The Effect of E-Commerce on Customer Satisfaction in Malaysia

Ali Khatibi¹, Mohd Ismail¹ and Hishamuddin Ismail²

¹. Faculty of Management, University Multimedia, Malaysia
². Faculty of Business & Law, University Multimedia, Malaysia
E-mail: ali.khatibi@mmu.edu.my

Malaysia, like the rest of the world, is riding on the waves of electronic commerce, or popularly known as e-commerce. E-commerce refers to purchases from online stores through Web, otherwise known as e-commerce Web sites. They may also be referred to as "virtual stores" or "cyber stores" due to their interactive nature of the medium without either party being physically there to conduct trade. One should also take notice that e-commerce can be business-to-business (B-B) or business-to-consumer (B-C).

In the United States, a number of businesses already report various degrees of success. As early as 1997, Dell Computers reported orders of a million US dollars a day. By 2001, projected e-commerce revenue for businesses in the U.S. is in the billions of dollars and the stock value of companies deemed most adapt at e-commerce are skyrocketing. Apart from computer and network products, books at Amazon.com, gardening products from Garden.com, compact discs at CDNow, office supplies from SuppliesOnline and Beyond.com are a few of the better-known e-commerce sites. By early 1999, even businesses that traditionally transacted on face-to-face customer interaction were planning now to co-ordinate in-store and Web store retail approaches. New businesses based entirely on Web sales are being invented daily. Thus, the world is seeing the births of hundreds and thousands of dot-com companies.

Success stories are few but often told. Unfortunately, just as rapidly as new dot-com companies and e-commerce Web sites are created, many of these new ventures fail. Even the once assumed-mighty e-businesses are losing money by the millions. Why? The reason is that many businesses fail to understand the nature of this new but powerful tool of selling. They must learn to live and compete in a world...
where location is less important and the consumer is setting used to 24-hour service.

Customers want to do business online according to their own schedules. Many unsuccessful online businesses fail to satisfy their customers because the expectation of the online customers is often higher and may even be different from that those of using traditional marketing. Marketing in the world of the Internet, therefore, presents new challenges to businesses and marketers world-wide.

Building long-term customer relationships through customer satisfaction is one of the crucial keys to a successful business. An organisation exists to satisfy customer wants and needs while meeting the organisational objectives of increased sales and higher profit. Marketers have to understand the concept of and accept the Internet as a marketing tool. With the introduction of the Internet, marketers have the technology to mass customise communication and products and yet be able to increasingly target smaller marketing segment: taken to its natural extension, a target market can now be one person.

Further the Internet is now firmly established as a new marketing tool. Marketers use the Internet to gather data for marketing planning. The Net has become an integral piece of the marketing mix, spawning new products and serving as both a digital distribution channel and an electronic storefront. Unlike a magazine or television, the Net allows two-way communication with target audiences. People are connecting to the Net at a phenomenal rate, and the number of unique Web pages now numbers more than 300 million.

The time for rapid development in Internet marketing has come. It is inevitable that more and more businesses will be going online. The question in everyone’s mind is, “Will Internet marketing bring increased customer satisfaction, and hence, increased sales and profitability?”

Objective of the Study

The objective of this comet research is to study Internet marketing as a tool in building long-term customer relationships through customer satisfaction and to draw comparison with traditional marketing.

LITERATURE REVIEW

Marketing on the Internet

With increased globalisation of the world economies, for most enterprises, market opportunities seem to be endless these days. This in turn, of course, causes heightened competition among the players inducing better performance. Consequently, departing from the traditional commercial strategies and tactics, innovative managers are looking for unique ways to compete more effectively on a local, regional and global access basis. The Internet, in particular, provides businesses with a broad and vast communications network that is driving the formation of a huge global electronic market place.

Businesses that discover the Internet to be cost effective in marketing their products, efficiently to customers (B2C) and businesses markets (B2B). Companies who use the Internet, not only for advertising, but also for e-mail and customer ordering, increase their hours of business on a global spectrum. Instead of a typical eight-hour day, businesses have increased their opportunities by providing 24-hour access for branch offices, business contacts and shoppers - access that is important in conducting business across different time zones or internationally. Expanding access indeed increase the number and coverage of potential customers.

