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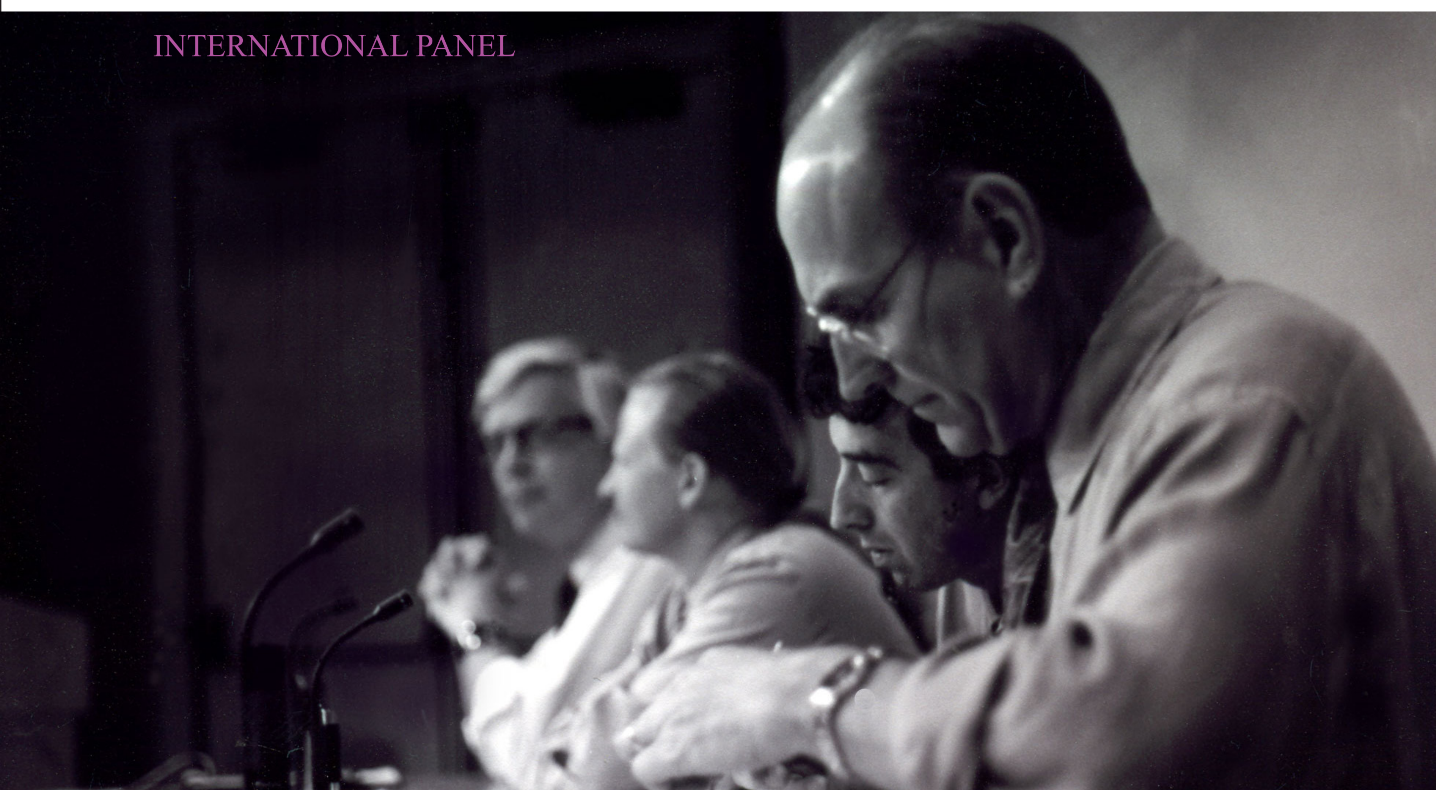
Editorial Board



Editorial Comment

Academic research-based writings are essentially explanatory attempts to articulate the relationship between thought and the reality of the social and the physical world. Scientific methods of inquiry are preferred approaches, around the estimation of forms of correlations, levels of probabilities and assumptions of mirror-like representations. Since correlations are not necessarily causations, probabilities can only point to possibilities, not realities, and representations are always metaphoric, academic writing incorporates/becomes an exercise in narrative art – between the subjective and the objective, between what is observed and the observer.

The articles in this issue reflect and narrate the diversity of some current interests in the areas of business management and leadership. These range from Irene Barkby's and Alan Reeves' research on the effectiveness of strategic alliances/networks in the area of public health care; Zwen Chua's correlational studies on IT outsourcing; Willard Tan's exploration of the wine industry in Singapore and Huynh Tuan Hung's and William Lee's study of the 21st century phenomenon of online shopping.

As we mull over the content of published articles in academic journals in general, the following comment by Hans-Georg Gadamer, (Truth and Method, 1990) bears reflection:

… "Always the meaning of a text goes beyond its author. That is why understanding is not merely a reproductive, but always a productive, activity as well. There is a very thin line between a creative act and a work of fiction".

Thus, each published article is this issue creates room for interpretive flexibility, for an on-going conversation to ascertain what is robust and credible and how the thought and the reality interact. A healthy dose of skepticism will keep the discourse going and the search for truth and knowledge a never-ending journey. Readers are invited to address their areas of interest by writing directly to the authors, via their email addresses.

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"Boards and Managers.. do not own the business but sell their skills to act on behalf of the owners, and do not produce personally but are indispensible in making others produce through motivation."

– Cultural constraints in management theories. New management reader. Routledge, Open University, 1996

Stakeholder Influencing Capabilities in Strategic Alliances and Networks in NHS Scotland: A Study of NHS National Services Scotland and Health Board Chief Executives

Irene Barkby
Director of Nursing, Strategy and Planning
NHS National Services Scotland
Executive MBA
University of the West of Scotland, United Kingdom

Dr Alan Reeves
Visiting Research Fellow
University of the West of Scotland Business School
PhD Economics
Council for National Academic Awards, United Kingdom

Abstract

This paper explores the influencing capabilities of a very powerful group of stakeholders in the National Health Service Scotland - health board chief executives. At the heart of NHS Scotland is National Services Scotland (NSS) which coordinates national services for the health boards. Accountable to the Scottish Government, NSS provides national strategic support services and expert advice to NHS Scotland. This supporting role sees NSS working closely with partner organisations especially the NHS territorial and national (sometimes referred to as special) health boards to deliver services. High expectations are placed on NSS by its major stakeholders (the health boards) to improve services. Alliances and networks have been set up and supported by NSS to improve the efficiency and effectiveness of NHS Scotland. Health board chief executives are the most powerful stakeholders and the paper asks whether their level of influencing capability on decisions made by NSS is improved by the existence of alliances and networks. The views of chief executives were obtained from telephone interviews using interviewer-administered questionnaires and by conducting face-to-face semi-structured interviews. The findings uncovered a range of issues including lack of awareness and effectiveness of strategic alliances/networks set up by NSS within NHS Scotland and lack of knowledge of the roles and functions of NSS. The need to support and enhance the alliances and networks is considered by the NSS Board to be necessary to bring about continued improvements in health care delivery in Scotland.

Keywords: Strategic Alliances/Networks, Influencing Capabilities, Powerful Stakeholders, Chief Executives, NHS National Services Scotland

Background

The National Health Service in Scotland employs some 132,000 people, more than 5 per cent of the workforce in Scotland. It is part of the UK system of publicly-provided health care with each of the four countries of the UK having its own health body. Within NHS Scotland is an important body known as National Services Scotland (NSS). It was previously known as the Common Services Agency and the name gives a clue to its functions as a central service provider. It legally still retains this title but is known generally by NSS for branding purposes and public ease of understanding. Accountable to the Scottish Government, NSS works at the very heart of the health service, providing national strategic support services and expert advice to NHS Scotland (NHS National Services Scotland, 2012). This supporting role sees NSS working closely with partner organisations especially the NHS territorial and national (special) boards to deliver services. NSS holds a unique role in NHS Scotland as the organisation that both provides and co-ordinates national services to deliver benefits to all the other health boards. There are therefore high expectations placed on NSS by its stakeholders (the health boards) to improve health services.

Given the pivotal role of NSS, an important aspect of its work is the formation of strategic alliances and networks to improve effectiveness and efficiency. Within NHS Scotland, strategic alliances are formed when boards come together to deal with various issues. One example is a managed clinical network in risk sharing. Where patients require very costly drug treatments, smaller boards may not have the funds to pay for them and NSS is mandated by the Scottish Government to ask each board to contribute according to its size, and it manages the fund so that all patients can benefit irrespective of where in Scotland they live. (Somewhat oddly, NSS is mandated to provide services but the health boards are not legally obliged to use them though they are frequently guided or instructed to use them by the Scottish Government). Networks are less formal and may be regular meetings of chief executives, planning directors or junior colleagues. Networks are thus multi-layered, working at every level of the organisation.

This paper reports the results of a study into the effects of strategic alliances and networks on the influencing capabilities of NSS's most powerful stakeholders, the chief executives of NHS Scotland's health boards, on the services provided by NSS. It is part of a much larger study of stakeholders in NHS Scotland undertaken by the authors. Organisations like NSS need to understand its stakeholders' thinking and not just assume that it is "...at the centre of universe with stakeholders revolving round it" Lozano (2005:p60). It is also equally important that organisations consider the influencing capabilities of their stakeholders, particularly when one such as NSS is so inextricably linked with powerful stakeholders operating in and across NHS Scotland.

Organisational Context

NHS Scotland is made up of 14 territorial health boards, each responsible for all hospital, primary care and public health services in their local areas. They are supported by eight national, sometimes called special, health boards, NSS being one of these boards. NSS has a unique and very wide role as a non-departmental public body in its support of the other boards. The 14 territorial health board populations are shown in Table 1.

Table 1: Population Estimates of the Territorial Health Boards 2011

Ayrshire & Arran	366,890
Borders	113,150
Dumfries & Galloway	148,060
Fife	367,292
Forth Valley	295,541
Grampian	555,280
Greater Glasgow & Clyde	1,210,254
Highland	311,960
Lanarkshire	563,185
Lothian	848,727
Orkney	20,160
Shetland	22,500
Tayside	405,721
Western Isles	26,080

(Source: General Register Office for Scotland (2012) Mid-Year Population Estimates)

It is clear from Table 1 that most of the population of Scotland is in the central belt where the big boards are situated and that there are very large differences in the population coverage of the boards with the three island boards each serving under 30,000 people while the large boards in the central belt serve more than half a million people; and even the smallest non-island boards serve over 100,000 people. The eight national (special) health boards cover specialist areas such as health education, training, ambulances and blood transfusions.

NSS employs approximately 3,500 staff providing both health and business support services from 24 locations across Scotland. The Health Support Service teams work with NHS boards to help them deliver the best possible front-line services. Through Business Support services, NSS provides expert advice and coordination to help other boards manage their business in the most efficient way. This is because NSS has unique functions such as counter fraud, payments and probity, legal services, blood management and a number of highly skilled staff not present in the other boards. These services touch almost every area of healthcare across Scotland. NSS Health Support Services include the national blood transfusion service, the provision of expert advice on healthcare environment and equipment, screening programmes; monitoring of hazards, and data analysis to aid decision making. NSS Business Support Services include using the combined buying power of NHS Scotland to get the best value on purchased goods, services and technology, fraud prevention, information management systems; ensuring that patients get optimal care from GPs, dentists, opticians and pharmacists and legal services.

Stakeholders, NHS Scotland, and the NSS

Stakeholders can be defined as "…any individuals, groups or organisations that have a stake in the decisions and actions of an organisation, and who attempt to influence those decisions and actions" (Blair and Buesseler, 1998:p.12). Jones (1995:p.406) succinctly sums up various stakeholder theories (descriptive/empirical, instrumental and normative) as a means of answering questions such as: "What happens? What happens if…? and What should happen…?", and states that those who advocate "... stakeholder theory strive to describe what managers actually do with respect to stakeholder relationships, what would happen if managers adhered to stakeholder management principles, and what managers should do vis-a-vis dealing with firm stakeholders".

Much of the literature on such relational aspects of stakeholder theory is based on the principle of 'freedom to act' and response to the needs of stakeholders. One challenge for this paper is to consider a not-for-profit, non-departmental public body that has to be responsive and proactive while being subject to legislative dictates and controls and the inevitable constraints as a direct result of being funded by government. A perspective that has been widely considered is that of who actually matters? (Freeman, 1994; Mitchell, Agle and Wood, 1997; Dansky and Gamm, 2004) with Fottler, Blair, Whitehead, Laus, and Savage (1989:p.526) suggesting it is not uncommon for chief executives to need to "...respond to an increasing number of active and powerful stakeholders". This is a relevant area for consideration as it is suggested that where stakeholders have power plus legitimacy and urgency they have significant influencing capabilities (Mitchell, Agle and Wood, 1997).

Frooman's (1999) exploration of stakeholder relationships and the power that emanates from them provides further valuable insight. How board executives endeavour to influence NSS, regardless of whether or not they are contractually obligated to each other makes strategic stakeholders central to any deliberations on powerful stakeholders (Rowley, 1997). This contradicts Donaldson and Preston (1995:p.85) who state that:

“The firm-as-contract view holds that legitimate stakeholders are identified by the existence of a contract...”. Whether or not formal contracts are held, it is prudent to consider how such stakeholders will endeavour to exert their influence on NSS.

Consideration needs to be given to the influencing strategies and capabilities of key stakeholders as, despite being part of the NHS, each organisation’s objectives are most likely not fully aligned or mutually exclusive (Polonsky, 1995). This is something that Frooman (1999) suggests has been given only piecemeal attention. Recognising positional power and the need to build sustainable relationships with key stakeholders for survival, Frooman categorised four types of influencing strategies from resource dependence theory: firm power, high interdependence, low interdependence and stakeholder power, culminating in how these could be mapped to inform strategic decision making.

Stakeholders may use stealth or adversarial means to influence an organisation. Richardson, Nwankwo and Richardson (1995:p.9) put into sharp focus the need for organisations, regardless of their setting, to consider such competitive forces when they stated: “It is widely acknowledged that today’s environment is becoming intensely competitive. Industries once considered ‘safe’ from competitive forces are now finding themselves subject to competition for the resources they once took for granted.” Such industries, and the organisations that comprise them will encounter problems if they do not take account of the new threats. Nowhere does this apply more, than to the UK’s public sector and its organisations. In considering such issues, it is clear that the opportunities and threats are mechanisms by which other organisations within the NHS may choose to exert influence on the focal organisation. If an organisation wishes to mitigate potential negative outcomes, such as competitive positioning, Polonsky and Scott (2005) suggest that engaging both supportive and non-supportive stakeholders is by far the best approach.

The need to build strong and enduring relationships with strategic stakeholders is thus seen by NSS as being paramount if NSS is to attain its strategic objectives. Stakeholder relationships in the form of strategic networks and alliances are therefore a key area for exploration. Strategic networks can be seen as “multiple and interdependent interactions that simultaneously exist in stakeholder environments” (Rowley, 1997:p.887). In contrast, strategic alliances are agreements between two or more partners to share knowledge or resources that could be beneficial to all parties involved (Vyas, Shelburn and Rogers, 1995:p.47). Establishing a two-way relationship with individuals and groups of stakeholders allows the focal organisations to be sighted not only on the stakeholder organisation but also on the interrelationships their stakeholders have with others. This is important as networks of stakeholders can increase the degree of influence exerted by the wider group on the focal organisation (Gao and Zhang, 2006).

The formation of strategic alliances involves the creation of interdependence between autonomous organisations (Todeva and Knoke, 2005). Whether alliances are formal with written agreements or contracts and defined resource transfer, or less formal with no more than a sharing of expertise and learning is of little significance. The issue for consideration is the body of evidence suggesting that, despite the value of collaborative working, shared benefits, minimisation of risk and competitive advantage, a large number of such alliances have been seen to fail in the delivery of their desired outcomes (Elmuti and Kathawala, 2001).

Much has been written on the factors that lead to the success or failure of strategic alliances (Lorange and Roos, 1992; Vyas, Shelburn and Rogers, 1995; Cardwell and Bolon, 1996; Elmuti and Kathawala, 2001; and Todeva and Knoke, 2005). The basis of the debate is that it is largely dependent on the collaborative efforts of the participating organisations, both initially and on an on-going basis (Kippenberger, 1997). Todeva and Knoke (2005) suggest that participation in strategic alliances should be a strategic intent rather than an economic imperative. In the case in question, the decision to participate is most likely to be more one of juxtaposition. Directed by the Scottish Government Health Department to work collaboratively had impacted the potential for success and magnify issues, such as cultural fit, trust, clarity of objectives, and potential for risk. All of which are identified as key elements in the failure of a large number of strategic alliances.

To succeed, it is suggested that there needs to be substantial management commitment, thorough planning, and clarity of individual roles and collective aims and objectives, but above all, effective communication (Elmuti and Kathawala, 2001). With NSS at the core of NHS Scotland and providing the range of vital services, its relationship with powerful stakeholders especially the health boards is vital to the success of NHS Scotland.

