

## CHAPTER 2

### LITERATURE REVIEW

This chapter will be covering few theories that are utilized as the fundamental to support the detail explanation of all variables stated by the researcher. Moreover, the researcher also explaining regarding all the variables includes trust, perceived benefits, perceived app quality, *electronic* word-of-mouth (eWOM), trust, as well as attitudes of consumer towards online shopping. Lastly, the researcher has provided the hypothesis development that followed with theoretical framework at the end of this chapter.

#### 2.1. Theoretical Foundation

##### 2.1.1. Perceived App Quality

A numerous researchers have defines app from various perspectives. Hsu & Lin (2015) stated that originally, “app” limited to software for common productivity and to retrieve information, that includes electronic mail, calendar and contact management, and weather information. However, due to people’s surge and wider developer tools are available trigerring the expansion that include other categories of apps such as mobile games, electronic books, utilities, social networking platforms which includes social media and instant messaging that providing access to information on business, finance, lifestyle and entertainment, in this case can be refers to e-commerce (Hsu & Lin, 2015).

Recently, many brands allowed consumers to shop through application as it had been well-developed that suitable in mobile devices such as mobile phone, tablet, laptop, as well as computer. In accordance to Wasserman (2010) stated that perceived app quality can be defined as the result of users’ own experience from running the apps on various mobile devices which can be measured by the application attribute such as easiness of the application and the complexity of user experience (UX) performed. Petter, Delone & McLean (2008), defined system quality as the desirable characteristics of an information system. In this case, perceived app quality also defined as the characteristic of an online shopping application that desired and perceived by the users, which refers to millennials as the consumers (Al-Debei,

Akroush & Ashouri, 2015). The previous study also tested that the desirable characteristic also capturing the app quality issues that reflected from the app can run smoothly on the smartphone or other mobile devices, whether it fast to respond the users' inputs, and could deliver the utility in a reliable behavior (Xu, Peak, & Prybutok, 2015).

Wixom & Todd (as cited in Xu, Peak & Prybutok, 2015) argued that the desirable system quality of app should be useful as it enable consumers to receive several features which includes reliability, responsiveness, and intergration, where these components led to easiness of application that utilized by the users. Thus, it confirming that the perceived app quality reflects the users' experience on quality of the app on a particular mobile device, which affected by the easiness and usefulness of the application as well as complexity of the user interface and the user experience (Noei, Syer, Zou, Hassan & Keivanloo, 2017; Wasserman, 2010; Xu, Peak & Prybutok, 2015). Hence, the consumers able to gain perceived app quality as they experience the high quality of application utilized during online shopping period.

### **2.1.2. *Electronic Word-of-Mouth (eWOM)***

The researcher in this part will referring Word-of-Mouth to WOM and *electronic* Word-of-Mouth to eWOM. Word-of-Mouth has defined as non-formal conversation that also includes recommendation from previous consumers that have utilized the product or services as well as potential consumers towards the product and/or services offered by the store (Karlíček, Tomek & Křížek, 2010). Numerous researcher have conducted a study that identify WOM play a key role towards business sustainability since consumer-to-consumer communication in the context of WOM have a strong and high credibility that could influence the consumers behavior (Gupta & Harris, 2010). Unexceptionally, also applied to eWOM that concepting WOM through internet, also play a crucial role as a source of information when consumers are going to shop (Yoo, Sanders & Moon, 2013).

In accordance to Hennig-Thurau, Gwinner, Walsh & Gremler, (as cited in López & Sicilia, 2014) defined eWOM as positive or negative statement made by potential, actual or former customers towards product or services performed by company, which is available and accessible to people and organizations through internet. Hennig-Thurau, Gwinner, Walsh & Gremler (as cited in López & Sicilia, 2014) also argued that in this era, consumers had exposed to eWOM through emergence of web sites,

blogs, forum or chatroom, as well as through email. Therefore, eWOM impact toward consumers is huge as it capable to exceed the impact of marketing effort (Karlíček, Tomek & Křížek, 2010). Therefore, it conclude that recommendation from previous consumers that have utilized the product or service that have a strong and high credibility that could influence the consumers' behavior. (Karlíček, Tomek & Křížek, 2010; Gupta & Harris, 2010)

### **2.1.3. Perceived Benefits**

According to Wu (as cited in Hsu & Bayarsaikhan, 2012) define perceived benefits as the completion of consumers' needs or wants through online shopping advantages or satisfactions. In accordance to Bolton, Kannan & Bramlett (as cited in Mimouni-Chaabane & Volle, 2010) argued that benefits perceived by consumers strongly support the reason of consumers involve in loyalty programs whereas including the ads, which the benefits encourage loyalty and strengthen the relationship with the market practitioners. The reason of consumers involve in online shop is determined in four dimensions emerged that include convenience, product selection, ease/comfort shopping, as well as hedonic/enjoyment behavior (Forsythe, Liu, Shannon & Gardner, 2006).