The Old Rules of Organisational Customer Service

- The company determines the level of customer service. Profit and efficiency have lot to do with the determination of that level.
- Business is product-oriented and task-driven. Customer service means being polite. Work is about getting the task done according to company standards.
- Suppliers and customers sometimes operate at cross-purposes. Special requests are viewed as interruptions and inconveniences.
- Marketing and customer services are separate functions, performed by different departments.
- If traditional expectations have been met, then the customer is being properly served.
- Extra attention paid to the customer may be
unacceptable to the company and viewed as an unnecessary expense.

- Added value means taking customers to lunch or sending them gifts.

**The New Rules of Organisational Customer Service**

- A quality product— as determined by the customer.
- Products are sold today by overwhelming the consumer with service. Service is the differentiation that makes a company special.
- Information and education are critical to keep the customer focused (Internet).
- Product and service must be value-priced so that the customer perceives great value for money spent.

**What is Customer Satisfaction?**

*Customer satisfaction* has been described as a consumer’s post evaluation of a purchased product or service, given pre-purchase expectations (Kotler, 1991). Striving for customer satisfaction is no different than good marketing. By “marketing” is not means only the Four Ps but rather marketing in the classic sense of being customer oriented and market driven. Attempting to find out what customers want and then trying to deliver the same may be seen as striving for customer satisfaction or simply doing good marketing.

Today’s most successful companies are raising consumer expectations and delivering quality performance to match. These companies are aiming for TCS—Total Customer Satisfaction. The challenge is to create a company culture such that everyone within the company aims to delight the customer. The company’s staff must be trained to practise a strong customer orientation.

For customer-centered companies, customer satisfaction is both a goal and a marketing tool. First, the company can increase customer satisfaction by lowering its price or increasing its services. Second, the company might be able to increase its profitability in other ways such as improving its manufacturing or investing more in R&D. Third, the company must operate on the philosophy that it is trying to deliver a high level of customer satisfaction subject to delivering at least acceptable levels of satisfaction to the stakeholders, within the constraints of its total resources. With the advance of information technology and the Internet, businesses now are using the Internet as a marketing tool to enhance customer satisfaction by providing value added services.

**Internet Marketing — Are the Customers satisfied?**

In the beginning, electronic marketing and electronic commerce was all about the Web site. At that point, it was a novelty to buy on the Web, and expectations were low. Today, however, the scene is completely changed. The percentage of businesses offering online shopping is expected to double each year and millions of individuals world-wide are riding on the wave of the future by shopping through the Internet. The pressure is mounting on these Internet businesses to satisfy this new segment of customers. Not everyone is satisfied with the experience. According to a poll conducted by the Boston Consulting Group, 28% of online purchasing attempts fail. Buyers either leave the e-store or abandon their shopping carts before completing the purchase. In another research study by Anderson Consulting, 40% of Internet shoppers in the United States reported problems with online stores in the pre-Christmas rush. The problems encountered were stock shortage (64%), delivery problems (40%), excessively high delivery charge (38%), and trouble in connecting to or downloading from a Web site (36%).

Despite high shopping cart abandonment rates (88%) and various problems of shopping online (40%), Andersen discovered that most customers were satisfied overall with their experience of shopping online. Internet shopping earned a 73% satisfaction rate, compared with 60% for brick and mortar stores, and 56% for catalog shopping.

In that study, ninety-six percent of experienced Internet users reported that they will use the Web to purchase products, and 72% said they will use the Internet for day-to-day shopping in 2001.

In another study by Goldman Sachs and PC Data Online, 95.6% of respondents said their shopping experience met, exceeded or significantly exceeded their expectations. A majority of respondents (97%) said they had planned to buy online again. More than half of the respondents to the survey (51.6%) said their
items of choice were out of stock. Of those, 42.2% said they never purchased a different item. Most respondents (68%) said they did not use online customer service. More than a quarter (27.7%) of people surveyed said their experience with online customer service was negative, and 48.2% said it was positive.

In another study conducted by Satisfy.com, a survey of 10,000 Internet customers found that only 36% are satisfied with their online interactions and that more than half of the transactions require a phone call or other offline interaction to resolve. The study also showed that online customers generally have higher service expectations. The survey’s findings are in sharp contrast to previous studies that indicated that Web businesses generally have met online shoppers’ expectations. The contrast is attributable to the different approaches taken by dot-com companies and traditional businesses that go to the Web. The findings revealed that businesses on the Web required more than just a pretty Web site and an e-mail address URLs because people who use this technology expected it to work, otherwise, it could be frustrating.