Methodology

The basic research question is: “What significance do strategic alliances/networks have in relation to the influencing capabilities of powerful stakeholders?” To answer this, it was decided to collect the views of 21 of the 22 health board chief executives (excluding the chief executive of NSS, the focal organisation) within NHS Scotland. The data capture process was undertaken during a twelve-week period between April and June 2010.

The process was undertaken in two distinct phases. Following the initial pilot, Phase 1, a telephone interview, was carried out using a structured questionnaire. On completion and following a further pilot prior to Phase 2, a representative sample of the chief executive cohort was invited to participate in a face-to-face semi-structured interview to consider the findings from Phase 1. By involving a small sample of the participants from Phase 1 in Phase 2, it was anticipated that they would test the authors' interpretation of the Phase 1, data thus enhancing the reliability of the findings (Bell, 2010).

A successful pilot interview was followed by telephone interviews with 20 of the 21 chief executives who agreed to participate. One chief executive of a national (special) board did not want to participate claiming lack of awareness of what NSS did, therefore would have little to offer. Chief executives received a copy of the survey questionnaire 24 hours in advance of the interview. The preparation for Phase 2 involved reviewing Phase 1 transcripts which had been by then, thematically coded for frequency of response, and the numerical data entered into bar graphs and scattergrams. The multiple approaches were a conscious decision to prevent possible bias which is inherent in single method approaches.

Phase 2 interviews were scheduled to last no more than thirty minutes. On this occasion, the participants received no advanced paperwork as this interview was to be conducted in the form of a semi-structured conversation allowing a more probing approach to be taken (Saunders, Lewis and Thornhill, 2009). The interviews were taped in agreement with the interviewees and discussion was enhanced by the use of prompt cards with examples of direct quotes that best summarised the views of the interviewees in Phase 1. Transcripts were made of each interview and these were analysed with a view to identifying whether they supported the conclusions that had been previously drawn from Phase 1 and allow identification and consideration of any new or emerging themes. Because of space restrictions in this paper, only the results of the Phase 1 are reported.

Research Findings

For ease of presentation the quantitative data are shown in bar charts. A representative sample of the chief executives' comments in relation to each question is also presented. Each of the services provided by the eleven operational divisions of NSS has been allocated a number along the x-axis as shown in Table 2.

Table 2: X-Axis Codes for the Eleven Operational Divisions of NSS

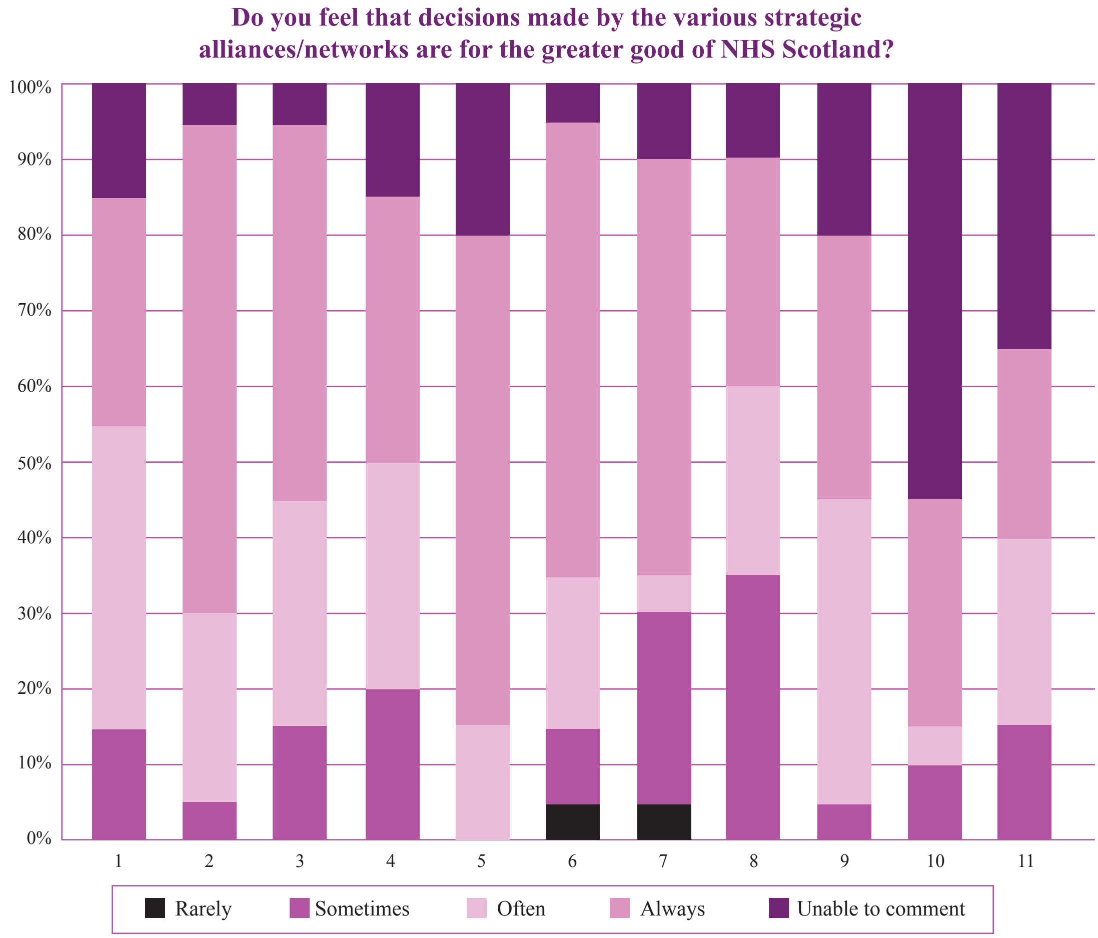
Code Number	Services Provided by the Operational Divisions of NSS
1	**Health Facilities Scotland** provides technical guidance, support and advice on healthcare buildings and equipment
2	**Health Protection Scotland** provides advice and guidance on protection against infections and environmental hazards
3	**Information Services Division** provides statistical information and analytical services
4	**National Services Division** commissions specialist services and screening programmes
5	**Scottish National Blood Transfusion Service** provides safe and reliable supplies of blood and tissues
6	**Central Legal Office** gives legal advice to NHS Scotland
7	**Counter Fraud Services** protects NHS Scotland from fraud
8	**National Information Systems Group** provides IT services across NHS Scotland
9	**National Procurement** buys, stores and delivers goods and services
10	**Practitioner Services** supports Primary Care Practitioners
11	**Scottish Health Services Centre** supports networking and learning

Two questions are posed. The first is about whether decisions made by the various alliances/networks are for the greater good of NHS Scotland. This is important as there were evidence from the interviews that some chief executives were unclear about the rationale for decisions especially if decisions had a negative impact on their board, even when it may have benefited others. The second question is about the extent to which influencing capabilities are affected by being part of alliances/networks.

Question 1–Are decisions made by the various strategic alliances/networks for the greater good of NHS Scotland?

Figure 1 shows the responses for all eleven operational divisions of NSS. The five categories for the responses to the question were in increasing order of magnitude – rarely, sometimes, often, always, and unable to comment. The combination of the ‘often’ and ‘always’ responses is a majority for all areas except 10 (Practitioner Services) and 11 (Scottish Health Services Centre) which stand out as having notably lower scores than the rest mainly because of the high frequency of the ‘unable to comment’ response. This is because of lack of involvement or knowledge of these divisions by chief executives.

Figure 1: Are Decisions Made for the Greater Good of NHS Scotland?



Some representative comments are as follows:

> *'Some things are more political policy decisions than necessarily things that we would say are helpful in letting us improve services ...particularly at times of such constrained finances.'*
>
> *'I could not see that they could not be. All of the things you do there are based on the premise that one organisation doing it for Scotland is the most sensible, appropriate, economic, value for money, quality approach we can get so that has to be in the interest of the greater good of NHS Scotland.'*

'I think there is a tendency to get caught up in government requirements. I have quite a lot of sympathy for NSS in that. However, you can't be poacher and gamekeeper. You have to be clear that either you're doing something to support the boards or doing something on behalf of central government. It would be a great pity those things got confused as NSS has always been seen as a supporter of boards and it would be a great pity if, in the necessity of meeting the national agenda, that picture changed. If it has to change, it should change in a very upfront sort of way.'

'If something has to be done because it's a ministerial requirement, let's be clear about that and not put it under the banner of supporting boards.'

'We have had a couple of incidences where we feel they should have done something… but they declined. I know it was not a great monetary value but there was a real lesson here so they only sometimes act for the greater good. They did not wish to proceed but we felt it would have been hugely worth it for the message that it sent. The decision they took being based on the time and effort that was thought not to be productive.'

'It is quite interesting at the meeting to see the kickback from the territorial boards vis-a-vis national services, particularly around there being more and more top-slicing of money because is that where territorial boards really want to spend their money?'

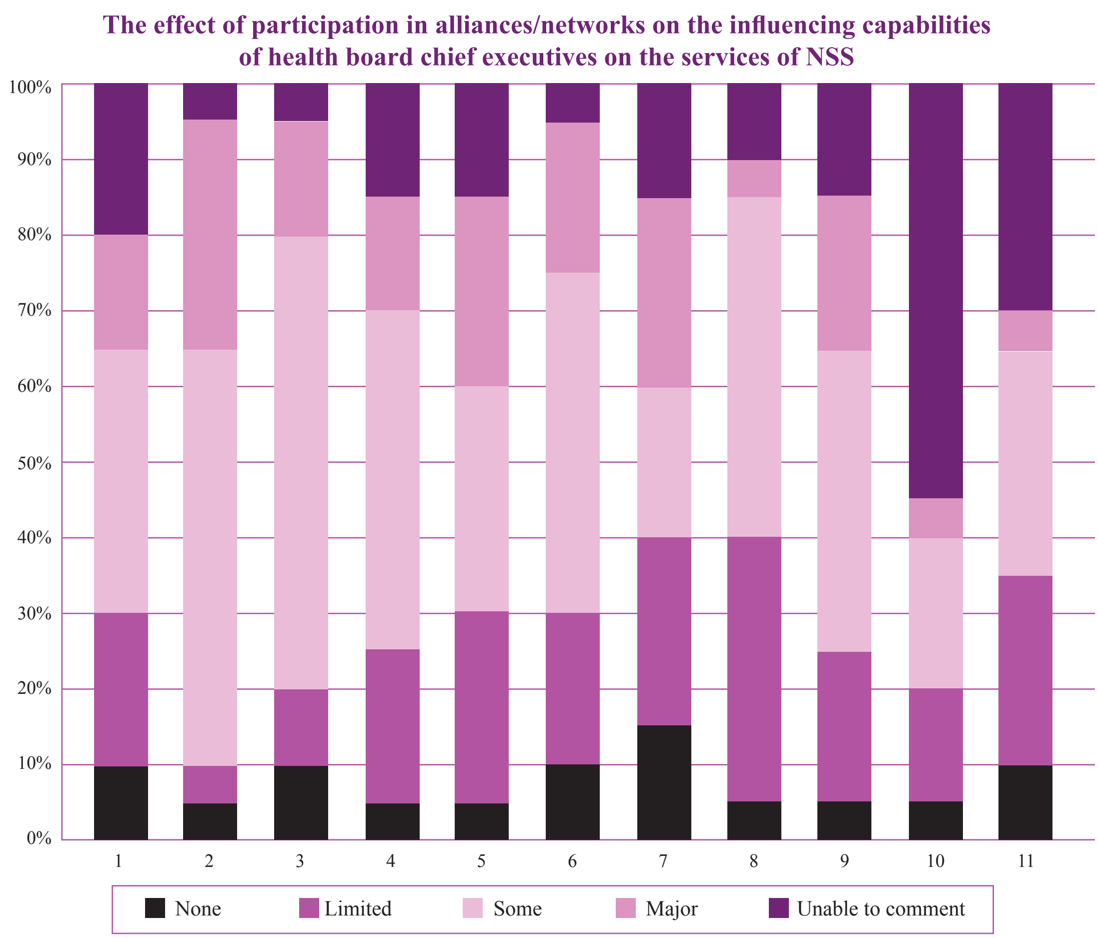
'I think that to be fair to all of these parts of NSS that where they take decisions they always seek to take them for the greater good. I might not always agree with the decisions but I certainly would not sit and say that when they make decisions, they are doing anything other than looking to the greater good. That would be an unfair comment. Do I think they are always successful in that; no I don't in a sense, but do I agree that decisions always result in the greater good; no I might challenge that.'

Question 2: What effect does participation in the alliances/networks have on the influencing capabilities of health board chief executives?

Chief executives commented on three aspects of NSS activities: *service awareness* where there was a perceived need for increased understanding and clarification of what is offered, and a need to reconsider mechanisms for engagement in alliances/networks; *service relations* where NSS needs to demonstrate greater understanding of boards such that there is no single approach as boards differ greatly in type and size; and *service charges* where there is a need for increased efficiency, transparency, and accountability.

Figure 2 shows the responses for the eleven operational divisions of NSS. This time the five categories for the responses to this question in increasing order of magnitude were - none, limited, some, major and unable to comment. Measured by the height of the bars, for all eleven divisions, chief executives believed that participation in strategic alliances/networks did not have a 'major' effect on their influencing capabilities. Most thought that it had 'some' effect and across all divisions the number of chief executives saying it had no effect was low. Divisions where chief executives felt they had a majority of the 'some' and 'major' influencing capabilities categories (combined) were 2 (Health Protection), 3 (Information Services), 4 (National Services), 5 (Blood Transfusion Service), 6 (Central Legal Office), and 9 (National Procurement). In all other divisions, there was no majority for these two categories partly because of the high frequency of the 'unable to comment' response. A lot of areas had quite a lot of responses in the limited category. Overall then, these responses indicate a reasonable level of influencing capabilities across most of the main divisions. Only in divisions 10 (Practitioner Services) and 11 (Health Services Centre) was there very little response.

Figure 2: The Effect of Participation in Alliances/Networks on the Influencing Capabilities of Health Board Chief Executives



Some representative comments are as follows:

'One of my favourite lines is: The world is run by those that turn up…if you are committed to working through strategic alliance, part of the reason you do it is to exert your influence…'.

'This is quite an important question as in terms of level of participation, and levels of participation that influence these areas then I don't feel that's as strong as it could be...I don't think that in terms of participation in alliances and networks that I have any significant influencing of stakeholders on the services, it feels to me quite limited.'

'I think my perception is that it might be a reflection of being a smaller board but I am certainly not conscious of a particular alliance or group meeting and discussing how we can influence... I am aware that there is a chief executive who sits on the board of NSS, so in terms of the chief executive stakeholders, then one could argue that there is a voice round the table, but in terms of an individual board then I do not think that there is a great deal of that engagement that would give a sense of shaping and influencing what the sub organisations in NSS do.'

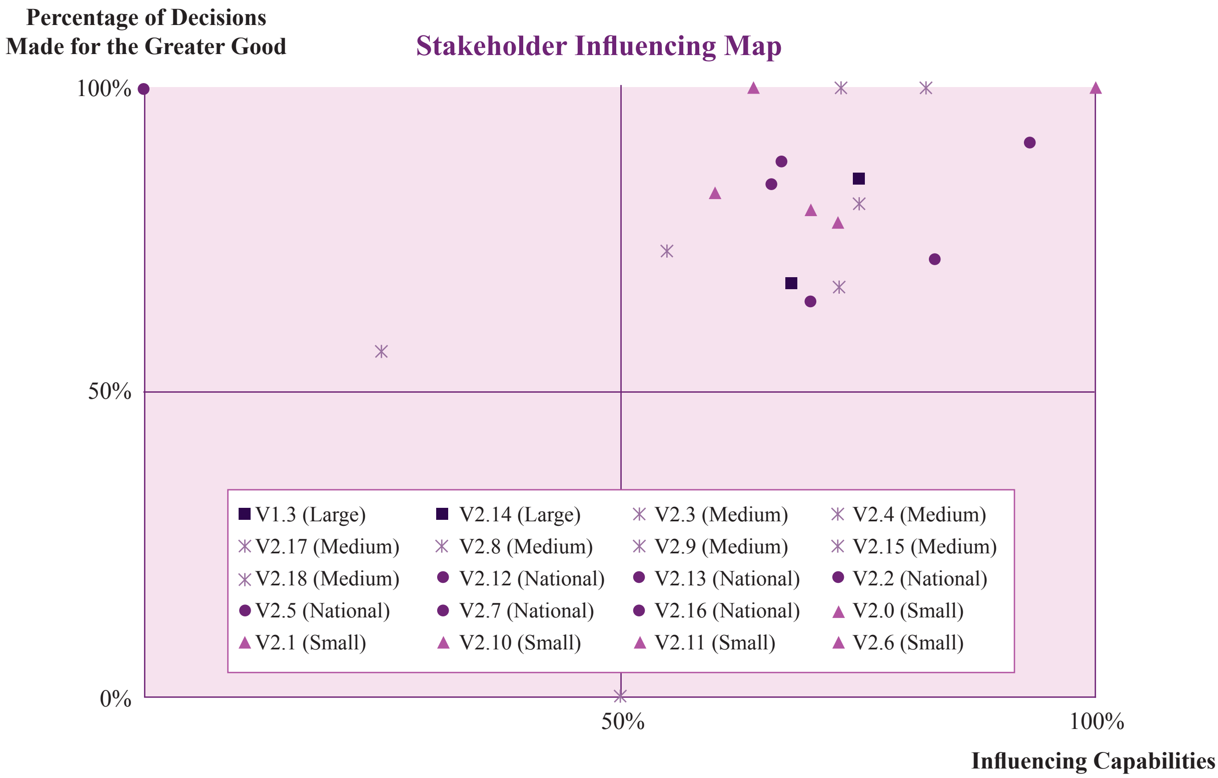
'To influence it, you have to be able to understand it.'

