UNIVERSITI PUTRA MALAYSIA

DETERMINANTS OF ONLINE PURCHASE FOR AGROPRODUCTS AMONG PASARBORONG.COM CUSTOMERS

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MASTER OF SCIENCE
UNIVERSITI PUTRA MALAYSIA
2007
DETERMINANTS OF ONLINE PURCHASE FOR AGROPRODUCTS AMONG PASARBORONG.COM CUSTOMERS

By

RATNESWARY A/P R.BALASINGAM

Thesis Submitted to the School of Graduate Studies, University Putra Malaysia, in Fulfillment of the Requirements for the Degree of Master of Science

2007
This thesis is dedicated to my beloved mother
The late Mrs. Pathmarani Balasingam

May Her Soul Rest in Peace
In God’s Loving Hands
Abstract of thesis presented to the Senate of University Putra Malaysia in fulfilment of the requirements for the degree of Master of Science

DETERMINANTS OF ONLINE PURCHASE FOR AGROPRODUCTS AMONG PASARBORONG.COM CUSTOMERS

By

RATNESWARY D/O R.BALASINGAM

March 2007

Chairman: Professor Mohd Ghazali Mohaiyidin, Ph.D.

Faculty: Agriculture

Online-purchasing for agricultural products in Malaysia is not well received, despite the encouragement by the government and local vendors. This study examines the online purchasing behavior of consumers for selected agricultural products in Malaysia. The research objectives are: to document the profile of online shoppers; to document the types of products that are being purchased online; to determine the consumers behavior towards online purchasing; and to analyze factors affecting online purchases. An online survey was posted at www.geocities.com/sothy_46. The survey focused only on online shoppers for agro products. Notice of the survey was posted through www.pasarbong.com website. The notice was also sent to the customers through www.parksonline.com.my and www.egroceries.com.my. A total of 46 participants responded.
The data were analyzed using mean average, factor analysis, gap analysis and linear regression. Descriptive statistics was used to describe the respondent profile, consumer’s behavior and their beliefs of online purchasing of selected agro-products such as mean average. Factor analysis was used to uncover the dimension of the beliefs of online marketing for selected agro-products. Gap Analysis refers to the activity of studying the differences between standards and the delivery of those standards. Linear Regression model was used to predict the relationship between dependent variable of happy dealing online to independent variables used in the factor analysis.

The results showed that a majority of the respondent used e-commerce to purchase services such as, providing reservation/booking online and online banking rather than to purchase goods. The survey also included questions to determine the consumers’ expectation before they first purchase online as well as their perception after they had made online purchases. In general, the experience of the respondents was not up to their expectation. Based on factor analysis, there are five factors which influenced consumer’s perception towards online marketing. They are after sales services, communication, product attribute, satisfaction and delivery. The regression analysis also found that some factors were significant in influencing the level of consumers’ satisfaction regarding online purchasing.
PENENTUAN PEMBELIAN SECARA TALIAN TERUS UNTUK PRODUK PERTANIAN DIKALANGAN PELANGGAN PASARBORONG.COM
Oleh
RATNESWARY A/P R.BALASINGAM
Mac 2007

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Fakulti : Pertanian


terhadap tahap kepuasan mereka kepada pembelian secara online dalam sektor pertanian.
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I would like to thank God Almighty who has blessed me with the patience, courage and strong will during the course of my research. May he be my constant guidance throughout the course my life.

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Furthermore, I am greatly indebted to the local e-commerce agricultural product vendors, the Government of Malaysia and Malaysian public for their invaluable assistance, endless help, encouragements and support that made this study possible. Without their assistance and support, this thesis would not have been written and my ideas to make its way. I would also like to place a very special thanks to my father, Mr. Balasingam Ratnasingam, for he has not only supported me financially.
but also has been there to support me emotionally and given me guidance when I need it the most. Thank You, Appa.

I would also like to extend my gratitude to my aunt, Mrs. Selvarani Arulsothy, a system analyst based in Melbourne, Australia, for her guidance in webpage building and management of website.