According to Berry, Seiders and Grewal (as cited in Terblanche & Taljaard, 2018) capturing convenience as time and effort spent by consumers, which influence perceptions related to buying or using the goods and/or services. Following the convenience where it led to product selection, product selection defined as significant and crucial decision-making process in order to select the best-fit product to meet the organizational strategic objectives, in this context the consumers to fulfill their needs and wants (Bhaskar, 2015). Necessarily, the brands' application should offers a wider range of benefits for consumers, such as easy availability of information, in-depth search, intelligent products' comparisons, quick, convenient and inexpensive evaluation of the offerings of various retailers, where referring to product selection (Bagdoniene & Zemblyte, 2009). Lastly according to Forsythe, Liu, Shannon, & Gardner (2006) stated that hedonic/enjoyment was defined as to do with the fun and excitement experience by trying new experiences, customization on products' design, and so forth (Hsu & Bayarsaikhan, 2012). Hence, consumers will find for an excitement experience in shopping through application.

#### 2.1.4. Trust

Essentially, consumers simply do not trust most web or application providers enough to engage and exchange relationship with the brands or market practitioners (Hoffman, Novak, & Peralta, 2004). One of the problem that often occurred to consumers is to clicking “purchase” button when they have found the goods demanded, due to lack of faith or trust that exists among most businesses and consumers on the application (Grabner-Kraeuter, 2002). Moreover, Grabner-Kraeuter (2002) also argued that trust became significant long-term barrier to expose the potential of e-commerce toward consumers. In accordance to David (as cited in Aljazzaf, Perry & Capretz, 2010) define trust as both an emotional and logical act. Emotionally, it is occurred when a party expose the vulnerabilities to other party, but believe they will not take advantage of the openness. By the logical, it is where a party have assessed the probabilities of gain and loss, calculating expected utility based on hard performance data or previous action taken, and take a conclusion that the other party in question will behave in a predictable manner.

Jarvenpaa (2000) stated that trust is a feeling from consumers directly toward the store, or considering that the store is trustworthy. Moreover, Berry & Parasuraman (1991) argued that most of the consumers generally purchase product after gaining the trust. Referring to the online shopping, trust that built within the consumers, are affected by several factors such as security issues, dependability, as well as competence (Kini & Choobineh, n.d.). Therefore, by concerning the security issues to enable consumers to sell and/or buy goods within the application platform, increasing the dependability to compete in the market should be concerned by the market practitioners in order to build consumers’ trust toward the brand. In addition, trust has recognized to play a crucial role in buying processes where consumers deeply look for experience and credence qualities of goods or services (Grabner-Kraeuter, 2002).

According to Gefen (2003) stated that trust should have going aligned with e-commerce, since the main interface of e-commerce is a website or in this research is an application, as well as the consumers does not physically recognize or at least see an appearance of the sellers as occurred in the case of traditional shopping case. Thus, the influence of trust in online shop is extremely necessary and supposed to be concerned by many market practitioners (Gefen & Straub, 2003).

### 2.1.5. Attitudes towards Online Shopping

Ajzen (1991) conceptualized attitude as “a disposition to respond favorably or unfavorably to an object, person, institution or event or to any other discriminable aspect of the individual's world”. In the context of online shop industry, Schiffman & Kanuk (as cited in Hsu & Bayarsaikhan, 2012) define attitude as a predisposition to act in a consistent favorable or unfavorable way toward products, services, as well as method of conducting commerce. Therefore, learning consumers’ attitudes within online shopping enable market practitioners to forecast the online shopping rate and evaluate the future growth of online shopping (Wu, 2003). Moreover, the attitudes also described and analyzed using the technology acceptance model (TAM) as will be explained in this sub-chapter as well.