'Your ability to influence depends on the technicality of the process. Something that was quite technical you would not expect to influence significantly. The reason you are seeking advice is because they are the experts in the particular area. This depends on your ability to understand the nature of the work.'

'My overall sense is that direct engagement does influence directly. Therefore, I want my people to directly engage with you.'

The aggregate scores for each chief executive are presented on a scattergram to show the correlation between influencing capabilities, and whether decisions were made for the greater good of NHS Scotland (Figure 3). Each board is given a symbol: the territorial boards are divided into small, medium and large, and the non-territorial boards are called national. The scattergram shows that all boards apart from one were in the north-east quadrant and there appears to be a positive correlation between decisions being made for the greater good (y-axis) and the influencing capabilities of chief executives (x-axis) suggesting that the more chief executives believed they had an influence on decisions, the more likely they thought that decisions were made for the greater good of NHS Scotland. Although 17 of the 20 boards are in the upper quadrant, only 12 scored between 50 and 75%. There is no clear pattern as to where boards are situated on the scattergram, so it is not possible to say that size or type of board had any consistent effect on influencing capability.

Figure 3: Decisions Made for the Greater Good and Influencing Capabilities



Analysis and Discussion

The lack of knowledge of NSS's role and functions and the reported ineffectiveness of alliances/networks with 65% of chief executives is consistent with Lozano's (2005) view that many organisations and their constituents are predominantly inward looking, and have little appreciation of their wider networks. This is the result of the chief executives seeing their relationship with NSS as mainly one of *customer-provider* rather than as strategic partner. All 20 chief executives thus engaged with NSS at an operational rather than a strategic level. Responsiveness is crucial to success of alliances/networks, particularly where stakeholders have the ability to "withdraw or withhold resources" (Richardson, Nwankwo and Richardson, 1995:p.15). This may be the case for many organisations, but where most of the services are prescribed and funded by government, is it still such an organisational imperative? When organisations have their service offerings directed by the government, their ability to respond to the wider stakeholder group may be limited and this may account for some of the dissatisfaction with NSS's services.

How NSS manages its stakeholders may not be as big a challenge from a relationship perspective as some imagine. Malvey, Fottler and Slovensky (2002:p.66) claim that there is "...no compelling evidence demonstrating that stakeholder management makes a difference", though others refute this point (Agle, Mitchell, and Sonnenfield 1999; Bryson, 2003; Donaldson and Preston, 1995). Nevertheless, it is perceived to be imperative that NSS manages its relationships effectively. This is particularly important in the current economic climate as failure to do so may jeopardise its long-term viability since many of NSS's services depend for their success on the co-operation of the boards.

Frooman (1999) highlights the need for organisations to understand and manage the interests of their strategic stakeholders particularly where there are resource dependency issues. For NHS Scotland, it relates to the degree of interdependence between NSS and the boards. As NSS receives a large proportion of its funding from government to provide services to the boards, the boards rely on NSS to deliver services in such a way that best meets their needs. The proportion of NSS's budget allocated by government is top sliced from what would have been allocated to the other boards, and the remaining part of NSS's budget comes directly from boards for services that independently they choose to utilise. There is a perception among some boards that they have much less control over how NSS ultimately spends its budget than they would wish as they do not fully control what they can choose to have NSS provide and what is provided through statute. This general issue is explored by Frooman (1999) who shows how stakeholders respond when faced with constraints on their influencing capabilities. As NSS is the recipient of direct government funding, it has considerable influence on decisions, making the boards less influential. Chief executives then have to try to exert influence on NSS decisions from a position of relative weakness.

Table 3 shows a typology of influencing strategies with four possible outcomes. According to this typology, stakeholders are less able to influence decisions when NSS holds all the resources and more able to do so when they themselves hold all of them. We know in fact that this typology is too simplistic as both parties have resources and therefore both can influence decisions. However, as a result of their perceived lack of influencing capabilities chief executives have developed alternative approaches when dealing with decisions made by NSS. In some instances, this has resulted in direct approaches by chief executives to government about NSS's performance with a view to finding alternative providers of the services offered by NSS. Often this has meant the boards themselves providing the services, though not always successfully.

Table 3: A Typology of Influencing Strategies

Is NSS dependent on health boards?		Are health boards dependent on NSS?	
		No	**Yes**
	No	Indirect/Withholding *(Low interdependence)*	Indirect/Usage *(NSS power)*
	Yes	Direct/Withholding *(Health board power)*	Direct Usage *(High interdependence)*

(Source: Adapted from Frooman, 1999)

Conclusions

This paper has been concerned with the NHS National Services Scotland which is at the heart of NHS Scotland, and its attempts to improve its operation and financial impact on behalf of NHS Scotland. In particular, it examined the influencing capabilities of a group of powerful stakeholders, chief executives of Scotland's twenty-two health boards, on their involvement with the decisions made by NSS. In the first piece of work in this area in Scotland, it also explored other aspects, such as the role of strategic alliances and networks set up by NSS. Using a qualitative methodology, all but one of the chief executives were interviewed with the aid of a questionnaire to elicit their views. Chief executives were asked about their knowledge of the functions of NSS, of alliances and networks, and whether decisions were made for the greater good of NHS Scotland. The findings are interesting in that they reveal: a lack of knowledge of some of the functions of NSS (perhaps not surprising in view of the evolving nature of NSS and what it does on behalf of the Scottish Government), strategic alliances and networks not having a major effect on chief executives' influencing capabilities, and the perception that not all decisions that were made were for the greater good of NHS Scotland.

That alliances and networks have not been as effective as NSS had hoped for has been somewhat of a disappointment to NSS. If they are to be made more effective in future, NSS should focus on identifying and understanding the needs of its multiple stakeholders more fully. By identifying the commonalities and boundaries, it would be better able to fulfil its role in the provision and coordination of national services (Schilling, 2000), and be seen as being more accountable for its own actions. NSS should also clarify, formalise, and communicate the objectives and outcomes for its various strategic alliances and networks. This will bring more clarity to NSS's systems and processes, and facilitate open and transparent scrutiny of major decisions.

A number of aspects are worthy of further attention. One is the influencing capabilities of the chief executives of the different boards. While it was not specifically the subject of this study, it could be argued that the larger boards would have more influence on decisions made by NSS than the smaller boards. The larger boards still rely on NSS for services, such as counter fraud, legal advice, and public health matters but their very size may allow them to be more independent than smaller boards in other areas such as IT and procurement. There is no evidence from the study that the larger boards have more influencing capabilities than smaller boards. Another is the role of the Scottish Government as the most powerful stakeholder. This has not been discussed aside from its legal powers to set out the functions of NSS. The extent of Scottish Government's influencing capabilities over NSS has been the subject of subsequent research project. Since this study was concluded, NSS has worked to improve engagement with the boards at a strategic level with the aim of ensuring that NSS is better aligned to meet the individual and specific strategic aims and priorities of the boards. This has very recently been taken forward through the development and implementation of a *strategic customer engagement* process. NSS will continue to focus on improving the quality of the service provided to or on behalf of the boards and as a result of improving strategic customer engagement, NSS aims to align its strategy, culture, people, structure, and services to meet better these specific aims and priorities. Work is currently underway to increase efficiency, and clarify and extend the role of NSS through greater use of shared services across both the health and other parts of the public sector in Scotland with the agreement of the Scottish Government ministers.

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“Information technology and business are becoming inextricably interwoven. I don’t think anybody can talk meaningfully about one without talking about the other.”

– Bill Gates

Impact of Organisational Factors on the Success of Information Technology Outsourcing Relationships in Small and Medium Enterprises – A revisit

Zwen Chua
Lecturer, East Asia Institute of Management
MSc in Information Systems (Distinction)
Hawaii Pacific University, America

Abstract

This paper discusses a study carried out to examine the organisational factors that determined the success of information technology outsourcing for small and medium enterprises (SME) in Hawaii, USA.

The statistical analysis found that industry sectors, communication plans, active management, and vendor selection process were correlated to the success of outsourcing relationship.

The findings led to the conclusion that it was not the contract duration, frequency of service level updates and evaluation or corporate culture that determined the success in an outsourcing relationship. Companies looking to successful outsourcing focused instead on vendor selection, communicating with vendors and managing outsourcing contracts actively. It is not the 'paper' agreement but the communication and mutual understanding of what services and support are expected that is crucial.

A post research analysis was done in 2013 to find out if the studied organisational factors in 2001 remained significant and relevant in today's business world. The analysis revealed their relevance as generic functions. Management support continued to be critically important to the implementation of outsourcing relationships.

Keywords: Information, Information Technology, Outsourcing, Organisational Factors, Service Levels, Communication Plans, Active Management, Vendor Selection, Industry

Introduction

Information Technology outsourcing has become a viable alternative to companies facing Information Technology (IT) problems. Instead of spending resources unproductively on IT, many companies (defined as clients) outsourced their IT division to professional vendors or suppliers. This allows them to concentrate on their core competencies. According to Bendor-Samuel (2000), the world's top outsourcing authority, outsourcing takes place when an organisation transfers the ownership of a business process to a vendor. This definition differentiates outsourcing from business relationships in which the buyer retains control of the process or, in other words, tells the supplier how to do the work. It is the transfer of ownership that defines outsourcing, making it such a challenging, and painful process.

The Everest Group, Inc. states that an outsourcing agreement usually allowed the service provider (the outsourcer) to supply a client with the services or processes that the client is currently supplying internally. The term "outsourcing" had been applied to many different relationships across a variety of business areas. It had existed in many forms long before Ross Perot was credited with starting the industry over 32 years ago. ("Avoid a Multi-Million", 1999).

Purpose

The common management dilemma is whether to outsource or not. Benefits of outsourcing include: (a) cost savings, (b) gaining expertise knowledge from the service provider, and (c) clients could concentrate on their core competency. Given the numerous benefits of outsourcing, management often considers outsourcing as an essential part of business strategy. Therefore, the real dilemma is: What are the organisational factors under which outsourcing is appropriate? Outsourcing relationships often fail when service level, efficiency, growth, and customer satisfaction do not meet the expectations of the contract (Liebman, 1999).

Some research firms predicted that outsourcing would be the fastest growing sector of the Information Technology market with 18 percent annual growth ("Avoid a Multi-Million", 1999). Since almost every business will be involved in some form of outsourcing agreement, this research can lead to a framework which managers may find useful.

An outsource contract is considered successful when: (a) an expected cost reduction is achieved, (b) the quality of the outsourced function has increased, compared to the function previously managed in-house, (c) a truly collaborative relationship is developed with the vendors, (d) an agreement is reached between the client and the vendor on issues like quality of service levels and remuneration, and (e) opportunities provided by the outsourced function to reach a new level of focus on customer needs and operational flexibility are exploited (Gay and Essinger, 2000).

Statement of Problem

The question which management often posed is this: should the IT department outsource its operations?

The research problem informing this study was: What are the organisational factors that determine the success of outsourcing? The organisational factors examined were: (a) industry sector, (b) corporate culture, (c) vendor selection process, and (d) active management of outsourcing relationship. Active management of outsourcing relationship was defined as having: (a) communication plans, (b) short-term contract, (c) frequent updates on service levels, and (d) frequent evaluations on vendor's performance.

The hypotheses tested were:

Research Question 1	:	Does the industry sector in which the firm operates in directly affect outsourcing success?
Hypothesis 1	:	The industry sector in which the client is in, affects outsourcing success.
Research Question 2	:	Is compatible corporate culture essential to successful outsourcing relationship?
Hypothesis 2	:	Compatible corporate culture is essential to successful outsourcing relationship.
Research Question 3	:	Are communication plans essential to successful outsourcing relationship?
Hypothesis 3	:	Communication plans are essential to successful outsourcing relationship.
Research Question 4	:	Are shorter-term contracts essential to successful outsourcing relationship?
Hypothesis 4	:	Shorter-term contracts are essential to successful outsourcing relationship.
Research Question 5	:	Are frequent updates on service levels essential to successful outsourcing relationship?
Hypothesis 5	:	Frequent updates on service levels are essential to successful outsourcing relationship.
Research Question 6	:	Are frequent evaluations on vendor's performance essential to successful outsourcing relationship?
Hypothesis 6	:	Frequent evaluations on vendor's performance are essential to successful outsourcing relationship.

Research Question 7 : Is active management of outsourcing relationship essential to successful outsourcing relationship?

Hypothesis 7 : Active management of outsourcing relationship is essential to successful outsourcing relationship.

Research Question 8 : Is a comprehensive vendor selection process essential to successful outsourcing relationship?

Hypothesis 8 : A comprehensive vendor selection process is essential to successful outsourcing relationship.

Literature Review of Information Technology Outsourcing

Evolution of Outsourcing

Outsourcing started about 32 years ago with financially crippled companies contracting out their IT support (Bendor-Samuel, 1999). Prior to this, few respectable chief information officers (CIO) would entrust its IT functions to a vendor. The conventional wisdom was that companies were forced to outsource their IT support because they ran into financial difficulties. However, since Kodak's landmark decision to outsource the bulk of its IT functions in 1989, IT outsourcing has become a widely publicised practice (Lacity & Willcocks, 1998). Companies began to examine its core competencies, cost savings and strategic partnerships with IT vendors (Field, 1999).

Katherine Hudson, then CIO of Kodak, made headlines by outsourcing the company's data centre operations, in a 10-year, $250 million deal with IBM, Digital Equipment Corporation and Businessland Incorporated. Although not the first outsourcing agreement, it was the first time an established multi-national corporation (MNC) outsourced its IT division. She was confronted by hundreds of angry and threatened IT executives. The Kodak outsourcing deal, signed on October 2nd, 1989 with IBM, changed the rules of IT management. Within a decade, outsourcing has exploded into a $100 billion (and growing) global industry, according to International Data Corporation (Field, 1999).

Companies that have outsourced significant portions of their IT functions by transferring their IT assets, leases, licenses, and staff to outsourcing vendors include British Aerospace, British Petroleum, Chase Manhattan Bank, Continental Airlines, Continental Bank, DuPont, Enron, General Dynamics, and Xerox (Lacity & Willcocks, 1998).

In a survey with 50 companies, Forrester Research Inc. found that the median budget for e-business outsourcing was $750,000 and projected to double to $1.5M by 2001. About half of IT managers expected to spend more than $1M on outside services suppliers by then, with 28 percent planning to invest more than $5M (O'Connell, 2000).

Reasons Outsourcing Fail

According to outsourcing veterans and analysts attending a conference organised by Gartner Group Inc., the problem with many outsourcing deals is that senior management are usually too mesmerised by visions of huge costs savings to appreciate the amount of time and number of people required to manage both the contract and the vendors. Root causes of dysfunctional or unsatisfactory outsourcing relationships include: (a) differences in client and vendor cultures, (b) differences in buyer and supplier goals and objectives, (c) one party attempting to better its lot at the expense of the other, (d) inflexibility in longer-term contracts, and (e) lack of management oversight (Liebman, 1999; Lacity and Willcocks, 1998). Clients often underestimate the time and attention required to manage an outsourcing relationship.

Outsourcing fails not because the concept of outsourcing is not workable but because of management flaws. Very often, failure results from the management of both vendor and client becoming inflexible to changes in business strategies, and setting unrealistic service levels.

Organisational Factors to Successful Outsourcing

Outsourcing relationships are very complicated and need special attention and nurturing. Managers have to understand that in order for outsourcing to work, they have to invest time in managing the relationship. Organisational factors that can lead to successful outsourcing are: (a) a clear understanding of company goals and objectives, (b) careful selection of a short-term vision and plan, (c) selecting the right vendor, (d) ongoing management of the relationships, (e) a properly constructed contract, (f) open communication with affected individuals and groups, (g) senior executive support and involvement, (h) careful attention to personnel issues, and (i) near-term financial justification of the use of outside expertise (Gay and Essinger, 2000; Finneran, 1998; Lacity and Willcocks, 1998).

Gay and Essinger, (2000), found that steps to successful outsourcing include setting company goals and objective, setting short-term vision and plan and the vendor selection process. In particular, the process of selecting a vendor is critical. Vendors must be capable in handling all the requirements set by the client. Most importantly, the vendor's corporate culture should match the client's so that they can work well together (Field, 1997).