The online customer satisfaction field, like the rest of the dot-com industry, is far from mature, and new initiative are being tried all the time. But some of the techniques that shopping Web sites are trying now include virtual personal advisers, interactivity as an ongoing source of market research and some bells and whistles such as digital receipts. Above all else, the e-business must be concerned with their customers entire buying experience.

Internet Marketing and the Customer-centric Relationship

The ability of the Internet to market directly to the individual results in a customer-controlled or customer-centric relationship between buyer and seller. The consumer now controls pricing more immediately and more directly than ever before. The Gartner Group, one of the leading information technology advisors to business professionals, states: “Mass-marketing and micro-marketing paradigms are being augmented by new customer-centric relationship marketing strategies.”

In its 1996 Interactive Marketing Strategies Analysis Report the Gartner Group states the following trends are all negatively impacting traditional marketing:

- Less product differentiation
- Increasing competition
- Rising consumer expectations
- Splintering mass markets
- Diminishing effectiveness of mass media
- Heightened consumer privacy and security concerns

These trends do not mean that traditional marketing will disappear, but that it must be supplemented by new relationship-oriented strategies that interactive marketing enables. Every organizational process and function must become closer to the customer and be defined by how it adds value to the customer relationship. The Gartner report further states that with the diminishing return from traditional marketing and the increase in the complexity of information management and the marketing process, automation will be essential for survival.

Ways to Enhance Customer Satisfaction in Internet Marketing

- Make your company easy to find online
- Keep your site navigation simple and clear
- Apply customer relationship management strategies
- Give your customers a reason to visit your site
- Make your site visually appealing
- Offer a menu of communications options
- Answer your e-mail promptly and professionally
- Efficient delivery system
- Payment security

METHOD AND PROCEDURES

Methods and procedures used in this study are presented under the following headings: Research Design, Measurement and Instrument, Population and Sample, Data Collection, and Analysis of Data.

The present study was exploratory in nature. Since the research problem calls for the collection of factual data on consumer perceptions, it was decided to get the required information through a questionnaire. The questionnaire was designed to be self-administered. Questionnaire is divided into two components namely personal information, Internet usage information and perception about
the internet usage. The consumer opinions about the internet was collected using LIKERT five-point scale.

The survey covers the internet users drawn from Klang Valley of Malaysia. The sample size was fixed at 300 to ensure a minimum response of at least 200. The respondents were selected using two stage stratified random sampling technique. Service providers were used as a cluster for the first stage of selection of sample. The second stage of strafication was done by giving due weightage to diverse personal variable groups. Of the 300 questionnaires were mailed but the only 210 completed questionaires could be collected from the responded of which as many as 10 questionairs contained incomplete information and had to discarded. The internet consistency check was carried out for almost all the complete responses. The effective sample of 200 was taken for the final analysis. A detailed profile of the respondents is given in Table 1.

**SUMMARY OF FINDINGS**

The majority of the respondents (68%) fall in the age group between 20 to 39 years. They have

**DATA ANALYSIS**

<table>
<thead>
<tr>
<th>Internet marketing is important because it provide global access and 24 hours availability.</th>
<th>The means for Question 1 is high (4.02 on a 5-point scale). This shows that global access and 24-hour availability are important feature of Internet marketing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shopping and buying online is more convenient than traditional marketing.</td>
<td>The means for Question 2 is 3.54 on a 5-point scale. This shows that the respondents agree that buying online is more convenience.</td>
</tr>
<tr>
<td>Internet marketing is more fun than traditional marketing.</td>
<td>Question 3 has the mean of 3.5 on a 5-point scale. This shows that the respondents are unsure whether shopping online is fun.</td>
</tr>
<tr>
<td>Price of goods bought through the Internet is cheaper.</td>
<td>The means for Question 4 is 3.17 on a 5-point scale. This shows that the respondents are of the opinion that prices of good online may or may not be cheap.</td>
</tr>
<tr>
<td>Internet marketing provides better and wider selection.</td>
<td>The means for Question 5 is 3.67 on a 5-point scale. This shows that the respondents feel that Internet marketing can provide better and wider selection.</td>
</tr>
<tr>
<td>Internet marketing provides the expected quality of goods and services.</td>
<td>The means for Question 6 is 2.99 on a 5-point scale. This shows that the respondents are doubtful about the quality of product purchased online.</td>
</tr>
<tr>
<td>Payment through Internet is safe and secure with present technology.</td>
<td>The means for Question 7 is 2.43 on a 5-point scale. This expresses the lack of confidence in payment security online.</td>
</tr>
<tr>
<td>Buying online saves time ( fast order processing etc).</td>
<td>The means for Question 8 is 3.49 on a 5-point scale. This reflects uncertainty in term of time saved in buying online.</td>
</tr>
<tr>
<td>Internet marketing provides instant gratification just like traditional marketing.</td>
<td>Respondents are unsure as to whether Internet marketing gives instant gratification (2.95 on a 5-point scale)</td>
</tr>
<tr>
<td>Internet marketing provides in-depth, up-to-date product information.</td>
<td>The respondents clearly agree that they can obtain in-depth and up-to-date product information through Internet marketing (3.95 on a 5-point scale).</td>
</tr>
<tr>
<td>Internet marketing able to deliver special services such as personal notification services (send birthday card, information of latest product).</td>
<td>The respondents agree the special services can be delivered through Internet Marketing (3.64 on a 5-point scale).</td>
</tr>
<tr>
<td>A customer can receive similar personal attention in Internet marketing as in traditional marketing.</td>
<td>The respondents are uncertain that they can receive personal attention as much as traditional marketing (2.84 on a 5-point scale).</td>
</tr>
<tr>
<td>Overall, Internet marketing gives more satisfaction than traditional marketing.</td>
<td>The respondents show their doubt whether Internet marketing brings more satisfaction than traditional marketing (3.26 on a 5-point scale).</td>
</tr>
</tbody>
</table>
Table 1: Personal profile and general information of respondents