Accordingly, to Ma & Liu (2005), Davis (1989) for the first time proposed the technology acceptance model (TAM) which explain the potential user’s acceptance behavior or adoption, toward new information system (IS) or new information technology (IT) that developed from theory of reasoned action (TRA) (Fishbein & Azjen, 1975). Brief explanation, this theory assume the user acceptance behavior toward technology is influenced by perceived benefits that can be branched into 2 including perceived usefulness (U) as well as perceived easy of useness (E). These two branch of perceived benefits extremely determine the attitudes of using (A), shown as Figure 2.1 below (Ma & Liu, 2005).

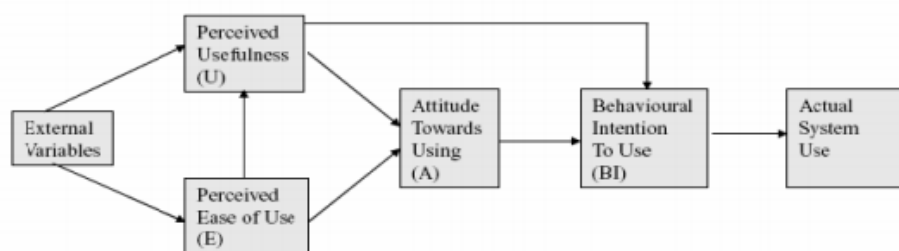


Figure 2. 1. Technology Acceptance Model

Sources: Davis (1989) as cited in Hsu, Bayarsaikhan, 2012

Referring to Figure 2.1, according to Davis (as cited in Hsu & Bayarsaikhan, 2012) showcases perceived benefits which branched into perceived usefulness (U) and perceive ease of use (E) highly influence toward attitude towards using (A), whereas encourage the behavioural intention to use (BI), and finally impacting on actual system of use. In addition, Jarvenpaa & Todd (1997) argued that perceived benefits of online

shopping positively correlated with consumers' attitudes and intention toward online shopping.

## **2.2. Construction of Hypotheses**

In accordance to Delafrooz, Paim & Khatibi (2009) there are two categories within benefits, including extrinsic and intrinsic benefits. Perceived extrinsic benefits include several aspects that include features such as wide selection of product, competitive pricing, convenient access of information, as well as low searching cost. Meanwhile, the intrinsic benefits were referring to features such as design and color (Shang, Chen & Shen, 2005). The benefits that perceived by the online consumers experience that includes every point of contact (social media, website, and application) chosen by consumers to interact with the brand (Bilgihan, Kandampully & Zhang, 2016). Based on statement before, it is known that perceived app quality is influencing toward the perceived benefits where helps the researcher to conclude that,

### **H1. There is positive relationship between online shopping app quality toward perceived benefits**

Liang et al. (as cited in Wang, Tseng, Wang, Shih, & Chan. 2018) stated that there was indication where *electronic* word of mouth (eWOM) is a crucial factor that drive the sales and success of the application. Previous study Al-Debei, Akroush & Ashouri (2015) argued that if consumers perceive the quality of an online shopping platform, in the research context referring to application, to be high in terms of design, navigation, and search facilities, then consumers would be more encouraged to post positive eWOM comments. Thus, the hypothesis will be as follow,

### **H2. There is positive relationship between online shopping app quality toward positive eWOM**

In accordance to Wixom & Todd (as cited in Xu, Peak & Prybutok, 2015) argued that the consumers supposed to experience several features which includes reliability, responsiveness, and integration. Qureshi (as cited in Wang & Lin, 2016) argued that the researchers express about the platform quality which refers to application quality perceived by the consumers, became an essential predictor of online consumers trust. Hence,

**H3. There is positive relationship between online shopping app quality toward consumers' trust**

Al-Debei, Akroush & Ashouri (2015) assume that if an online shopping app provides a high usability and interactivity elements, consumers would have more positive and favorable attitudes toward the application. In accordance to Davis; Flavia'n, Guinali'u & Gurrea (as cited in Casaló, Flavián & Guinaliú. 2008) stated that the concept of usability referring to the effort required to use a computer system whereas commonly associated to ease-of-use of a an application in which important toward the development of electronic commerce or online shopping. Indeed, in accordance to Venkatesh (as cited in Im & Hancer, 2016) stated that consumers tend to possess a favorable attitude and behavioral intention when the new system or technology in this context of application, is easier to use and is expected to bring better performance. Thus, the researcher assume that,