BP's selection process is a good example. After setting its long-term and short-term strategic goals, BP sent out 100 invitations and received 65 responses. BP formed a team of 20 staff members and studied the 65 respondents. 16 respondents were short-listed and a series of screenings followed. Senior managers went to the vendors to know more about the managements of the vendors, including their corporate culture, vision, innovation, and flexibility. BP had not offered a contract price yet because the senior management wanted to see how receptive the vendors were to price arrangements. They wanted to concentrate on making the outsourcing vision work before trying to make it work for the right price. The board of directors agreed and advised IT managers to negotiate an incremental approach to outsourcing with the prospective providers. In keeping along with BP's decentralised culture, the board asked the managers to seek the buy-in of each of the businesses to the outsourcing initiative. As a result, operations were outsourced region by region. BP provided the potential vendors detailed descriptions of its needs and asked for proposals. BP eventually signed a multi-vendor contract with Sema Group, Syncordia, and SAIC who were able to provide the mix of generic and customised IT services that BP required (Cross, 1995).

After selecting the "right" vendor, management had to draw up a comprehensive contract. Contracts were short-term and flexible to meet the ever-changing and demanding business environment. Some typical concerns in outsourced contracts were: (a) document control, (b) data availability, (c) security, (d) accuracy, (e) performance, (f) education, and (g) compatibility. Often, companies outsourced their IT division and left it at that. This practice would eventually bring negative effects to the company (Lynch, 2000). Failing to plan is the primary reason why good vendors and good companies fail to develop constructive working relationships. Management should, at all times, be involved and have open communication with affected individuals and groups. Having open communication can help ease any resistance surfacing and enable management to keep track of the progress of the outsourced division. BP is again an excellent example. The management did not stop participating after the selection process. They were constantly making sure the agreed service level was met. BP's IT operating costs went from $360 million in 1989 to $132 million in 1994 with a reduction of 80% in IT staff (Cross, 1995).

Research Methodology

This study employed a non-experimental design and is ex-post facto in nature. Through the use of questionnaires, the study will investigate the relationship between the success of outsourcing and relevant organisational factors. The Questionnaire survey method was chosen for data collection because it was the least time consuming and used the least financial resources. Questionnaires were randomly distributed to 800 (out of 4000) Small and Medium Enterprises (SME) registered with the Small Business Administration (SBA), Hawaii in 2001.

Population and Sample

Population

The target population were Small and Medium Enterprises (SMEs) in Hawaii that employed no more than five hundred employees each. The approximately 4000 SMEs in Hawaii were categorised into agricultural, forestry and fishing; construction, manufacturing; wholesale trade; retail trade; information; real estate, rental and leasing; management of companies and enterprises; administrative and support, waste management and remediation services; educational services; health care and social assistance; arts, entertainment and recreation and accommodation and food services.

Sample

Cluster sampling was used because it provided an unbiased estimate of population parameters. 20 percent of SMEs were selected from each industry.

Measurement and Instrumentation

Data Collection and Data Analysis

Quantitative methods of analysis for the collected data were used. The questionnaire used a five-point Likert scale ranging from a scale of 1 (strongly disagree) to a scale of 5 (strongly agree). The data collected was sorted and inputed into IBM SPSS for processing and analysis.

Preliminary Analysis

The preliminary analysis was performed in two phases. First, the descriptive statistics and the frequency data were computed and examined. Second, the reliability of the method used to collect the data, cultural measurement and technology attributes were computed and examined. The rate of return on this survey was 12.75 percent, representing 102 surveys received out of the 800 sent.

Reliability

The reliability of the instrument developed for this research was evaluated. The data were tested for internal consistency by computing Cronbach's coefficient alpha for the eight measures of organisational factors. The coefficient alpha for the outsourcing conditions is 0.8606, indicating a relatively high internal consistency.

Research Hypotheses, Data Analysis, Findings

Research Question 1. The first research question examined and the hypothesis tested was whether the industry sector in which the client firm operated in affected outsourcing success. The success of outsourcing relationship was a dependent continuous variable while the industry sector was an independent continuous variable. This hypothesis was tested using Pearson correlation with 2-tail significance at 0.05.

Results. The result of the Pearson correlation is presented in Table 1. To test if the industry sector in which the client operated in was correlated to the success of outsourcing relationship, a Pearson correlation, r, was conducted and the result indicated that correlation was weak (r =.287) and significant (p =.003). Therefore, the hypothesis was supported and the relationship is significant.

Past researches did not establish any co-relationship that indicated whether or not industry had an impact on successful outsourcing relationship. This research, however, had a weak indication that industry could impact outsourcing relationship. Perhaps given enough sample case studies, it would be possible for researchers to predict the rate of success by looking at the industry sector the client operated in.

Table 1: Correlation between Dependent Variable Relationship and Independent Variable Industry

		Relationship	Current_Industry sector
Relationship	Pearson Correlation	1.000	.287**
	Sig. (2-tailed)	.	.003
	N	102	102
Current_Industry sector	Pearson Correlation	.287**	1.000
	Sig. (2-tailed)	.003	.
	N	102	102

Note: ** Correlation is significant at the 0.01 level (2-tailed).

(Source: Created by Author for this study)

Research Question 2. The second research question examined and the hypothesis tested was that corporate culture of the vendor affected the success of outsourcing relationship. The success of outsourcing relationship was a dependent continuous variable while corporate culture was an independent continuous variable. This hypothesis was tested using Pearson correlation with 2-tail significance at 0.05.

Results. The result of the Pearson correlation is presented in Table 2. To test if the corporate culture was correlated to the success of outsourcing relationship, a Pearson correlation was conducted and the result indicated that correlation was weak (r =.021) and was not significant (p =.834). Since the hypothesis was not significant (p >.05), the hypothesis was not supported.

Corporate culture did not determine business policy. Corporate culture was better reflected in the attitude of employees. This might be the reason why corporate culture was weakly correlated because regardless of the corporate culture, the vendor still had to service the client as per agreed. Past researches have found that corporate culture was important to outsourcing success. However, this research indicated otherwise.

Table 2: Correlation between Dependent Variable Relationship and Independent Variable Culture

		Relationship	Current_Culture
Relationship	Pearson Correlation	1.000	.021
	Sig. (2-tailed)	.	.834
	N	102	102
Current_Culture	Pearson Correlation	.021	1.000
	Sig. (2-tailed)	.834	.
	N	102	102

(Source: Created by Author for this study)

Research Question 3. The third research question examined and the hypothesis tested was that communication plans were essential to successful outsourcing relationship. The success of outsourcing relationship was a dependent continuous variable while communication plans was an independent continuous variable. This hypothesis was tested using Pearson correlation with 2-tailed significance at 0.05.

Results. The result of the Pearson correlation is presented in Table 3. To test if having communication plans were correlated to the success of outsourcing relationship, a Pearson correlation was conducted and the result indicated that correlation was strong (r =.570) and significant (p =.001). Therefore, the hypothesis was strongly supported and the relationship was significant.

Communication plans were very important in teamwork, and therefore should be handled with care especially when two or more companies were in collaboration. Past researches have shown that communication plans were very important to outsourcing success. This research confirmed the findings.

Table 3: Correlation between Dependent Variable Relationship and Independent Variable Communication Plans

		Relationship	Current_Communication
Relationship	Pearson Correlation	1.000	.570**
	Sig. (2-tailed)	.	.000
	N	102	102
Current_Communication	Pearson Correlation	.570**	1.000
	Sig. (2-tailed)	.000	.
	N	102	102

Note: ** Correlation is significant at the 0.01 level (2-tailed).

(Source: Created by Author for this study)

Research Question 4. The fourth research question examined the hypothesis tested was that shorter-term contracts were essential to successful outsourcing relationship. The success of outsourcing relationship was a dependent continuous variable while shorter-term contract was an independent continuous variable. This hypothesis was tested using Pearson correlation with 2-tailed significance at 0.05.

Results. The result of the Pearson correlation is presented in Table 4. To test if having shorter-term contracts was correlated to the success of outsourcing relationship, a Pearson correlation was conducted and the result indicated that correlation was negative (r=-.067) and not significant (p=.506). Since the hypothesis was not significant (p >.05), the hypothesis was not supported.

Companies might be reluctant to allocate too much resources drawing up short-term contracts due to expensive attorneys' fees. In the ever-changing business world, service levels should be updated frequently to reflect current business policies. Companies could include service level changing clause in the contract while committing to longer-term contracts. Past researches have found that shorter-term contracts was a determinant to successful outsourcing. However, this research indicated otherwise.

Table 4: Correlation between Dependent Variable Relationship and Independent Variable Shorter-term Contracts

		Relationship	Current_ST Contracts
Relationship	Pearson Correlation	1.000	-.067
	Sig. (2-tailed)	.	.506
	N	102	102
Current_ST Contracts	Pearson Correlation	-.067	1.000
	Sig. (2-tailed)	.506	.
	N	102	102

(Source: Created by Author for this study)

Research Question 5. The fifth research question examined and the hypothesis tested was that frequent updates on service levels were essential to successful outsourcing relationship. The success of outsourcing relationship was a dependent continuous variable while frequent service level update was an independent continuous variable. This hypothesis was tested using Pearson correlation with 2-tailed significance at 0.05.

Results. The result of the Pearson correlation is presented in Table 5. To test if having frequent service level updates was correlated to the success of outsourcing relationship, a Pearson correlation was conducted and the result indicated that correlation was negative (r = -.056) and not significant (p =.578). Since the hypothesis was not significant (p >.05), the hypothesis was not supported.

Companies might not want to allocate too much resources evaluating current service levels and drawing up new service levels. Past researches have found that frequent service level updates could be a determinant to successful outsourcing. However, this research indicated otherwise. Again, the slow changing business pace of Hawaii could be a possible answer. If the research sample was drawn from a faster moving economy, regular service level updating may be an important factor.

Table 5: Correlation between Dependent Variable Relationship and Independent Variable Frequent Service Level Update

		Relationship	Current_Service level
Relationship	Pearson Correlation	1.000	-.056
	Sig. (2-tailed)	.	.578
	N	102	102
Current_Service level	Pearson Correlation	-.056	1.000
	Sig. (2-tailed)	.578	.
	N	102	102

(Source: Created by Author for this study)

Research Question 6. The sixth research question examined and the hypothesis tested was that frequent evaluations on vendor's performance were essential to successful outsourcing relationship. The success of outsourcing relationship was a dependent continuous variable while frequent evaluation was an independent continuous variable. This hypothesis was tested using Pearson correlation with 2-tailed significance at 0.05.

Results. The result of the Pearson correlation is presented in Table 6. To test if having frequent evaluation was correlated to the success of outsourcing relationship, a Pearson correlation was conducted and the result indicated that correlation was weak (r =.127) and not significant (p =.203). Since the hypothesis was not significant (p >.05), the hypothesis was not supported.

Companies were guilty of not evaluating their vendor's performance. Companies had to realise that by keeping an eye on their vendors' performance, they could prevent underperformance and the relationship from turning sour. It was very important for companies to make sure that the vendors' performance was as per agreed. Past researches found that frequent evaluation of vendors' performance was a determinant to successful outsourcing.

Table 6: Correlation between Dependent Variable Relationship and Independent Variable Frequent Evaluation

		Relationship	Current_Vendors
Relationship	Pearson Correlation	1.000	.127
	Sig. (2-tailed)	.	.203
	N	102	102
Current_Vendors	Pearson Correlation	.127	1.000
	Sig. (2-tailed)	.203	.
	N	102	102

(Source: Created by Author for this study)

Research Question 7. The seventh research question examined and the hypothesis tested was that active management of outsourcing relationship was essential to successful outsourcing relationship. The success of outsourcing relationship was a dependent continuous variable while active management was an independent continuous variable. This hypothesis was tested using Pearson correlation with 2-tailed significance at 0.05.

Results. The result of the Pearson correlation is presented in Table 7. To test if having active management was correlated to the success of outsourcing relationship, a Pearson correlation was conducted and the result indicated that correlation was strong (r =.652) and significant (p =.001). Therefore, the hypothesis was strongly supported and the relationship was significant.

Companies realised that active management was very important to outsourcing success and should reject the "once outsourced, it's not our problem" mentality and accept the new responsibilities that came with outsourcing. Past researches had shown that active management was very important to outsourcing success. This research confirmed the findings of other researches.

Table 7: Correlation between Dependent Variable Relationship and Independent Variable Active Management

		Relationship	Current_Active Mgmt
Relationship	Pearson Correlation	1.000	.652**
	Sig. (2-tailed)	.	.000
	N	102	102
Current_Active Mgmt	Pearson Correlation	.652**	1.000
	Sig. (2-tailed)	.000	.
	N	102	102

Note: ** Correlation is significant at the 0.01 level (2-tailed).

(Source: Created by Author for this study)

Research Question 8. The eighth research question examined and the hypothesis tested was that a comprehensive vendor selection process was essential to successful outsourcing relationship. The success of outsourcing relationship was a dependent continuous variable while vendor selection process was an independent continuous variable. This hypothesis was tested using Pearson correlation with 2-tail significance at 0.05.

Results. The result of the Pearson correlation is presented in Table 8. To test if having vendor selection process was correlated to the success of outsourcing relationship, a Pearson correlation was conducted and the result indicated that correlation was strong (r =.612) and significant (p =.001). Therefore, the hypothesis was strongly supported and the relationship was significant.

Companies realised that outsourcing relationship began at the vendor selection process. Making hasty decisions during the vendor selection process could be a costly mistake. A good vendor selection process would ensure that the vendor selected was suitable for the work outsourced. This research confirmed the findings of other researches.

Table 8: Correlation between Dependent Variable Relationship and Independent Variable Vendor Selection Process

		Relationship	Guideline
Relationship	Pearson Correlation	1.000	.612**
	Sig. (2-tailed)	.	.000
	N	102	102
Guideline	Pearson Correlation	.612**	1.000
	Sig. (2-tailed)	.000	.
	N	102	102

Note: ** Correlation is significant at the 0.01 level (2-tailed).

(Source: Created by Author for this study)

Summary

The research indicated that Hypothesis One (industry sector in which the outsourcer operates in), Hypothesis Three (communication plan), Hypothesis Seven (active management) and Hypothesis Eight (vendor selection process) were correlated to the success of the outsourcing relationship. The rejected hypotheses were: Hypothesis Two (corporate culture), Hypothesis Four (shorter-term contracts), Hypothesis Five (frequent service level updates) and Hypothesis Six (frequent evaluation).

In view of the above findings, the conclusion is that it was not the contract duration, frequency of service level updates and evaluation or corporate culture that would determine success in an outsourcing relationship. What was more important was that companies looking to outsource should take an active role in vendor selection, communicating with vendors and managing outsourcing contracts actively. It was not the 'paper' agreement but the communication and mutual understanding of what services and support were expected that was crucial.

Post Research Analysis

A post research analysis was done in 2013 to find out if the studied organisational factors in 2001 remained significant and relevant in today's business world.

First of all, to determine if the demand for outsourcing was as high as when the research was initiated, we checked a report published by the International Data Corporation (IDC) and found that the outsourcing transactions for 100 largest European organisations were worth $40.5 billion in 2005 indicating a very strong demand for IT outsourcing (Söderström, 2006). IDC also forecasted in May 2012 that the worldwide business process outsourcing market would grow at a five-year compound annual growth rate (CAGR) of 5.3 percent to $202.6 billion in 2016 and the US to grow at a five-year CAGR of 4.2 per cent (IDC 2012). The demand for outsourcing has grown and will grow even larger in the future, creating a pressing need for managers to understand outsourcing relationships and how to ensure success. In 2012, KPMG polled leading global business and IT service providers on the current and expected growth levels and found that IT was cited to be the strongest functional area of market demand.

According to KPMG (2012) on outsourcing market macro trends, "Cost reduction is a primary driver for these initiatives especially in the banking, healthcare and telecom sectors." KPMG (2012) also published in its 2012 Quarter 2 survey report that with the continuing cost challenges, clients will continue to demand for drive efficiencies and the ability to have flexible functions for their back office. At the same time, cost reduction and automation through IT will continue to be a key enabler of the future agenda to change.

The organisational factors examined in this research remained valid as generic functions. Researches such as the one done by Mosher and Mainquist in 2011, suggested that service failures, support conflicts, monetary considerations, language differences, compliance gaps, and core functions were some of the factors causing outsourcing arrangement to fail. As reported by Peslak in 2012, "Client loyalty was found to be the most important factor for service provider preference. This suggested a major focus on quality, consistency, and support" (Peslak, 2012).

Fjermestad (2005) concluded in his study that to succeed in IT outsourcing, infrastructure and cultural readiness must be present. Evaluation of hardware, software and network capabilities to support communications between vendor and client were some examples of infrastructure readiness. Cultural readiness refered to issues present between organisations operating in different parts of the world, work ethic, communications, and the vendor country's political environment (Peslak, 2012). Companies should view outsourcing relationships as strategic partnerships where strategic coalitions of shared benefits and risk were established. Management support was critically important to the implementation of an outsourcing relationship (Fjermestad, 2005).

