

CHAPTER I

INTRODUCTION

1.1 Background

Electronic commerce, also called e-commerce is according to Turban et al. (2008) the process that involves transactions between a company and its customers through a digital platform on the Internet. The trade can include the sale of products, services and information (Turban et al., 2008) and the online trade is independent of time and place (Solomon et al., 2010). Turban et al. (2008) explains that e-commerce enables businesses to no longer need a physical contact with their customers in order to carry out a transaction.

Businesses strive to economically succeed in the marketplace (Solomon et al., 2010) and it starts with understanding the consumers' needs and wants in order to capture them (Armstrong et al., 2009). By understanding the consumers, companies will harvest rewards in terms of market share and profits (Armstrong et al., 2009).

Purchase intention is the plan to buy a specific product or service within a designated time period (Hair et al., 2011). If the level of purchase intention among consumers is high, the level of purchase is likewise (Brown et al., 2003). According to Solomon et al. (2010) the digital market is one of the most substantial influences

on consumer behavior. The technology has changed how and where consumers acquire their information (Cummins et al., 2014). One main difference between the traditional market and the online market is that different characteristics influence consumer behavior in an online setting (Constantinides, 2004). For instance, IT-related features are ignored in consumer behavior since consumers do not face IT in physical stores (Gefen et al., 2003). On the other hand, IT-related features have an increased role of importance in influencing online consumer behavior (McKnight & Chervany, 2001; Pavlou & Fygenson, 2006). It is of importance that companies understand the online market's different characteristics and customers' buying behavior in order to meet the consumers' needs in an online context hence, turn current browsers to customers and increase current customers purchases (Forsythe & Shi, 2003).

Many companies have shifted their businesses from traditional physical form to online context (Gustafsson, 2012). The Internet has a growing influence on the society (Evans, 2008) in terms of how customers and sellers interact in the marketplace (Cummins et al., 2014) moreover people can easily obtain what they wish due to the accessibility the Internet provides (Solomon et al., 2010). In the end, this implies that companies have more opportunities to expand their businesses on the web (Evans, 2008). It has been argued that the impact of the Internet will proceed to expand as more and more people around the world log on (Solomon et al., 2010).

1.2 Problem Statement

Companies usually strive to generate profit and in order to do that they need to attract consumers to their businesses (Armstrong et al., 2009). E-commerce is an evolving market (Constantinides, 2004), the number of retailers and the growth in online shopping has built up a competitive market and therefore it is essential for companies to continuously develop their online activity (Szymanski & Hise, 2000). When companies possess competence in e-commerce, they can recognize potential areas for customer value growth and attract new customers through value creating offers (Saeed et al., 2005). In order to create customer value growth, it is of great importance for the companies to understand online consumers' buying behavior (Pui-Mun, 2002; Saeed et al., 2005) and moreover investigate in which factors that affect the consumers' online purchase intention (Constantinides, 2004; Hair et al., 2011). The main reason for why online purchase intention is of such importance for firms is because it is a strong predictor of actual online purchase (Pavlou, 2003; Kim et al., 2008).

According to Hong and Cha (2013), the e-commerce businesses could increase the online purchase intention by striving to improve the consumers' trust, Crespo et al.(2009) suggests that this can be accomplished by strengthening trust in the transactions. Hong and Cha (2013) further state that e-commerce businesses could put efforts to decrease the perceived risk, due to the supposed importance of risk reduction in online purchase intention (Pavlou, 2003; Crespo et al., 2009).

According to Pavlou (2003) and Crespo et al. (2009) and Hsu et al. (2014) further research is needed about trust and perceived risk, given their indicated importance on online purchase intention. Research is also needed about other related factors in order to gain a more rich understanding about e-commerce and consumers' online purchase intention (Pavlou, 2003; Hsu et al., 2014). Childers et al. (2001) and Wann-Yih and Ching-Ching (2015) suggests more specifically that consumers' shopping enjoyment, the perceived pleasure of using a website, needs further investigation, because shopping enjoyment appears to be related to consumers online purchase intentions (Im & Ha, 2011; Wann-Yih & Ching-Ching, 2015). Yu-Hui and Barnes (2007) are in agreement with Pavlou (2003) that other related factors in online purchase intention should be examined and suggests that the site design quality seems to be an important factor.

It appears to be a lack of previous studies that have tested these different alleged important factors, trust, perceived risk, shopping enjoyment and site design quality and their relationship to consumers' online purchase intentions.

The problem can be divided into several specified problems, which are:

1. Does trust has a positive impact on online purchase intention?
2. Does perceived risk has a positive impact on online purchase intention?
3. Does shopping enjoyment has a positive impact on online purchase intention?
4. Does site design quality has a positive impact on online purchase intention?

1.3 Purpose and Advantage of the Study

1.3.1 Purpose of the Study

Based on the problems statement above, the purpose of this study is to analyze the effect of several variables toward online purchase intention. The specific purpose can be derived into following:

1. To analyze the impact of trust on online purchase intention.
2. To analyze the impact of perceived risk on online purchase intention.
3. To analyze the impact of shopping enjoyment on online purchase intention.
4. To analyze the impact of site design quality on online purchase intention.

1.3.2 Function of the Study

This paper could be useful for companies that have fashion online stores or are considering starting to operate in that context. The results will reveal what appears to affect consumers' online purchase intention in fashion products, which can be used by the fashion companies to generate an effective and efficient strategy regarding to their customers' purchase intention.

1.4 Systematic of Writing

To give a clear picture about this research, a writing system that contains information about the material covered in each chapter is drafted as the following:

Chapter I Introduction

This chapter contains the general view of the study content, which contains research background, research problem, research objectives the purpose of the research, function of the research and chapter layout.

Chapter II Literature Review

The literature review discusses description of the theory behind the research review, framework, previous studies and hypotheses.

Chapter III Research Methodology

Research methodology explain about type of research, the operational definition and measurement of variables, data and data sources, data collection methods, sampling design, and data analysis methods used.

Chapter IV Data Analysis and Discussions

Data analysis and discussions presents the overall results and the findings from the analysis of the data collected such as general description of the products, data analysis, the instrument test, the hypothesis test, and the discussions. The program that is used in this research is Statistical Package for Social Science or SPSS.

Chapter V Conclusions

Chapter V includes the conclusions of the research, implications of the research, and limitations of the research to improve further research.