Last but not least, a very special thanks goes out to all my family and friends for keeping me grounded and providing me with some memorable experience. Many thank to my sister, Logeswary, aunts, uncles and cousins, who have always been a source of strength. Thank You and MAY GOD BLESS ALL.
I certify that an Examination Committee met on date of viva to conduct the final examination of Ratneswary d/o R.Balasingam on her Master of Science thesis entitled “Determinants of Online Purchase For Agro-products among Pasarborong.com Customers” in accordance with Universiti Pertanian Malaysia (higher Degree) Act 1980 and Universiti Pertanian Malaysia (Higher Degree) Regulations 1981. The Committee recommends that the candidate be awarded the relevant degree. Members of the Examination Committee are as follows:

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DECLARATION

I hereby declare that the thesis is based on my original work except for quotations and citations which have been duly acknowledged. I also declare that it has not been previously or concurrently submitted for any other degree at UPM or other institutions.

RATNESWARY d/o R.BALASINGAM

Date: 4 June 2007
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>DEDICATION</td>
<td>ii</td>
</tr>
<tr>
<td>ABSTRACT</td>
<td>iii</td>
</tr>
<tr>
<td>ABTRAK</td>
<td>v</td>
</tr>
<tr>
<td>ACKNOWLEDGEMENTS</td>
<td>vii</td>
</tr>
<tr>
<td>APPROVAL</td>
<td>x</td>
</tr>
<tr>
<td>DECLARATION</td>
<td>xii</td>
</tr>
<tr>
<td>LIST OF TABLES</td>
<td>xiv</td>
</tr>
<tr>
<td>LIST OF FIGURES</td>
<td>xvi</td>
</tr>
<tr>
<td>LIST OF ABBREVIATIONS</td>
<td>xviii</td>
</tr>
</tbody>
</table>

## CHAPTER

### 1 INTRODUCTION

1.1 Internet and E-Commerce: A Global Scenario 1.1
   1.1.1 History of the Internet and E-Commerce 1.1
   1.1.2 Internet Coverage and Online Purchasing 1.3
1.2 Internet and E-Commerce: A Malaysian Scenario 1.8
   1.2.1 History of Internet and E-Commerce in Malaysia 1.8
   1.2.2 Online Purchasing Coverage in Malaysia 1.13
1.3 Online Purchasing for the Agricultural Industry 1.18
1.4 Problem Statement 1.20
1.5 Objectives Of The Study 1.23
1.6 Hypothesis Development 1.23
1.7 Scope Of The Study 1.23
1.8 Signification Of The Study 1.24
1.9 Organization Of The Study 1.25

### 2 MARKETING FOR AGRICULTURAL PRODUCTS

2.1 Background of the Agricultural Industry in Malaysia 2.1
   2.1.1 Fish and Fish Products 2.4
   2.1.2 Livestock And Livestock Products 2.8
   2.1.3 Fruits 2.12
   2.1.4 Vegetables 2.14
   2.1.5 Post Harvest Practice For Fresh Vegetables And Fruits 2.18
2.2 Distribution in the Agricultural Marketing System 2.20
2.3 Adopting Online Purchasing In Malaysia 2.24

### 3 LITERATURE REVIEW

xiii
3.1 Concepts and Definition
3.1.1 Online Shopping Purchasing
3.1.2 Online Buying Attitude
3.2 Empirical Evidence

4 METHODOLOGY
4.1 Methodological Framework
4.2 Questionnaire Design
4.3 Pre-Test
4.4 Data Collection
4.5 Data Analysis
4.5.1 Descriptive Analysis
4.5.2 Gap Analysis
4.5.3 Factor Analysis
4.5.4 Logistic Regression Model

5 RESULTS AND DISCUSSION
5.1 Descriptive Results
5.1.1 Demographic Profiles of the Respondents
5.1.2 Consumer Behavior based on Products and Consumer’s Preference Profile
5.1.3 Pre-Purchasing Behavior
5.1.4 Post-Purchasing Behavior
5.2 Gap Analysis between the Pre Purchase and Post Purchase Variables
5.3 Factor Analysis for Online Purchasing
5.4 Regression Model for purchasing of Agro-Products