According to Smuts, Merwe, Kotzé and Loock (2010), good contract management skills and cost management were factors that were critical to the success of information system outsourcing. This was because information system outsourcing arrangements typically ran from 5 to 10 years. During this time, the organisations would face major business changes driven by technological developments, customer needs, political or legislative changes. The same research also indicated that Information system outsourcing services must be delivered not only in accordance to specifications but also to service level agreements. Vendors must stress on continuous improvement based on a careful listening to and a clear understanding of the clients' needs and a sincere response to these changing needs.

Conclusion

From the above discussion, we can conclude that several of our hypotheses (service level, contract period, active management, corporate culture and communication plan) remained relevant areas for contemporary study. However, some of the hypotheses that were not supported ten years ago had proven otherwise in recent studies. This may point to the possibility that the factors that determined the success of outsourcing has changed over the last ten years. Further, the post study analysis revealed a new, emerging and important factor, offshore outsourcing that was not studied in this research 10 years ago. As a result of the globalisation of business operations and geographical spread, clients can now choose between local and offshore vendors. These highlight the continuing need to view outsourcing not only as a strategic move to achieve cost savings but also to create value and competitive advantage.

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“Beer is made by men, wine by God.”

– Martin Luther

A Consumer-Oriented Behavioural Study in the Singapore Wine Market

Willard Tan
Lecturer, East Asia Institute of Management
MBA in Hospitality Management (Distinction)
Queen Margaret University, United Kingdom

Abstract

The Singapore wine market has been developing at a rapid rate with the market forecasted to be valued at $256.6 million, along with its wine consumption volume of 8.8 million litres in 2014. However, little effort has been devoted to the wine consumer-oriented marketing. This study examines consumption and purchasing behaviour in the Singapore wine market through an extensive review of relevant literature and the implementation of empirical research. This cross sectional exploratory, descriptive and explanatory research study attempts to explore and identify the existence of relationships, associations or interdependences. The research methodology underlying this study is a quantitative analysis of the data from self-administered questionnaires. The findings from this study provides a deeper understanding of the wine consumption and purchasing behaviours of consumers in the Singapore wine market.

Keywords: Wine, Consumer Behaviour, Singapore Wine Market, Wine Consumption, Wine Purchase, Consumer-centric, Wine Market Segmentation

Introduction

In recent times, wine consumption has gradually become a lifestyle beverage, taking on socio-cultural and hedonistic values (Hall and Mitchell 2008). Asia as a whole is expected to be the priority market for driving growth globally with rising consumption. The growing middle class purchasing power, considerations of health benefits and status symbols have boosted markets in China, India, South Korea, Singapore and Japan. (Dewald 2003). The region remained buoyant even during the recent volatile economic recession, and is projected to register the overall fastest growth both in terms of volume and value terms through 2015. All this is making wine producers around the globe increasingly look to Asia and the result has helped many wine producers to see the continued success in the wake of a global economic downturn (VinIntell 2011). All leading wine exporting countries are exploring growth opportunities in Asia, with Singapore as a major regional hub for distribution. After many years of development, the Singapore wine market has experienced substantial growth in imports of both 'Old' and 'New' world wines, and also consumption rates despite the steady decline significantly in wine consumption in some of the major wine consuming nations such as France and Italy (Wine Trade Asia 2011). In 2014, the wine market in Singapore is forecasted to have a value of $256.6 million, an increase of 25.2% since 2009 having a consumption volume of 8.8 million litres, an increase of 15.8% since 2009. Wine sales proved the most lucrative in the Singapore wine market in 2009, generating total revenues of $135.9 million, equivalent to 66.2% of the market's overall value (Datamonitor 2010). According to Hong Kong Trade Department Council (2009), the Singapore consumer is very much more sophisticated, educated and well-travelled than ever before. In spite of Singapore being a potential emerging wine country, little effort has been devoted to consumer-oriented marketing.

Research Aim & Objectives

The overall aim of this study is to gain an understanding of the consumer segmentation, the consumption and purchasing behaviour in the Singapore wine market. This will be achieved by identifying the influencing factors of wine consumption and purchasing behaviour in Singapore

Literature Review

Consumer Behaviour

Consumer behaviour is the study of the processes taking place when individuals or groups select, purchase, use or dispose of products, services, ideas or experiences, in order to satisfy their needs and wishes (Solomon et al. 2001). Consumers make various decisions on a daily basis, ranging from simple everyday issues to more complex decisions. A decision is not simply a choice of a certain product or service but a choice decision that involves the selection of one alternative action or behaviour over the other (Reynolds and Olson 2001), In addition, behaviours are conceptualized instead of products or brands as choice alternatives that allow the research on decision making to be placed in the context. It is evident that consumer research has been focusing on the idea of consumers as being rational individuals who base their decisions on complete information in order to maximise their utility (Dubois 2000). However, as McCracken (1986) points out, "consumer goods have a significance that goes beyond their utilitarian character and commercial value". Theoretical models that solely explain consumer decisions based on the functionality or utility of a product or service disregard the importance of the cultural meanings and symbolic values that these products carry for consumers (Sorensen 2000).

The complex internal processes and external factors of consumer behaviour (see Figure 1) are distinguished between cultural, social, personal and psychological characteristics as they exert the strongest influence on consumer purchases. Most of the factors are outside the control of marketers (Kotler & Armstrong 2004). However, it is crucial for marketers to take these different factors into great consideration when studying the behaviour of consumers. (Dubois 2000). According to Kotler and Armstrong (2004), individual factors can be divided into individual personal and psychological characteristics. In addition, they also suggested that motivation, perception, learning, as well as beliefs and attitudes are the main four psychological factors that influence consumer decision making.

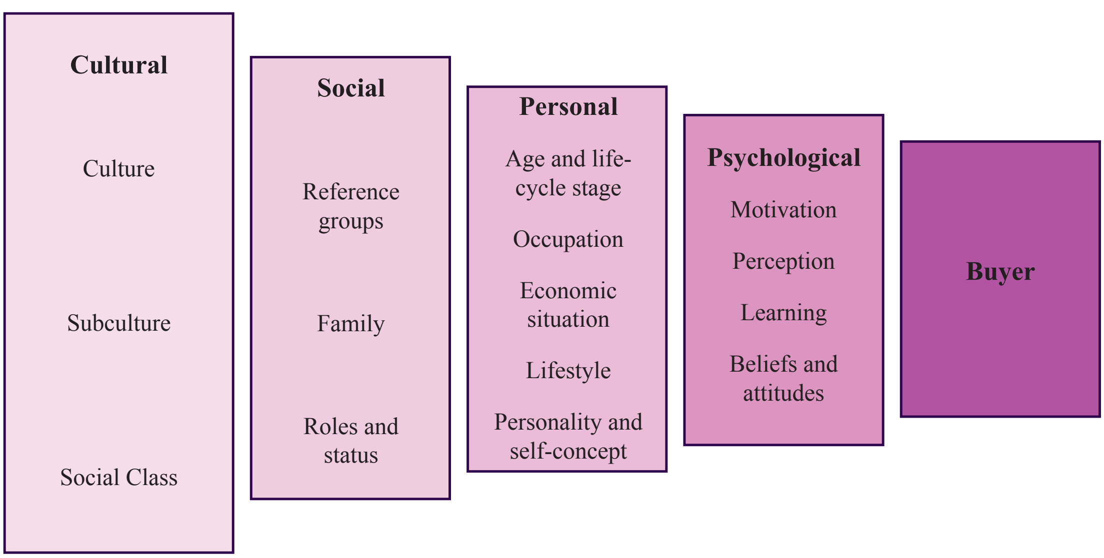


Figure 1: Factors Influencing Consumer Behaviour
Source: Created for this assignment based on Kotler & Armstrong (2004)

In this study, the researcher decided to focus on the various psychological and elements such as the motives, perception, involvement of consumers and also socio-demographics of consumers. In addition, various wine segmentation studies will also be reviewed critically.

Motivation and Motives

An understanding of motivation and motives studies provides insights into the "why" of behaviour and also a better appreciation of consumer behaviour, the choice of products as well as preferences (Foscht & Swoboda 2007; Lehnert 2009; MacDonagh, Linehan, & Weldridge 2002).

Motives can be understood as the reasons for the actions of people (Kunz 2010). According to Bose (2006), motive is "a drive or an urge for which a person seeks satisfaction. It becomes a buying motive when the person seeks satisfaction through the purchase of something". More frequently, motives are also defined as "needs, wants, drive, and impulses, etc. within the individual" (Bose 2006).

There are several ways to differentiate motives. While physiological needs are natural and caused by physiological tension-systems and processes within a person, psychogenic needs are learned through the environment of the consumer (Bayton 1958). Different cultural and social environments can consequently result in different motives (Kunz 2010). According to Westbrook & Black (1985), buying motives can be further understood in relation to enduring and stable characteristics of individuals.

Poly-thematic approaches attempt to explain behaviour by means of a multiplicity of motives while monothematic approaches explain behaviour by identifying a single motive or drive as explanatory variable (Bansch 2002; Foscht & Swoboda 2007). This often results in unmanageable catalogues of motives (Foscht & Swoboda 2007; Lehnert 2009) that do not take the individual complexity, instability and dynamic of human behaviour into account (Foscht & Swoboda 2007).

Wine Consumption and Purchasing Behaviour

Complex factors influence consumer behaviour toward wine. Wine is not simply just an alcoholic beverage, it is one beverage that is strongly related to the quality of life (Tzimitra-Kalogianni 1999). The important wine attributes that act as quality attributes and influence wine consumers' behaviour can be divided into search, experience and credence attributes, as illustrated in Table 1. The three attributes are steps involved in consumer purchasing behaviour and will affect the repeatability of purchases (Luth & Spiller 2005).

Table 1: Typology of Attributes and Quality Signals

Typology of Attributes	Search Attributes	Experience Attributes	Credence Attributes
Suitable Quality Signals	Packaging, Design, Appearance	Brand, Price, Reputation	Brand, Guarantees, Test Labels

Source: Luth & Spiller 2005

Table 1 illustrates that wine purchase involves many tangible features, such as the colour, price, description of grape type and bottle shape, and numerous subjective or intangible features, which include taste, smell and grape type and the ability to acknowledge underlying tastes and impression on others. One of the key factors that differentiate the wine market from many others is that the main influences considered in wine decision making are perceived risk, in terms of product cues such as brand, label, price, product experience and knowledge and the product use situation. All these affect this risk, and make credence especially important (Spawton & Haelstaed 2001).

According to Keown and Casey (1995), wine as "a thirst quencher, a deal clincher, an aphrodisiac or an anesthetic" is its most important intangible feature. However, this study asserts that one of the most important intangible features of wine revolves around the experiences of the purchaser and it takes on user-defined product features, which appear to be dependent on the occasion on which the wine is consumed. In many cases, consumers value their knowledge and the status, attached and constantly seek to avoid the resultant situation of having insufficient knowledge. It has already been established that wine is a highly exclusive sophisticated product and in purchasing wine, consumers seek to reduce their risk of making an incorrect decision and this perceived risk is a major influence in their wine choice (Tzimitra-Kalogianni 1999; Koewn & Casey 1995; Hall 1991).

According to Shepherd and Spark (1994), there were various interrelating factors that affect food choices. The 'Food / Beverage Preference Choice' model was developed by listing seven influencing factors categories which are personal factors such as familiarity, influence of other persons, and emotional meaning associated with food/ beverages; biological, physiological, and psychological factors such as age and gender; extrinsic factors, such as advertising and seasonal variations; intrinsic factors (of the food/beverages), such as appearance, odor, flavor, and texture; cultural, religious and regional factors including geographic regions; educational factors including nutrition education; and socio economic factors such as income and the cost of food/beverages.

This review of the literature on the nature, processes and factors of consumer behaviour, the what, why and how of motivation and motives and the complexity of consumer behaviour as they apply to the wine industry, has provide insights into the relevant dimensions that informs the direction of a study on the wine industry in a chosen market. In particular, it reveals gaps in our knowledge of wine consumption and purchasing behaviour in Singapore. The research design for this study is built to address some of these gaps, namely wine consumption and purchasing behaviour.

Research Approach

This study falls into the cross sectional exploratory, descriptive and explanatory research categories. It attempts to discover answers to the questions of *who, what, when, where, how* (Cooper & Schindler 2001) and also why the existence of relationships, associations or interdependences (Kumar 2011). As the phenomenon of wine consumption and consumer segmentation has not been studied in the context of the Singapore wine market, exploratory studies are appropriate. (Blumberg; Cooper & Schindler 2005).

This pilot study intends to provide first insights into the phenomenon as well as tests the feasibility of the developed research design. It will help lay the ground for future large-scale investigations of wine consumer behaviour in Singapore. It can also lead to in depth qualitative approaches to gain further 'rich' data.

Choice of Research Methodology

Quantitative research methodology was employed to test the hypotheses and to analyze the causal relationships between variables identified in the extensive literature review. The research methodology involved the use of a highly structured measuring instrument to predetermine responses. In this study, a self-administered questionnaire was chosen as the measuring instrument to seek the causal relationships of the wine consumption and purchase behaviour phenomena by gaining value-free inquiry from an outsider's perspective (Kumar 2011).

Sampling Method

The systematic random sampling method was used. Systematic random sampling is a type of probability sampling technique that aims to reduce the potential for human bias in the selection of cases to be included in the sample. The survey was carried out in a systematic procedure by administering the questionnaire to 1 out of every 3 customers entering wine retail stores, restaurants, bars, or hotel lounge.

Target Population

The initial target population of this research was potential wine consumers living in Singapore, estimated as around 500,000. As the random sampling was 1 out of every 3 customers entering the wine retail stores, restaurants, bars, or hotel lounge, it was assumed that respondents met the legal requirement of being at least 18 years old and most likely are not Muslims.

Figure 2: Singapore Resident Population Aged 18 Years & Over by Religion, 2010

Religion	**Percent (%)**
Buddhism	**33.3**
Taoism	**10.9**
Christianity	**18.3**
Islam	**14.7**
Hinduism	**5.1**
Other Religion	**0.7**
No Religion	**17**
TOTAL	**100**

Sample Size and Response Rate

Based on the sample size table by Krejcie and Morgan (1970), the sample size for this study is 384 (n=384), with a confidence level of 95% and a 5% margin of error. Equal distribution of 192 (50%) questionnaires was planned and administered, through field collection and online access.

However, only 172 (about 45%) responded. 19 responses (incomplete questionnaires) were rejected, leaving 153 responses (n=153) with usable data These valid samples were analysed by using IBM Statistical Package for the Social Sciences (SPSS) version 20.0.

Data Analysis

Pearson's Chi-Squared Test (χ2)

This is a parametric tests, involving different types of chi square tests, like chi square test for cross tabulation, chi square test for goodness of fit, likelihood ratio chi square test. The statistic in chi square test is used to test the statistical significance of the observed relationship in the cross tabulation of two variables. The statistic used in chi square test helps the researcher to determine whether or not an appropriate relationship exists between the two variables. The null hypothesis in chi square test assumes that there exists absolutely no correlation between the two variables being observed under the study.

Friedman Test

Friedman test is a non-parametric test that is utilised to test for differences between groups when the dependent variable being measured is ordinal. It compares the mean ranks between the related groups and indicates how the groups differed and it is included for this reason. The result table provides the test statistic ($\chi 2$) value (Chi-square), degrees of freedom (df) and the significance level (Asymp. Sig.). It is similar to Chi-Square test for the interpretation of the Friedman test as mentioned above. In this study, Friedman test is used hypotheses testing on ranking of importance and frequencies.

Ethical Considerations

In the context of research, ethics refers to the appropriateness of researcher's behaviour in ethical issues related to the rights of respondents who become the subject of study or are affected by it (Saunders et al 2009). As researchers have a moral responsibility in the way of explaining and finding answers to their questions honestly and accurately, ethical issues have to be addressed and considered (Ghauri and Gronhaug 2010). In this research, respondents received detailed explanations about the purpose of the study, and the content of the questionnaire. As the respondents are generally identified during after office hours, relaxing and consuming wine, it is therefore important not to spend too much interruption time. Each questionnaire could be completed within 5 minutes to ensure that respondents have sufficient time, feel comfortable and at ease in order to obtain the most accurate results.

Validity

To ensure the **face validity** of this research, most of the questionnaire items have a logical link with the objective formulated for the research. There was also **Content validity**, as most of the questionnaire items used were adapted and modified from those used in relevant studies.