<table>
<thead>
<tr>
<th>Personal Profile/General Information</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Age</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt;20</td>
<td>16</td>
<td>8.0</td>
</tr>
<tr>
<td>20-29</td>
<td>66</td>
<td>33.0</td>
</tr>
<tr>
<td>30-39</td>
<td>70</td>
<td>35.0</td>
</tr>
<tr>
<td>10-49</td>
<td>39</td>
<td>19.5</td>
</tr>
<tr>
<td>&gt;50</td>
<td>9</td>
<td>4.5</td>
</tr>
<tr>
<td><strong>Gender</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>112</td>
<td>56.0</td>
</tr>
<tr>
<td>Female</td>
<td>88</td>
<td>44.0</td>
</tr>
<tr>
<td><strong>Race</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chinese</td>
<td>124</td>
<td>62.0</td>
</tr>
<tr>
<td>Malay</td>
<td>49</td>
<td>24.5</td>
</tr>
<tr>
<td>India</td>
<td>23</td>
<td>11.5</td>
</tr>
<tr>
<td>Others</td>
<td>4</td>
<td>2.0</td>
</tr>
<tr>
<td><strong>Income Level (RM)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt;1500</td>
<td>36</td>
<td>18.0</td>
</tr>
<tr>
<td>1500-5000</td>
<td>135</td>
<td>67.5</td>
</tr>
<tr>
<td>&gt;5000</td>
<td>29</td>
<td>14.5</td>
</tr>
<tr>
<td><strong>Educational Level</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SPM/STPM or lower</td>
<td>46</td>
<td>23.0</td>
</tr>
<tr>
<td>Certificate/Diploma</td>
<td>63</td>
<td>31.5</td>
</tr>
<tr>
<td>Basic Degree/Master/PhD</td>
<td>91</td>
<td>45.5</td>
</tr>
<tr>
<td><strong>Frequency Access</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Once per week</td>
<td>52</td>
<td>36.0</td>
</tr>
<tr>
<td>2-10 times per week</td>
<td>97</td>
<td>48.5</td>
</tr>
<tr>
<td>&gt;10 times per week</td>
<td>51</td>
<td>25.5</td>
</tr>
<tr>
<td><strong>ISP Subscribe</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jaring</td>
<td>68</td>
<td>45.3</td>
</tr>
<tr>
<td>Tmnet</td>
<td>76</td>
<td>50.7</td>
</tr>
<tr>
<td>Maxis</td>
<td>6</td>
<td>4.0</td>
</tr>
</tbody>
</table>

An almost equal distribution of male and female. Chinese (62%) form the largest ethnic groups, followed by Malays (24.5%), and Indians (11.5%). More than 2/3 of the respondents earns an income of between RM 1,500 to RM 5,000. About 3 / 4 of them have high educational background of Certificate/Diploma level and above. 75% as opposed to 25% of the respondents reported access to the Internet with about half of them surf the Net between 2-10 times a week. An almost equal number of those with Internet access subscribe to Jaring and TMNet ISP. Only 4% indicate subscription to the new Maxis ISP.