6 CONCLUSION
6.1 Summary
6.2 Conclusion
6.3 Limitations of the Study
6.4 Recommendations

REFERENCES
APPENDICES
BIODATA OF THE AUTHOR
<table>
<thead>
<tr>
<th>Table</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>Internet Host and Users By Region in 2002</td>
<td>1.4</td>
</tr>
<tr>
<td>1.2</td>
<td>E-commerce Worldwide Growth (US $000,000,000)</td>
<td>1.6</td>
</tr>
<tr>
<td>1.3</td>
<td>Internet Users Across the World, 2002</td>
<td>1.7</td>
</tr>
<tr>
<td>1.4</td>
<td>Internet Dial –Up Subscription in Malaysia</td>
<td>1.9</td>
</tr>
<tr>
<td>1.5</td>
<td>Internet User Profile in Malaysia</td>
<td>1.10</td>
</tr>
<tr>
<td>1.6</td>
<td>Internet Subscription Among Households in Malaysia (Fixed Line)</td>
<td>1.11</td>
</tr>
<tr>
<td>1.7</td>
<td>Customer Satisfaction Index By Issue- Internet Service</td>
<td>1.12</td>
</tr>
<tr>
<td>1.8</td>
<td>Regulatory Regime Relevant to Internet</td>
<td>1.13</td>
</tr>
<tr>
<td>1.9</td>
<td>Total Number of Domain Name Registration (Jan1995 – Dec2004)</td>
<td>1.14</td>
</tr>
<tr>
<td>1.10</td>
<td>Online Purchasing Revenue in Malaysia (1999-2003)</td>
<td>1.15</td>
</tr>
<tr>
<td>1.11</td>
<td>Web Presence of Public Listed Company by Sectors</td>
<td>1.15</td>
</tr>
<tr>
<td>1.12</td>
<td>E-readiness rankings, 2002</td>
<td>1.16</td>
</tr>
<tr>
<td>1.13</td>
<td>Malaysia: Shopping Behavior Among Internet Users</td>
<td>1.17</td>
</tr>
<tr>
<td>2.1</td>
<td>Level of Self Sufficiency for selected Agricultural Products</td>
<td>2.2</td>
</tr>
<tr>
<td>2.2</td>
<td>Quality and Value of Fishery and Aquaculture for 2001</td>
<td>2.6</td>
</tr>
<tr>
<td>2.3</td>
<td>Local Market Size for Selected Fishery Products (2000-2010)</td>
<td>2.7</td>
</tr>
<tr>
<td>2.4</td>
<td>Demand of Livestock and Livestock Products (2000)</td>
<td>2.9</td>
</tr>
<tr>
<td>2.5</td>
<td>Consumption and Self-Sufficiency for Livestock Products</td>
<td>2.10</td>
</tr>
<tr>
<td>2.6</td>
<td>Acreage of Fruits in Malaysia (1992-2001)</td>
<td>2.12</td>
</tr>
<tr>
<td>2.7</td>
<td>Malaysian Fresh, Tropical Fruits Export (1996 -2001)</td>
<td>2.13</td>
</tr>
</tbody>
</table>
# LIST OF FIGURES