Reliability

A test-retest reliability method was employed to ensure the reliability of this research. This method relies upon there being no confounding factors during the intervening time interval. The ratio between the test and the retest scores is an indication of the reliability of the instrument – the greater the value of the ratio, the higher the reliability of the instrument. A ratio of 1 shows 100 per cent reliability indicating no difference between test and retest; and any deviation from it indicates less reliability (Kumar 2011). As an equation for this method,

$$\boxed{(\text{test score})/(\text{retest score}) = 1}$$

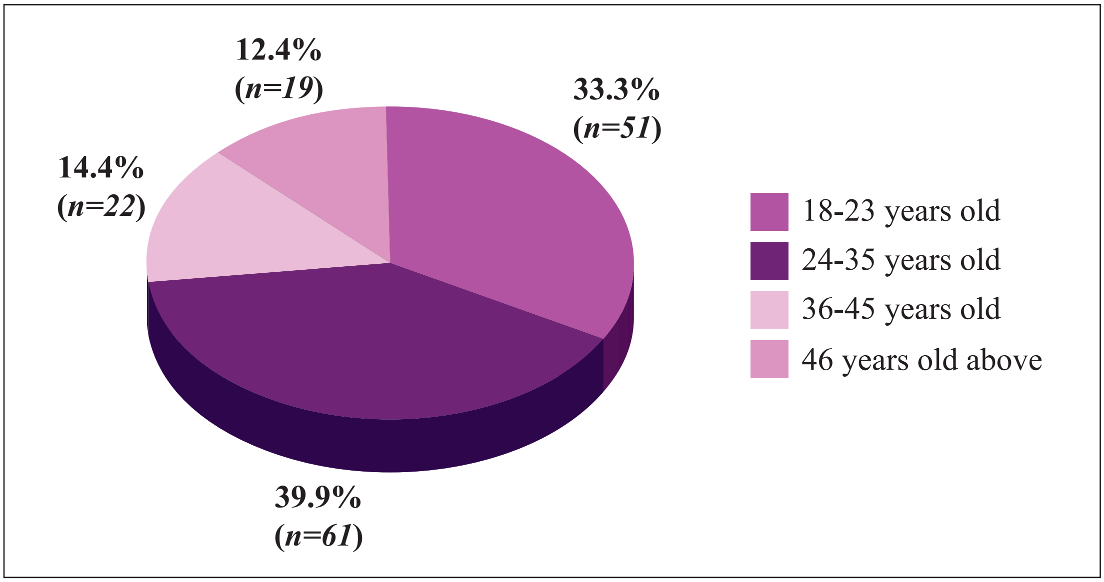
In this research, the *test score* is using the pre-test results, and the *retest score* is using the actual test results. With the intervening time being an interval of 5 days, the ratio value calculated for the research is 1, which established the reliability for the research.

Findings

Demographics Analysis

The first section (Section A) of the questionnaire consisted of questions to gather personal information of respondents such as gender; age group; marital status; highest education attained; monthly income; and profession. The table below is a summary of the key findings from the primary research.

Analysis	Sample Size (n)		Distribution
Gender	Male	101	66%
	Female	52	34%
Age Group Distribution (Years Old)	18 – 23	51	33.3%
	24 - 35	61	39.9%
	36 - 45	22	14.4%
	≤ 46	19	12.4%
Marital Status	Single	92	60.1%
	Married	61	39.9%
Highest Level of Education Attained	PSLE	16	10.5%
	N/O Level	22	14.4%
	A Level / Diploma	50	32.7%
	Bachelor	52	34%
	Postgraduate and above	13	8.5%
Monthly Income	>$2000	44	28.8%
	$2001 - $3500	5	3.3%
	$3501 - $5000	69	45.1%
	$5001 - $10000	18	11.8%
	< $10000	17	11.1%
Profession	Private industry	105	68.8%
	Self-employed	15	9.8%
	Government	15	9.8%
	Students	18	11.8%



Hypotheses Testing

Testing of hypotheses was formulated by using the data collected from the primary research.

Preferred Venue of Wine Consumption

Friedman test was carried out to ascertain the preferred venue of wine consumption. The test assumes the study of one independent variable and that the same variable are observed under six wine attributes: At home; on flight; Restaurant; Bar, Lounge, Club; and Exhibition, Masterclass, Seminar. The dependent variables were measured on an ordinary non-parametric scale.

Hypothesis 1

- **H_0: There is no difference in the respondents' choice for the preferred venue of wine consumption At home; On flight; Restaurant; Bar, Lounge, Club; and Exhibition, Masterclass, Seminar**

- **H_1: There is a difference in the respondents' choice for the preferred venue of wine consumption At home; On flight; Restaurant; Bar, Lounge, Club; and Exhibition, Masterclass, Seminar**

Test Statistics[a]

N	135
Chi-Square	84.029
df	4
Asymp. Sig.	.000

a. Friedman Test

The above table provides the test statistic (x^2) value (Chi-square), degrees of freedom (df) and the significance level (Asymp. Sig.). The level of significance a=0.05 and the rejection region is p-value > 0.05. The null hypothesis is therefore rejected Based on the test statistics, the degree of freedom is 4, while x^2 value = 84.029 and p-value = 0.00. Since p-value = 0.00 < 0.05 = a, we accept H_1 research hypothesis. Therefore, it can be concluded that there was a statistically significant difference in the respondents' choice for the preferred venue of wine consumption at Home; on Flight; Restaurant; Bar, Lounge, Club; and Exhibition, Masterclass, Seminar.

Table 2: Ranking of Preferred Venue of Wine Consumption

	Mean Rank
Where do you drink wine? (at home)	2.79
Where do you drink wine? (on flight)	3.03
Where do you drink wine? (restaurant)	2.32
Where do you drink wine? (bar, lounge, clubs)	2.93
Where do you drink wine? (exhibition, masterclass, seminar)	3.93

The statistics indicated there was a differential rank choice preference. The Least Mean Rank = 2.32 was for wine consumption at Restaurants, and Highest Mean Rank = 3.93 was at Exhibition, Masterclass, Seminar.

This hypothesis test indicated that consumers in general preferred venues that are normally linked to comfort and within foodservice establishments. This general preference of venue is often related to the various characteristics of the consumers. As such, a cross tabulation study was carried out relating to the age group to the type of wine preferred for consumption.

Age Group of Respondents / Preferred Type of Wine for Consumption

Table 3: Age Group * Which kind of wine do you often drink? Cross Tabulation

		Which kind of wine do you often drink?				Total
		Red	White	Sparkling	Rosé	
Age Group	18 - 23 years old	33	6	8	4	51
	24 - 35 years old	35	18	8	5	61
	36 - 45 years old	16	0	6	0	22
	46 years old and above	15	0	4	0	19
Total		99	19	26	9	153

The cross tabulation between the age group of respondents and their preferred type of wine for consumption is illustrated in Table 3. The findings indicated that red wine is dominantly the most preferred type of wine for consumption consisting of 64.7% (*n*=99) compared to other types of wine for consumption. The second most preferred type of wine for consumption is sparkling wine consisting of 17% (*n*=26), followed by white wine with 12.4% (*n*=19), and rosé wine with 5.9% (*n*=9). The 18 to 23 years old, and the 24 to 35 years old age groups had a similar trend in their preferred type of wine for consumption, with red wine as their most preferred, and some preferences for white, sparkling and rosé wines. However the 36 to 45 years old and 46 years old and above age groups, sparkling wine was the only other alternative preferred wine other than the most preferred, red wine. This can be due to the health therapeutic values in red wine and the refreshing characteristic of sparkling wine.

With the understanding of the type of wine preferred according to the various age groups, it is also useful to study the relationship between the amount of wine consumed and the age group of the consumers.

Age Group of Respondents / Wine Consumption Amount

Table 4: Age Group * How much wine do you normally drink in one occasion? Cross Tabulation

		How much wine do you normally drink in one occasion?				Total
		1 glass	2-3 glasses	4-5 glasses	6 glasses and above	
Age Group	18 - 23 years old	15	26	4	6	51
	24 - 35 years old	14	34	13	0	61
	36 - 45 years old	2	18	2	0	22
	46 years old and above	6	11	2	0	19
Total		37	89	21	6	153

Table 4 illustrates the cross tabulation between the age group of respondents and wine consumption amount in one occasion. The majority of the respondents consisting 58.2% (*n*=89), drink 2 to 3 glasses of wine followed by 24.2% (*n*=37) drink 1 glass of wine, and 13.7% (*n*=21) drink 4 to 5 glasses. The findings indicated that a minority of respondents, 4% (*n*=6), drank 6 glasses and above which is equivalent to at least a standard bottle (75cl). The most frequent occurrence among the various age groups was wine consumption behaviour of having 2 to 3 glasses of wine. Only respondents in the 18 to 23 years age group, though a minority, drank 6 glasses and above of wine on any one occasion. This can be due to clubbing and pubbing, social and entertainment behaviours among the younger age group. A cross tabulation study was constructed, followed by a series of 8 hypotheses testing to determine the relationship between the age group and the various purposes of wine consumption.

Table 5. Age Group of Respondents / Purpose of Wine Consumption (Taste) Crosstab

		Why do you drink wine? (I love the taste)		Total
		Yes	No	
Age Group	18 - 23 years old	18	33	51
	24 - 35 years old	31	30	61
	36 - 45 years old	2	20	22
	46 years old and above	0	19	19
Total		51	102	153

The cross tabulation between the age group of respondents and taste as being the purpose of wine consumption has been illustrated in Table 5. The findings indicated an interesting phenomenon that 66.7% (*n*=102) of the respondents did not have any preference or like for the taste of wine. The 24 to 35 years old age group was dominant in their love for the taste of wine. followed by the 18 to 23 years old age group. A minority of respondents in the 36 to 45 years old and none of the respondents in the 46 years old and above age group love the taste of wine.

A Chi-Square test has been carried out to understand the level of significance between the age group of respondents and taste as being the purpose of wine consumption. The value of the test-statistic is

$$X^2 = \sum_{i=1}^{n} \frac{(O_i - E_i)^2}{E_i}$$

The significance value of this test is $\alpha = 0.05$. Critical value of x^2 is 7.815. If calculated x^2 > critical x^2, reject H0. If calculated x^2 < critical x^2, do not reject H_0.

Hypothesis 2

- **H_0: There is no difference between the age group of respondents and taste as being the purpose of wine consumption**

- **H_1: There is a significant relationship between the age group of respondents and taste as being the purpose of wine consumption**

Table 6: Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	23.800[a]	3	.000
Likelihood Ratio	30.598	3	.000
Linear-by-Linear Association	10.870	1	.001
N of Valid Cases	152		

a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 6.33.

Results from the Chi-Square test (see Table 6) shows that the Pearson Chi-Square x^2-value is 23.800 and degree of freedom is 3. As the value of x^2 is higher than the critical value of x^2 (x^2=23.800 > 7.815), the null hypothesis (H_0) was rejected and research hypothesis (H_1) was accepted. We can conclude that there is a significant relationship between the age group of respondents and taste as being the purpose of wine consumption.

Table 7: Age Group of Respondents / Purpose of Wine Consumption (Special Occasion) Crosstab

		Why do you drink wine? (special occasion, celebration)		Total
		Yes	No	
Age Group	18 - 23 years old	34	17	51
	24 - 35 years old	60	1	61
	36 - 45 years old	14	8	22
	46 years old and above	11	8	19
Total		119	34	153

As observed in Table 7, the majority of the respondents, (77.8% ; *n*=119), agreed that wine was drunk on special and celebratory occasions. Respondents in the 24 to 35 years old age group were the predominant group, with only 1 disagreeing respondent,

A Chi-Square test was carried out to understand the level of significance between the age group of respondents and drinking on special occasion and celebration as being the purpose of wine consumption.

The significance value for this test is a = 0.05. Critical value of x^2 is 7.815. If calculated x^2 > critical x^2, reject H_0. If calculated x^2 < critical x^2, do not reject H_0.

Hypothesis 3

- **H_0: There is no difference between the age group of respondents and drinking on special occasion and celebration**

- **H_1: There is a significant relationship between the age group of respondents and drinking on special occasion and celebration**

Table 8: Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	25.486[a]	3	.000
Likelihood Ratio	32.255	3	.000
Linear-by-Linear Association	.968	1	.325
N of Valid Cases	153		

a. 2 cells (25.0%) have expected count less than 5. The minimum expected count is 4.22.

Results from the Chi-Square test (see Table 8) shows that the Pearson Chi-Square x^2-value is 25.486 and degree of freedom is 3. As the value of x^2 is higher than the critical value of x^2 (x^2=25.486 > 7.815), the null hypothesis (H_0) was rejected and research hypothesis (H_1) was accepted. There was a significant relationship between the age group of respondents and drinking on special occasion and celebration as being the purpose of wine consumption.

Table 9: Age Group of Respondents / Purpose of Wine Consumption (Health)
Age Group * Why do you drink wine? (health benefits) Cross Tabulation

		Why do you drink wine? (health benefits)		Total
		Yes	No	
Age Group	18 - 23 years old	13	38	51
	24 - 35 years old	14	47	61
	36 - 45 years old	14	8	22
	46 years old and above	10	9	19
Total		51	102	153

The cross tabulation between age group of respondents and health benefits as being the purpose of wine consumption is illustrated in Table 9. Based on the findings, the researcher observed that majority of the respondents; consisting of 66.7% (n=102), did not perceive health benefits as the purpose of wine consumption. Those that perceived health benefits as the purpose of wine consumption came from the 36 to 45 years old, and 46 years old and above age groups.

A Chi-Square test has been carried out to understand the level of significance between the age group of respondents and health benefits as being the purpose of wine consumption.

The significance value for this test is a = 0.05. Critical value of x^2 is 7.815. If calculated x^2 > critical x^2, reject H_0. If calculated x^2 < critical x^2, do not reject H_0.

Hypothesis 4

- **H_0: There is no difference between the age group of respondents and health benefits as being the purpose of wine consumption**

- **H_1: There is a significant relationship between the age group of respondents and health benefits as being the purpose of wine consumption**

Table 10: Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	16.646[a]	3	.001
Likelihood Ratio	16.025	3	.001
Linear-by-Linear Association	9.756	1	.002
N of Valid Cases	153		

a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 6.33.

Results from the Chi-Square test (see Table 10) shows that the Pearson Chi-Square x^2-value is 16.646 and degree of freedom is 3. As the value of x^2 is higher than the critical value of x^2 (x^2=16.646 > 7.815), the null hypothesis (H_0) was rejected and research hypothesis (H_1) was accepted. There was a significant relationship between the age group of respondents and health benefits as being the purpose of wine consumption.

Wine Purchase Behaviour Analysis

Importance of Wine Attributes

Friedman test was carried out to ascertain the consumers' preference for the importance of wine attributes. The test assumed the study of one independent variable and that the same variable was observed under six wine attributes: **Region of Origin; Grape Varietal; Vintage; Price; Label Design; and Brand**. The dependent variables were measured on an ordinary non-parametric scale.

Hypothesis 5

- **H_0: There is no difference in the respondents' choice for the importance of wine attributes in Region of Origin; Grape Varietal; Vintage; Price; Label Design; and Brand.**

- **H_1: There is a difference in the respondents' choice for the importance of wine attributes in Region of Origin; Grape Varietal; Vintage; Price; Label Design; and Brand.**

Table 11: Test Statistics[a]

N	153
Chi-Square	116.690
df	5
Asymp. Sig.	.000

a. Friedman Test

The above table 11 provides the test statistic (x^2) value (Chi-square), degrees of freedom (df) and the significance level (Asymp. Sig.), which is all we need to report the result of the Friedman Test. The level of significance α=0.05 and the rejection region is p-value > 0.05. The null hypothesis was rejected. Based on the test statistics, the degree of freedom was 3, while x^2 value = 116.690 and p-value = 0.00. Since p-value = 0.00 < 0.05 = a, the H_1 research hypothesis was accepted. There was a statistically significant difference in the respondents' choice for the importance of wine attributes in Region of Origin; Grape Varietal; Vintage; Price; Label Design; and Brand.

Table 12: Ranks

	Mean Rank
Region of Origin	2.58
Grape Varietal	3.40
Vintage	3.16
Price	3.30
Label Design	4.75
Brand	3.82

Findings of this analysis indicated that there was a differential rank choice preference (accepts research hypothesis) for the importance of wine attributes when purchase. The Least Mean Rank = 2.58 was for Region of Origin, and the Highest Mean Rank = 4.75 was for Label Design. Therefore, Region of Origin was the most important wine attribute and the least important wine attribute was Label Design.

Table 13: Gender of Respondent / Frequency of Wine Purchase Cross Tabulation
Gender * How frequently do you purchase wine in Singapore? Cross tabulation

		How frequently do you purchase wine in Singapore?					Total
		Daily	At least once a week	At least once a month	At least once every half a year	At least once a year	
Gender	Male	2	5	29	31	34	101
	Female	0	2	22	8	20	52
Total		2	7	51	39	54	153

The frequency count between the gender of respondents and frequency of wine purchase is illustrated in Table 13.

A Chi-Square test was carried out to understand the level of significance between the gender of respondents and the frequency of wine purchase in Singapore. The significance value for this test is a = 0.05. Critical value =? If $\alpha >$ p-value, reject H_0 and if $\alpha <$ p-value, do not reject H_0.

Hypothesis 6

- **H_0: There is no difference between the gender of respondents and the frequency of wine purchase in Singapore.**

- **H_1: There is a significant relationship between the gender of respondents and the frequency of wine purchase in Singapore.**

Table 14: Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	6.404[a]	4	.171
Likelihood Ratio	7.249	4	.123
Linear-by-Linear Association	.001	1	.969
N of Valid Cases	153		

a. 4 cells (40.0%) have expected count less than 5. The minimum expected count is .68.

