study, data collection, and data analysis.

Chapter 4 presents the results or findings of the research and explains the data tabulation and the data analysis which is used to prove the suggested hypothesis is supported or not.

Chapter 5 provides a detailed discussion, conclusion and implication of the study. Basically, this chapter will summarize the statistical result concerning each stated hypothesis or objectives and discuss the limitation of the study as well as provide recommendations.

## 1.11    Conclusion

Overall, this chapter discusses the background of the study, research problem, objectives and hypothesis of the study. The next chapter will present the literature review of the study.