<table>
<thead>
<tr>
<th>Figure</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>Worldwide B2C e-Commerce Revenue</td>
<td>1.5</td>
</tr>
<tr>
<td>1.2</td>
<td>CSI by Internet Service Provider</td>
<td>1.11</td>
</tr>
<tr>
<td>2.1</td>
<td>Total Import for Agro-Food Products in 2002</td>
<td>2.4</td>
</tr>
<tr>
<td>2.2</td>
<td>Total Export for Agro-Food Products in 2002</td>
<td>2.4</td>
</tr>
<tr>
<td>2.3</td>
<td>Fish Marketing in Malaysia</td>
<td>2.8</td>
</tr>
<tr>
<td>2.4</td>
<td>Poultry Marketing Channel</td>
<td>2.11</td>
</tr>
<tr>
<td>2.5</td>
<td>Malaysian Fruits Export</td>
<td>2.14</td>
</tr>
<tr>
<td>2.6</td>
<td>Fresh Food Distribution System</td>
<td>2.19</td>
</tr>
<tr>
<td>2.7</td>
<td>Key Issues and Challenges Faced by Industry Players in The Current Market Infrastructure</td>
<td>2.20</td>
</tr>
<tr>
<td>2.8</td>
<td>Model of Distributor Viability</td>
<td>2.23</td>
</tr>
<tr>
<td>3.1</td>
<td>Model of Trust Including Assurance Measures and Provider Attributes</td>
<td>3.14</td>
</tr>
<tr>
<td>3.2</td>
<td>The Descriptive Model of Online Shopping Process</td>
<td>3.16</td>
</tr>
<tr>
<td>3.3</td>
<td>Internet and Price-Value-Loyalty Chain</td>
<td>3.22</td>
</tr>
<tr>
<td>4.1</td>
<td>Research Framework Based on E-commerce Front Store</td>
<td>4.4</td>
</tr>
<tr>
<td>4.2</td>
<td>Homepage of the Survey</td>
<td>4.6</td>
</tr>
<tr>
<td>5.1</td>
<td>Link from Pasarborong.com</td>
<td>5.2</td>
</tr>
</tbody>
</table>
LIST OF ABBREVIATIONS

ARPA  Advanced Research Project Agency
ARPANET  Advanced Research Project Agency Network
BITNET  Because It's Time network
B2B  Business To Business
B2C  Business to Consumer
CERN  Corporation for Research & Educational Networking
CEO  Chief Executive Officer
CSI  Customer Satisfaction Index
CSNET  Computer Science Network
Do D  Department Of Defense
E-commerce  Electronic Commerce
EARN  Employer Assistance & Recruiting Network
EDI  Electronic Data Interchange
EUNET  European Union Network
FA  Factor Analysis
FAMA  Federal Agricultural Marketing Authority
FLP  Fixed Line Provider
FTP  File Transfer Protocols
GDP  Gross Domestic Product
GRT  Gross Register Tonnage
HTML  Hyper Text Markup Language
HTTP  Hypertext Transfer Protocol
<table>
<thead>
<tr>
<th>Acronym</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICT</td>
<td>Information and Communication Technology</td>
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<tr>
<td>IDC</td>
<td>International Data Corporation</td>
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<tr>
<td>INC</td>
<td>Incorporated</td>
</tr>
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<td>IP</td>
<td>Internet Protocol</td>
</tr>
<tr>
<td>IRC</td>
<td>Internet Relay Chat</td>
</tr>
<tr>
<td>ISP</td>
<td>Internet Service Provider</td>
</tr>
<tr>
<td>ITU</td>
<td>International Telecommunication Union</td>
</tr>
<tr>
<td>JANET</td>
<td>Joint Academic Network</td>
</tr>
<tr>
<td>JARING</td>
<td>Joint Advanced Integrated Networking</td>
</tr>
<tr>
<td>LAN</td>
<td>Local Area Network</td>
</tr>
<tr>
<td>MATRADE</td>
<td>Malaysia External Trade Corporation</td>
</tr>
<tr>
<td>MIMOS</td>
<td>The Malaysian Institute of Microelectronic Systems</td>
</tr>
<tr>
<td>MT</td>
<td>Metric Tons</td>
</tr>
<tr>
<td>NSFNET</td>
<td>The National Science Foundation Network</td>
</tr>
<tr>
<td>NITC</td>
<td>National Information Technology Consultation</td>
</tr>
<tr>
<td>PRNET</td>
<td>Packet Radio Network</td>
</tr>
<tr>
<td>TCP</td>
<td>Transmission Control Program</td>
</tr>
<tr>
<td>TM Net</td>
<td>Telekom Malaysia Internet Services</td>
</tr>
<tr>
<td>U.S</td>
<td>United States</td>
</tr>
<tr>
<td>UN</td>
<td>United Nation</td>
</tr>
<tr>
<td>USENET</td>
<td>User Network</td>
</tr>
<tr>
<td>UUNET</td>
<td>UNIX To UNIX Network</td>
</tr>
<tr>
<td>VoIP</td>
<td>Voice over Internet Protocol</td>
</tr>
</tbody>
</table>
CHAPTER 1