Results from the Chi-Square test (see Table 14) shows that the Pearson Chi-Square p-value is 0.171 and degree of freedom is 4. As the p-value is higher than the significance value alpha ($p=0.171 > 0.05$), the research hypothesis (H_1) was rejected and null hypothesis (H_0) was accepted. There was no significant relationship between the gender of respondents and the frequency of wine purchase in Singapore.

Table 15: Age Group of Respondents / Frequency of Wine Purchase
Age Group * How frequently do you purchase wine in Singapore?
Cross Tabulation

		How frequently do you purchase wine in Singapore?					Total
		Daily	At least once a week	At least once a month	At least once every half a year	At least once a year	
Age Group	18 - 23 years old	2	2	11	12	24	51
	24 - 35 years old	0	0	16	21	24	62
	36 - 45 years old	0	2	16	4	0	22
	46 years old and above	0	3	8	2	6	19
Total		2	7	51	39	54	153

The cross tabulation between age group of respondents and frequency of wine purchase is illustrated in Table 15.

A Chi-Square test has been carried out to understand the level of significance between the gender of respondents and the frequency of wine purchase in Singapore. The significance value for this test is $\alpha = 0.05$. Critical value of x^2 is 21.026. If calculated $x^2 >$ critical x^2, reject H_0. If calculated $x^2 <$ critical x^2, do not reject H_0.

- **H_0: There is no difference between the age group of respondents and the frequency of wine purchase in Singapore.**

- **H_1: There is a significant relationship between the age group of respondents and the frequency of wine purchase in Singapore.**

Table 16: Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	41.404[a]	12	.000
Likelihood Ratio	47.562	12	.000
Linear-by-Linear Association	9.914	1	.002
N of Valid Cases	153		

a. 9 cells (45.0%) have expected count less than 5. The minimum expected count is .25.

Results from the Chi-Square test (see Table 16) shows that the Pearson Chi-Square x^2-value is 41.004 and degree of freedom is 12. As the value of x^2 is higher than the critical value of x^2 (x^2=41.004 > 21.026), the null hypothesis (H_0) was rejected and research hypothesis (H_1) was accepted. There was a significant relationship between the age group of respondents and the frequency of wine purchase in Singapore.

Table 17: Age of Respondent / Purpose of Wine Purchase (Health) Crosstab

		What is the purpose of wine purchase? (it is good for health)		Total
		Yes	No	
Age Group	18 - 23 years old	19	32	51
	24 - 35 years old	22	39	61
	36 - 45 years old	20	2	22
	46 years old and above	10	9	19
Total		71	82	153

The cross tabulation between age of respondents and health as being the purpose of wine purchase is illustrated in Table 17. A Chi-Square test has been carried out to understand the level of significance between the age of respondents and health as being the purpose of wine purchase.

The significance value for this test is $\alpha = 0.05$. Critical value of x*2* is 21.026. If calculated x^2 > critical x^2, reject H_0. If calculated x^2 < critical x^2, do not reject H_0.

Hypothesis 7

- **H_0: There is no difference between the age of respondents and health being the purpose of wine purchase**

- **H_1: There is a significant relationship between the age of respondents and health being the purpose of wine purchase**

Table 18: Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	22.155[a]	3	.000
Likelihood Ratio	24.507	3	.000
Linear-by-Linear Association	7.615	1	.006
N of Valid Cases	153		

a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 8.82.

Results from the Chi-Square test (see Table 18) show that the Pearson Chi-Square x^2-value is 22.155 and degree of freedom is 3. As the value of x^2 is higher than the critical value of x^2 (x^2=22.155 > 7.815), the null hypothesis (H_0) was rejected and research hypothesis (H_1) was accepted. There was a significant relationship between the age of respondents and health being the purpose of wine purchase.

Table 19: Age of Respondents / Purpose of Wine Purchase (Personal Gift)
Age Group * What is the purpose of wine purchase? (personal gift for special occasion or celebration) Cross Tabulation

		What is the purpose of wine purchase? (personal gift for special occasion or celebration)		Total
		Yes	No	
Age Group	18 - 23 years old	28	23	51
	24 - 35 years old	50	11	61
	36 - 45 years old	20	2	22
	46 years old and above	17	2	19
Total		115	38	153

The cross tabulation between the age group of respondents and personal gift for special occasion or celebration as the purpose of wine purchase is illustrated in Table 19.

A Chi-Square test has been carried out to understand the level of significance between the age group of respondents and personal gift for special occasion or celebration as the purpose of wine purchase.

The significance value for this test is $\alpha = 0.05$. Critical value of x^2 is 21.026. If calculated x^2 > critical x^2, reject H_0. If calculated x^2 < critical x^2, do not reject H_0.

Hypothesis 8

- **H_0: There is no difference between the age group of respondents and personal gift for special occasion or celebration as the purpose of wine purchase**

- **H_1: There is a significant relationship between the age group of respondents and personal gift for special occasion or celebration as the purpose of wine purchase**

Table 20: Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	17.734[a]	3	.000
Likelihood Ratio	17.552	3	.001
Linear-by-Linear Association	13.262	1	.000
N of Valid Cases	153		

a. 1 cells (12.5%) have expected count less than 5. The minimum expected count is 4.72.

Results from the Chi-Square test (see Table 20) shows that the Pearson Chi-Square x^2-value is 17.734 and degree of freedom is 3. As the value of x^2 is higher than the critical value of x^2 (x^2=22.155 > 7.815), the null hypothesis (H_0) was rejected and research hypothesis (H_1) was accepted. There was a significant relationship between the age of respondents and personal gift for special occasion or celebration as the purpose of wine purchase.

Summary Conclusion

This study explored the wine industry, the wine consumption and purchase behaviours of the Singapore wine market. It was carried out in the context of a critical literature review of consumer behavior, influencing factors in wine consumption and purchasing behaviours.

The study revealed the following:

1. There is a significant relationship between the wine knowledge of respondents and the frequency of wine consumption. Therefore, the frequency of wine consumption is associated with the proliferation of wine knowledge.

2. There is a significant difference in the respondents' choice for the preferred venue of wine consumption. Drinking wine at a restaurant is the most preferred venue for wine consumption and the least preferred venue for wine consumption is at exhibition, masterclass, and seminar.

3. There is a significant relationship between the age group of respondents and taste as being the purpose of wine consumption. Even respondents who did not have any preference or like the taste of wine consume wine.

4. There is a significant relationship between the age group of respondents and drinking on special occasion and celebration as being the purpose of wine consumption. The majority of the consumers among all age groups drank wine on special occasions and on celebrations.

5. There is a significant relationship between the age group of respondents and health benefits as being the purpose of wine consumption. The majority of the consumers among all age groups do not perceived health benefits as the purpose of wine consumption.

6. There is a significant difference in the respondents' choice of wine attributes when purchasing wine. The Region of Origin is the most important wine attribute and the least important wine attribute is Label Design when purchasing wine.

7. There is no significant relationship between the gender of respondents and the frequency of wine purchase. The gender of the consumer does not affect the frequency of wine purchase.

8. There is a significant relationship between the age group of respondents and the frequency of wine purchase. Consumers from the older age groups in general have a higher wine purchase frequency, and consumers from the younger age groups in general have a lower wine purchase frequency.

9. There is a significant relationship between the age of respondents and health being the purpose of wine purchase. The majority of the consumers in general disagree that health is the purpose of wine purchase.

10. There is a significant relationship between the age of respondents and personal gift for special occasion or celebration as the purpose of wine purchase. The majority of the consumers agree that they purchase wine as a personal gift for special occasions or celebrations.

Limitations and Future Research

The study conducted was undertaken using a highly structured questionnaire. The quantitative nature of the study did not allow for deeper resolutions. A study of aspects like individual family profiles, taste attributes, and professional reference groups would have required qualitative methods such as structured interviews.

The conclusions thus cannot be generalised across the population given that the sample size was small and was not representative of the average Singaporean wine consumer. The study also represented gender disproportionality, which while considered as a valid trend in relation to the Singapore wine market, did not provide a sufficient sample size to accurately compare differences between gender and wine buying behaviour.

Within the set parameters of the research, consumer segments were pre-determined. Most of the samples came from the Central Business District (CBD) and city area where most restaurants, bars, hotels, and wine retailers are located. Future studies would yield more reliable results through careful segment representation conducted under exploratory conditions and with an element of focus group structure. In addition, this would also entail broadening the study to include consumers that are heartlanders from various parts of Singapore, to provide a larger overview of the wine market in Singapore.

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“Thank God we’re living in a country where the sky’s the limit, the stores are open late and you can shop in bed thanks to television.”

– Joan Rivers

Factors Influencing Consumers' Attitudes Towards Online Purchase in Singapore

Huynh Tuan Hung
Alumnus, East Asia Institute of Management
MBA
Cardiff Metropolitan University, United Kingdom

Dr Lee Hung Thai, William
Senior Lecturer, East Asia Institute of Management
DBA
Curtin University, Australia

Abstract

The purpose of this study is to examine whether the factors of price, convenience, trust, online word-of-mouth and previous experience, significantly influence consumers' attitude toward purchase intention in the rapid growing online shopping industry in Singapore. This research adopted a research model along with hypotheses to explore relationships among the variables, as well as differences in attitude and purchase intention of male and female shoppers.

Quantitative research with an inductive approach was used in this study. The researcher conducted a survey questionnaire pre-test with a small sample of five college students enrolled in East Asia Institute of Management, and thereafter modified the questionnaire which was subsequently used for the actual survey. 180 college students in various universities in Singapore completed the questionnaire. 169 responses (89%) were valid. Analyses of the responses provided insights into consumers' attitude, feeling and intention toward online purchase.

The researcher conducted the survey using Kaiser-Meyer-Olkin (KMO) statistics and Cronbach Alpha test for data validity and reliability. A series of simple and multiple regression analyses indicated that all the influencing factors significantly explained consumers' attitude. The result also suggested the existence of positive relationships among all the factors. Trust emerged as the strongest influence of consumers' attitude, as well as for purchase intention. The result also suggested a significantly strong influence of previous experience directly on purchase intention. Furthermore, the researcher used independent sample t-tests and discovered that there was no gender difference in attitude and purchase intention despite a slightly higher intention and positive attitude toward online purchase for male.

Keywords: Online Purchase Intention, Price, Convenience, Trust, Online Word-of-Mouth, Previous Experience, Attitude, Gender

Introduction

Nowadays, with just a few clicks on the mouse or taps on the phones and tablets, consumers can purchase products that they want online while they are in the office, on the bus or on vacation because now they can buy anything anywhere at anytime on the Internet. Indeed, consumers can save much time and reduce many unnecessary search and transaction costs in physical shopping such as searching for a parking lot, driving to the stores, spending a long shopping time, searching for the products and waiting for a long queue in the payment center (Childers *et al*., 2001; Ahuja, Gupta & Raman, 2003). Thus, online purchase has become popular and used widely because of the perceived benefits it provides.

According to a recent study by the Info-communication Development Authority of Singapore (IDA), the proportion of online shoppers in Singapore increased to 42% in 2010, compared with only 17% in 2003 (IDA, 2012). Another study, this time by MasterCard (2008) suggested that Singaporeans were the greatest spenders in Asia, spending around $770.70 every three months on online shopping. The IDA (2012) study revealed that young Singaporeans, aged 15 to 25 years old, were the primary users of the Internet. 98% had access to the Internet in the past 12 months, and the primary products they purchased online were clothing, footwear, sporting goods, ticket for entertainment event and other accessories. Thus, marketing managers would find it useful to explore the factors that influenced young shoppers' attitude and intention to purchase online as well as whether there was a gender difference in attitude toward online purchase intention.

Research Perspectives

Many researchers, such as Ozer (2011), concluded that there was a linear relationship between intentions and behaviour. The Theory of Reasoned Action (TRA) postulates that if a person intended to perform a behavior then it was likely that the person would do it (Njite & Parsa, 2005; Ozer, 2011). In fact, many studies had shown that attitude was one of the most influencing factors of human intention; Fishbein & Ajzen's (1975) developed the TRA to serve as the fundamental explanation of the relationship between attitude and intention (Quoted from Njite & Parsa, 2005). The major factors that influenced consumers' attitude toward purchase intention included price, convenience, trust, online word-of-mouth and online purchase experience.

Price:

Jacoby & Olson (1977) defined price as the representation of consumers' subjective perception of the objective price of the product (Quoted from Kuan-Pin & Dholakia, 2003). Price was the major concern and motive of almost all consumers when making purchasers, whether online or offline; they tended to purchase a particular item on the basis of a lower price (Kuan-Pin & Dholakia, 2003). However, the study of Njite & Parsa (2005) suggested that there was no direct or positive relationship between price and purchase intention. This study will test the relationship between price and attitude.

Convenience:

The ultimate advantage of the Internet, which made it so useful and commonly adopt by the consumers was its ability to shorten the transactional costs such as time and effort (Thomson & Laing, 2003). Previous studies (Szyman- ski & Hise, 2000; Childers *et al*., 2001) discovered that these benefits of a greater perceived convenience of online purchasing created a positive consumer attitude toward purchase intention.

Trust:

Consumers' trust is the expectation toward certain performances and acts from the companies. Zucker (1986) defines trust as "a set of expectations shared by all those in an exchange" (Quoted from Srivastava & Teo, 2009). In short, trust is a psychological state with the expression of beliefs, positive expression or confidence about certain people or situations (Zappala & Gray, 2006)

Previous studies (Njite & Parsa, 2005; Prasad & Aryasri, 2009; Huigang *et al*., 2005) indicated that financial risk, including invading of privacy, leaking of personal and cards information, fraud, hacking, scamming and being unable to check the products, strongly affected the expectations of the consumers to the sellers in order to trust them. However, trust can be built on when there were repeated interactions between trustor and trustee over a certain period of time (Rousseau et al., 1998). Consumers performed online purchasing based on the "promises" of the sellers, credit card companies and banks over the transaction security and confidentiality of customer information (Prasad & Aryasri, 2009). The research indicated there was a strong negative relationship between trust and perceived risk but rather weak positive relationship between trust and purchase intention (Cooper & Madden, 2004). Njite & Parsa (2005) argued that there was a low relationship between trust and purchase intention, but consumers' trust strongly influenced their attitude toward purchase intention. This study will test the relationship between trust and attitude.

Online Word-Of-Mouth (WoM):

WoM can be offline and online; the traditional offline WoM can be commonly described as a face-to face two-way communication among people to deliver and express opinions, judgments and feeling toward a particular product, action, service and person (Money *et al*. 1998). Lau & Ng (2001) suggested that messages from WoM could spread and influence many receivers by passing through their own contact point. Chang & Chin (2009) suggested that positive WoM from friends, family and colleagues could influence the online purchase intention. Besides, people normally perceived information from majority groups of people as more trustful and reliable than from minority groups of people (Ji & Zhang, 2009). Ji & Zhang (2009) mentioned that following the majority groups would help people increase their confidence that their decisions were rightly made. Consumers' attitude and intention could also be influenced by opinion leaders. Lazarsfeld & Berelson stated, "the impact of mass media firstly impact opinion leaders, then influence more people by the opinion leaders" (Quoted from Ji & Zhang, 2009, p. 25). It was suggested that consumers normally trusted the views of opinion leaders because they were perceived to have special skills and knowledge (Ji & Zhang, 2009).

However, online WoM is quite different from the traditional WoM because consumers no longer receive opinions and recommendations from people around their networking webs such as friends, family and colleagues; it also includes strangers on the websites, forums, virtual communities, blogs, Facebook and etc. (Ji & Zhang, 2009). In fact, Ji & Zhang (2009) indicated that even in the virtual communities, consumers were considered as followers, who trusted and accepted the information that opinion leaders collected based on their professional knowledge and experience. Surprisingly, the study of Prendergast, Ko & Siu Yin (2010) and Ji & Zhang (2009) suggested that online WoM did not influence the purchase intention of consumers who were able to justify their decision making, but it had a significant impact on their attitude toward the purchase intention instead. This study will test a relationship between online WoM and attitude.

Online Purchase Experience:

Previous experience indicated that the participation and outcomes from previous experience could create a certain attitude and behaviour that in turn could influence future intention. (Ozer, 2011). Ozer's study showed that consumers with previous experience were more consistent than those with no previous experience. Ozer (2011) also mentioned that previous experience provided consumers sufficient information to predict the outcome of their behaviour. In addition, the study by Festerv, Snyder & Tsalikis (1986) revealed that the more experiences and exposure consumers had with online purchase, the more comfortable they felt toward online purchase. With lower perceived risks, they would be more likely to continue to shop online in the future (Quoted from Dai, 2007). Thus, it was clearly suggested that online purchase experience was a good predictor for online purchasing behaviour and intention. This study will test whether online purchase experience has a direct and indirect influence on consumers' purchase intention through their attitude.