**H4. There is positive relationship between online shopping app quality toward positive and favorable attitudes**

In accordance to Brengman & Karimov (as cited in Zainal, Harun & Lily (2017) stated that trust act as key role in the online environment, as there is an unidentified identity, distress in evaluating intangible products prior to consumption as well as a deficient of consumer protection. Therefore, people strongly rely on eWOM to make informed and final decision especially in online shopping (Zainal, Harun & Lily, 2017). In recent era, consumers gain an ability to advocate brands and social cause by conducting a eWOM activity (Labrecque, vor dem Esche, Mathwick, Novak & Hofacker, 2013; Jensen Schau & Gilly, 2003). Lastly, past research by Abubakar (2016) has shown that eWOM has a positive relation toward trust. Therefore,

**H5. There is positive relationship between eWOM toward level of trust in online shopping apps**

There are numerous study have identify that functional characteristics of mobile services, such as flexibility and convenience, perceived quality of mobile app as well as emotional influences, positively influence perception of enjoyment or in this term corellated to favorable attitudes (Childers, Carr, Peck & Carson, 2002; Ha & Stoel, 2009; Im & Hancer, 2016). Moreover, prior study also argued that consumers that

consider using mobile app was enjoyable as one of the emerging perceived benefits dimension, consumers would find it to be more useful (Im & Hancer, 2016; Forsythe, Liu, Shannon & Gardner, 2006). Hence,

**H6. There is positive relationship between greater perceived benefits related to an online shopping app toward more favorable attitudes**

In accordance to Lien & Cao (2014) stated that trust is an essential variable that recognized to play a role of determinant toward consumer attitudes (Shih, Lai & Cheng, 2013; Shin, 2010; Suh & Han, 2003). There are number of factors that shape consumer attitudes, depending on trust as a basis of consumers-vendor relationship in the context of online shopping (Salam, Iyer, Palvia & Singh, 2005). Moreover, prior study have tested that perception of trust appeared to affecting on consumers' attitudes and behavior (Garretson & Niedrich, 2004). Thus, the researcher assume that

**H7. There is positive relationship between level of trust toward positive attitude to online shopping apps**

Table 2. 1. List of Hypothesis

Hypothesis	Description
H1	There is positive relationship between online shopping app quality toward perceived benefits
H2	There is positive relationship between online shopping app quality toward positive eWOM
H3	There is positive relationship between online shopping app quality toward consumers' trust
H4	There is positive relationship between online shopping app quality toward positive and favorable attitudes
H5	There is positive relationship between eWOM toward level of trust in online shopping apps
H6	There is positive relationship between greater perceived benefits related to an online shopping app toward more favorable attitudes
H7	There is positive relationship between level of trust toward positive attitude to online shopping

### 2.3. Theoretical Framework

The theoretical framework was adopted from the previous study that conducted by Al-Debei, Akroush, Ashouri, (2015), with some adjustment on one variable from perceived web quality that changed into perceived app quality. Hence, referring to the



hypothesis development earlier with the adjustment on variable, the theoretical framework was illustrated as seen on Figure 2.2 below:

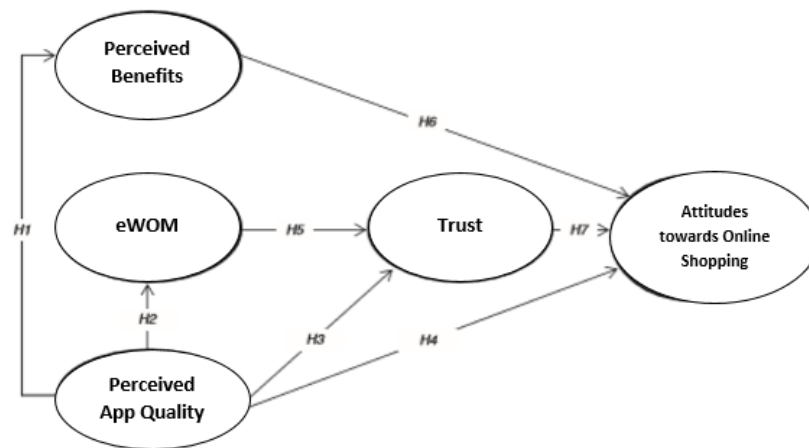


Figure 2. 2. Theoretical Framework