INTRODUCTION

1.1 Internet and E-Commerce : A Global Scenario

1.1.1 History of the Internet and E-Commerce

At the turn of the century, the Internet has become a popular mode of communication. Today, the Internet has reached every aspect of our lives, may it be communicating, information retrieving, shopping, banking or just plain entertainment. The Internet has provided us with all necessity in life, with a click of a button. This miracle laid its foundation back in the mid 18th century. It started with the invention of Telegraph (using Morse codes), Transatlantic cable and the Telephone. Today, telephones via modems provide the backbone of Internet connections. Modems provide Digital to Audio Conversions to allow computers to connect over the telephone network.

The need for the global Tele-communication and security came into play when Russia launched its first man made satellite, Sputnik, in 1957. The United States responded by forming Advanced Research Projects Agency (ARPA) within the Department of Defense (DoD) to establish U.S. advancement in science and technology applicable to the military. This led to the birth of ARPANET
commissioned by the U.S. Department of Defense for research into military networking. In 1971, electronic mail (e-mail) was invented to send messages across this distributed network. Today, e-mail is the main way of inter-person communication across the Internet.

ARPANET went global when it introduced its first international connection between University College of London (England) and Royal Radar Establishment (Norway). This connection made way for the Internet gateway. Gateways is defined as how large networks (maybe of different architecture) can be connected together. This led to many studies on Transmission Control Program (TCPs), File Transfer Protocol (FTPs) and Internet Protocol (IPs) were created. Telenet, the first commercial version of ARPANET for public package data service was made available in 1974. This led to creation of many Local Area Network (LAN) groups such as USENET, BITNET, PRNET, CSNET, NSFNET, EUNET, JANET, EARN, UUNET and WAIS.

The Internet got bigger and created the need to develop a Name Server and desktop workstations in 1983. A year later, Name Servers (eg: 123.456.789.10) was changed to Domain Name Server, which is something easier to remember. (e.g.: www.cs.cf.ac.uk). In 1987-88, commercialization of the Internet began and Internet Relay Chat (IRC) was introduced. Then in the early nineties, CERN and its developer Tim Berners- Lee released World Wide Web (WWW). This created an easy access to any form of information anywhere in the world. In 1993, the Internet provided 600 WWW sites for 2 million hosts. The Internet was viewed as vital by
both the business and media industry players. The U.S White House and United Nation (UN) launched their on-line sites. To ease access to the Internet, MOSAIC developed The Netscape Software, (one of the most popular WWW browser to date), as a User Friendly Graphical Front End to the WWW.

In 1994, Electronic Commerce appeared across the ARPANET/Internet as it celebrates its 25th anniversary. Shopping malls and banks provided services on line. The Pizza Hut in America opens up its first online pizza ordering system and First Virtual became the first cyber bank. This revolution is the beginning of a new way of life. Within a span of two years, many companies started to go online and registrations of domain names were no longer free. In 1996, Microsoft INC. enters Internet Explorer as a WWW browser. The WWW browser war begins, fought primarily between Netscape and Microsoft, whereby new releases are made quarterly with the help of Internet users eager to test upcoming (beta) versions. Until today the Internet is rapidly changing, more products and services are provided online for customers across the globe and maybe someday across the universe.

1.1.2 E-commerce Coverage and Online Purchasing Worldwide

E-Commerce, or Electronic Commerce, is a general term for any type of business, or commercial transaction that involves the transfer of information across the internet. The information technology industry might see it as an electronic business application aimed at commercial transactions. An alternative definition, e-commerce