DISCUSSION

In this study, the respondents were of the opinion that the global access and 24-hour availability features of Internet marketing were important factors in enhancing customer satisfaction. It is common knowledge among Internet users that one of the most powerful functions of the Internet is its global reach. And information in the Net is accessible from anywhere in the world today. Having able to make a purchase online without the need to travel out of one’s own country is definitely beneficial to the customers. In addition, there is no time delay when purchased online as the transaction is in real time.

Like most ordinary people everywhere in the world, Malaysians are concerned with the security of payments made through the Internet. Consumers are reluctant in giving their credit card information through the cyberspace for fear that it may fall into the wrong hand of people they have never even met. Although this risk is more perceived than real, there is still not enough being done by parties involved to address this issue and to educate the consumers.

In general, the respondents thought that it was convenient to buy online. In Internet marketing, a customer can buy a product(s) without having to leave the home or office. Moreover, it can be done at any time of the day. The customer can choose from one Web site to another by just clicking on the computer, and transaction is done with a few simple steps. All these conveniences have improved customer satisfaction when compared to traditional marketing.

The respondents in this study also agreed that there was a wider selection and greater choices in Internet marketing. Besides being able to browse from one Web site to another, each Web site often offers wide choices because in cyberspace, space for storage and display is never a problem. Hence, a customer is able to view large numbers of the products. In the brick-and-mortar stores, the number and range of products in each store is limited by physical space. Again, the wider selection and greater choice available to the consumers in Internet marketing enhance the customer satisfaction.

Another benefit of Internet marketing agreed upon by the respondents is product information. Today, customers want to know what they are buying when faced with large array of products. In traditional marketing, not every salesperson is knowledgeable about the products they are selling. This can be a sore point to many a customer who demands some information on the product. Training of salespersons in product knowledge proves to be a difficult task. In
Internet marketing, detailed product information can easily be included. It can also be updated regularly on the latest development in the product. It is a cheaper and more effective way than training of sales personnel. The in-depth product information in Internet marketing will certainly enhance customer satisfaction, especially for sophisticated products. Price watch maintains a database of deals and low price offerings for a wide range of products and services. Users can brow or search. The system sorts item by price and gives a description of each item with more details available on request and links to the stores selling the products.

The respondents agreed that Internet marketing was able to deliver special services to its customers to enhance satisfaction. For example, subscribing to Yahoo web-site, one could expect to receive birthday wishes, anniversary wishes and reminders of important dates/birthdays and you will be addressed by your name. Many customers may feel more comfortable buying online because they can avoid judgemental sellers who have biased treatment of customers based on their own personal values. Over the Net, customers are addressed or served without bias of their social standing.

One obvious finding in our study is that Malaysians are still unaware of the many benefits Internet marketing brings to the customers in enhancing their buying satisfaction. Despite the relatively high educational level and a very high Internet access rate of our respondents, their knowledge of e-commerce and Internet marketing was probably poor as reflected in the responses given. Most of them were unsure of the benefits suggested in the questionnaire. The high percentage of Internet access among our respondents can be explained by the types of respondents selected. The majority of them were of high educational and middle-to-high income level. Further study may be able to conclude that Malaysians today mainly use the Internet for functions such as information search, entertainment, e-mail, rather than for online purchase. However, the exact proportion of people having had experience buying online is not known because this was not specifically asked in our questionnaire.

CONCLUSION

Malaysians have not yet fully appreciated the benefits of Internet marketing in bringing increased customer satisfaction. However, this study indicated that there was a positive trend of increasing awareness of the benefits of Internet marketing. Some of them such as global access & 24-hour availability of the Internet, convenience, more product information, and special services available in the Internet were recognised as ways of enhancing customer satisfaction. One significant obstacle expressed by our respondents was the fear of payment security over the Internet.

Therefore, the opinion that the Internet Marketing brings increased customer satisfaction, increased sales and profitability to a business organisation. However, for Internet marketing to be successful in Malaysia, consumers must be made to understand the various benefits Internet marketing bring in enhancing customer satisfaction. Efforts must be stepped up to educate and promote e-commerce among the people and businesses. In particular, the issue of payment security must be addressed to allay fear of the consumers and to encourage online purchase.

REFERENCES

__. 2000. “It’s Time to Slay the Cookie Monster”. Internetweek, 797(1).