Attitude Toward Purchase Intention:

Many studies (Dillon & Reif, 2004; Chien-Wen & Chiang-Yu, 2009; Prendergast, Ko & Siu Yin, 2010) indicated the strong relationship between attitude and purchase intention. Ozer (2011) stated, "Attitudes reflect individuals' positive or negative evaluation of performing the behaviour" (p.109). In other words, "Attitude are the core of our likes and dislikes for certain people, groups, situations, objects, and intangible ideas" (Mowen & Minor, 1998, p. 249). This study will test the relationship between attitude and purchase intention.

Gender:

Recently, the gender gap had been reduced significantly as women became familiar with online purchase. A study by Jiyoung, 2009 indicated women did 58% of the online shopping compared with 42% by men. Female consumers tended to purchase online for items such as home furnishings, apparel and jewelry (Seock & Bailey, 2008). The same study by Jiyoung (2009) revealed that men who purchased online spent more money than women. Jiyoung (2009) explained that online products and services were more likely to offer utilitarian values such as convenience and efficient that men preferred; and less likely to provide hedonic values such as the emotional involvement and social interaction. On the other hand, Alreck and Settle (2002) discovered that there was no significant difference between the attitude of both the male and female toward online purchase (Quoted from Hui & Wan, 2007). This study will test gender difference in online purchase intention and the attitude toward the intention.

Research Model:

In the proposed research model (Figure 1), attitude is a dependent variable that has the direct and indirect impact with online purchase intention through the independent variables, the influencing factors (price, convenience, trust, online WoM and online purchase experience). The influencing factors will be tested individually with attitude except the variable, online purchase experience, which will be tested with both attitude and purchase intention. To test the gender difference, various variables (attitude and online purchase intention) will be tested for separate groups of male and female. The definitions and sources of variables in this research model are provided in Table 1.

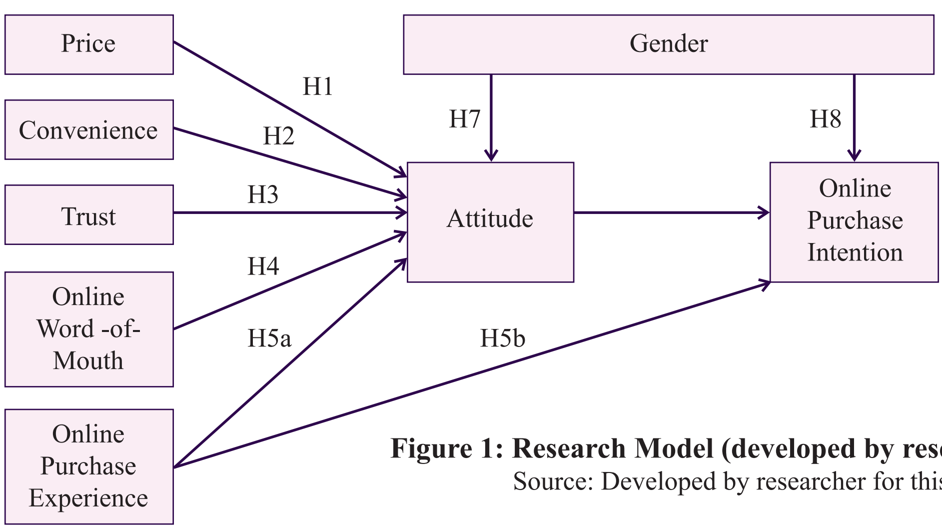


Figure 1: Research Model (developed by researcher)
Source: Developed by researcher for this research

Table 1: Variables definitions and sources

Variables	Definition	Sources
Price	The representation of consumers' perception of the objective price of the product.	Alba *et al*., 1997; Kuan-Pin & Dholakia, 2003; Dillon & Reif, 2004; Njite & Parsa, 2005; Hui & Wan, 2007.
Convenience	The benefit of saving resources such as time and effort a product or a service provides.	Szyman- ski & Hise, 2000; Childers et al., 2001; Thomson & Laing, 2003
Trust	A psychological state with the expression of beliefs, positive expression or confidence about certain people or situations	Hassan *et al* ., 2006; Zappala & Gray, 2006; Srivastava & Teo, 2009; Cooper & Madden, 2004; Gao, 2005
Online WoM	Opinions, judgments and recommendations from friends, family, colleagues, websites, forums, virtual communities, blogs, Facebook and etc.	Money *et al*. 1998; Lau & Ng, 2001; Chang & Chin, 2009; Ji & Zhang, 2009; Prendergast, Ko & Siu Yin, 2010.
Online purchase experience	The past experience(s) the consumers have through purchasing online.	Park & Stoel, 2005; Dai, 2007; Ozer, 2011.
Attitude	Individuals' positive or negative evaluation of performing the behaviour	Mowen & Minor, 1998; Njite & Parsa, 2005; Prendergast, Ko & Siu Yin, 2010.
Online purchase intention	The prior intention or planning before purchasing by the Internet	Hoyer & MacInnis, 2007; Chien-Wen & Chiang-Yu, 2009; Jiyoung, 2009
Gender	Men vs. Women	Hui & Wan, 2007; Dai, 2007; Seock & Bailey, 2008; Jiyoung, 2009

Source: Developed by researcher for this research

Methodology

Research design:

For this particular study, quantitative research with deductive approach will be utilized, for two major reasons. First, in line with the rapid changing Internet industry and the objective of this research, it is necessary to test and build upon the justified validity of existing theories, rather than building new theories. Deduction is an appropriate approach to justify or discover the new influencing factors. Second, the deduction will be based on data from a relatively large sample to support the findings; a quantitative method will be most appropriate, using statistical numbers to objectively analyze the findings (Saunders, Lewis & Thornhill, 2007).

Instrument development:

A self-administered questionnaire was developed to measure the attitude of consumers influenced by the factors that lead to an intention to purchase online in the future. There are three main sections in the questionnaire survey, including demographic factors influencing the attitude and online purchase intention. The multi-item scales were created to measure the attitude and intention of the consumers from five influencing factors; the 5-point Likert scale was used, ranging from "strongly agree" as 1 to "strongly disagree" as 5. Each variable will contain three questions to measure the attitude by using positive adjective words such as like, fantastic, secured and etc. Moreover, another 5-point Likert scale, ranging from "definitely" as 1 to "not at all" as 5 to see the likelihood of the consumers purchasing online in the next six months.

Selection of sample:

A convenience sample of 180 college students in various schools was used to conduct this study. The participants were instructed to state their attitude, feeling and behavior through the questionnaire related to online purchase. After the pre-testing of the questionnaire, the final version was used to collect data through physical distribution (at bus stations, MRT stations, and shopping malls around schools) and online through GoogleDocs. The data was collected over a period of approximately four weeks during a 3-month period in 2012.

Analyses:

The data on demographic characteristics, gender, academic background, online purchase duration, and frequency were examined and analysed using SPSS 16.0. Four research objectives guided the data analysis process. (See Table 2). A series of simple and multiple regressions were carried out for research objective 1, 2 and 3 to analyze the relationship between variables. T- test analyses were conducted for research objective 4 to explore the relationship between gender with online purchase intention and attitude.

Table 2: Research objectives and tested variables in data analyses

	Independent variable(s)	Dependent variable(s)
Research objective 1	Price Convenience Trust Online Word-of-Mouth Online purchase experience	Attitude
Research objective 2	Online purchase experience	Online purchase intention
Research objective 3	Attitude	Online purchase intention
Research objective 4	Gender	Attitude Online purchase intention

Source: Developed by researcher for this research

Finding and Discussion

Validity and reliability:

Exploratory Factor Analysis (EFA) was used to test the validity of the scale items (questions) in the questionnaire. Field (2000) indicated that before the EFA, it is necessary to conduct the Kaiser-Meyer-Olkin (KMO) and Bartlett's Test; it was suggested that the measure of KMO must be greater than 0.5 for a satisfactory data analysis (p.446). The KMO measure of 0.88 (Table 3,) justified the use of factor analysis to explain the variables.

Table 3: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.880
Bartlett's Test of Sphericity	Approx. Chi-Square	1.637E3
	Df	171
	Sig.	.000

Source: Primary data

Table 4 indicated that the scale items, 19 questions, were valid with the factor loadings of greater than 0.5 in the principle component analysis with Kaiser Normalization. Field (2000) "recommends interpreting only factor loadings with an absolute value greater than 0.4, which explains around 16% of variance" (p.441).

Table 4 contained the measure of reliability of the items by using Cronbach Alphas. Sekeran (2003) mentioned that the higher the value of Cronbach Alphas, up to 1, the more reliable the items were. Table 4 illustrated that the responses for the variables, Convenience, Trust and Intention were highly consistent and reliable while other variables were slightly lower; overall, all scale items in the variables were highly reliable.

Table 4: Rotated Component Matrix[a]

		Component			Cronbach Alpha
		1	**2**	**3**	
Price 1	I like online purchase because I think the price is right and fair			**.652**	**.770**
Price 2	I feel more interested toward online purchase when the price is lower			**.822**	
Price 3	The price really influences my feeling in online purchase			**.794**	
Convenience 1	I think online purchase is fantastic because of its convenience by saving time, effort and money for me		**.655**		**.816**
Convenience 2	I feel more joyful toward online purchase when it helps me save more resources such as time, effort and money		**.757**		
Convenience 3	The convenience really influences my feeling in online purchase		**.688**		
Trust 1	I trust online purchase because I often receive what I have bought	**.650**			**.812**
Trust 2	I trust online purchase because I feel protected; I can file any complaints to the companies or the banks to get back what I have lost	**.587**			
Trust 1	When I trust the sellers more, I feel more secured in online purchase	**.580**			
Trust 1	The trust in the sellers really influences my feeling in online purchase	**.604**			

(Continue)

		Component			Cronbach Alpha
		1	**2**	**3**	
WoM 1	The advice and recommendations on forums, blogs or Facebook toward the product I want to purchase online are really helpful		**.695**		**.783**
WoM 2	I feel more supported in my decision when there are more helpful advice and recommendations		**.578**		
WoM 3	The Word-of-Mouth on the Internet really influences my feeling in online purchase		**.744**		
Experience 1	My past experiences of online purchase are great	**.603**			**.796**
Experience 2	I feel more familiar toward online purchase when I experience it more	**.649**			
Experience 3	The previous online experience really influences my feeling in online purchase	**.517**			
Intention 1	I am more likely to use the Internet to purchase in the next 6 months because I like it	**.819**			**.890**
Intention 2	I will use the Internet to purchase in the next 6 months because it is good	**.821**			
Intention 3	The more I like online purchase, the more likely I will use it again in the future	**.730**			

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
a. Rotation converged in 5 iterations.

Source: Primary data

Correlation:

Before running the regression tests to measure the significance of the relationships among the variables, it is useful to justify these relationships first by using the Bivariate Correlation Analysis, the Pearson's correlation (Cooper & Schindler, 2003). Initially, the scores of the variables were obtained by averaging the scale items (questions) in Table 4 before conducting the correlation and regression tests; the score of the attitude was the mean of Price 1, Convenience 1, Trust 1 & 2, WoM 1, Experience 1, Intention 1 & 2. Similarly, the score of the purchase experience was averaged by the purchase duration and frequency before testing with the purchase intention.

Table 5: Pearson Correlations Matrix

		Price	Convenience	Trust	WoM	Experience	Attitude	Intention 3
Price	Pearson Correlation Sig. (2-tailed) N	**1** 151	.353** .000 151	.359** .000 151	.449** .000 151	.403** .000 151	.505** .000 151	.363** .000 151
Convenience	Pearson Correlation Sig. (2-tailed) N	.353** .000 151	**1** 151	.357** .000 151	.571** .000 151	.500** .000 151	.572** .000 151	.430** .000 151
Trust	Pearson Correlation Sig. (2-tailed) N	.359** .000 151	.357** .000 151	**1** 151	.495** .000 151	.585** .000 151	.678** .000 151	.594** .000 151
WoM	Pearson Correlation Sig. (2-tailed) N	.449** .000 151	.571** .000 151	.495** .000 151	**1** 151	.592** .000 151	.636** .000 151	.436** .000 151
Experience	Pearson Correlation Sig. (2-tailed) N	.403** .000 151	.500** .000 151	.585** .000 151	.592** .000 151	**1** 151	.711** .000 151	.611** .000 151
Attitude	Pearson Correlation Sig. (2-tailed) N	**.505**** .000 151	**.572**** .000 151	**.678**** .000 151	**.636**** .000 151	**.711**** .000 151	**1** 151	**.680**** .000 151
Intention 3	Pearson Correlation Sig. (2-tailed) N	**.363**** .000 151	**.430**** .000 151	**.594**** .000 151	**.436**** .000 151	**.611**** .000 151	**.680**** .000 151	**1** 151

**. Correlation is significant at the 0.01 level (2-tailed). Source: Primary data

The Pearson correlation matrix in Table 5 presents the correlation coefficients, which range from -1 to 1; it indicates that the variable, experience, had the strongest positive linear relationship (.711) with attitude, followed by intention (.68), trust (.678) and online WoM (.636). The coefficient of experience explains that when the consumers' experiences increase, their positive attitude also increases. Furthermore, Table 5 revealed that variables trust (.59), experience (.61) and attitude (.68) had a relatively strong positive relationship with the intention. On the other hand, price, convenience and online WoM had a rather weaker positive relationship; it suggested that the variables were relatively far spread from forming a positive linear line. However, in general, all the variables were positively related with attitude and intention.

Research objective 1

Next, the researcher conducted a multiple regression analysis to test the relationships of the dependent variable (attitude) with five independent variables (price), (convenience), (trust), (online WoM) and (experience).

Table 6: Model summary for multiple regression analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	**.831[a]**	**.690**	.679	.385

a. Predictors: (Constant), Experience, Price, Convenience, Trust, WoM Source: Primary data

Table 6 shows the goodness of the variables' relationship by looking at the value of the multiple correlation coefficient (R). R (.83) means that the dependent variable (attitude) is highly correlated with five independent variables, at 83%.

Table 7: ANOVA[b] test for multiple regression analysis

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	47.871	5	9.574	64.527	**.000[a]**
	Residual	21.515	145	.148		
	Total	69.386	150			

a. Predictors: (Constant), Experience, Price, Convenience, Trust, WoM
b. Dependent Variable: Attitude

Source: Primary data

Further, the value of R Square (.69) means that five independent variables explained 69% of the consumers' attitude in online purchase.

Table 7 indicated that the F value (64.52) was significant at the .0001 level; in other words, it suggested that 69% of the consumers' attitude (R-square) had been significantly explained by the five independent variables, price, experience, convenience, trust and online WoM.

Table 8: Coefficients for multiple regression analysis

Model		Unstandardised Coefficients		Standardised Coefficients	t	Sig. (p)	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.580	.117		4.965	.000		
	Price	.102	.037	**.147****	2.769	**.006**	.754	**1.326**
	Convenience	.155	.049	**.182****	3.128	**.002**	.629	**1.590**
	Trust	.241	.044	**.322****	5.474	**.000**	.616	**1.623**
	WoM	.111	.055	**.132***	2.018	**.045**	.502	**1.992**
	Experience	.240	.053	**.294****	4.513	**.000**	.504	**1.983**

Note: *p < .05. **p < .01 (2-tailed).

Source: Primary data

Malhotra (2007) suggested that a higher value of R Square in a multiple regression test also indicated a low correlation of independent variables so that the collinearity or multicollinearity issue could be suppressed. As the R Square of this test is .69 (Table 6), it indicated a relatively low possibility of collinearity issue. To support this finding, it was recommended to run the Variance Inflation Factor (VIF) test (Cooper & Schindler, 2006). The VIF index in Table 8 concluded that the test result was accurate and reliable with the VIF values significantly less than the cut-off value of 10.0.

Table 8 indicated the significance of the relationship of variables with the attitude based on the standardised coefficient (β). The result indicated that trust ($\beta=.32$, $p<.001$) was the most influential factor on the attitude of the consumers in online purchase; when the trust increased by 1 unit, the attitude would also increase by 0.32 unit. The variables, experience ($\beta = .294$, $p <.001$), convenience ($\beta = .182$, $p = .002$), price ($\beta = .147$, $p = .006$) and online WoM ($\beta = .132$, $p = .045$) had lower significant influences on attitude. Following the recommended decision rule suggested above, the alternative hypotheses 1, 2, 3, 4 and 5a were substantiated.

Research objective 2

To measure the relationship of consumers' experience with purchase intention, the researcher conducted a simple regression analysis. Table 9 showed that attitude and experience were correlated at 47%, and 22% of the consumers' intention had been significantly influenced by the experience with the F value (43.73) significant at .0001 level.

Table 9. Simple regression analysis output for Experience and Intention

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	**.476**[a]	**.227**	.222	.795

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	27.641	1	27.641	43.746	**.000**[a]
	Residual	94.147	149	.632		
	Total	121.788	150			

Coefficients[ab]

Model		Unstandardised Coefficients		Standardised Coefficients	t	Sig. (p)
		B	Std. Error	Beta		
1	(Constant)	2.702	.167		16.198	.000
	Intention	.366	.055	**.476****	6.614	.000

a. Predictors: (Constant), Experience
b. Dependent Variable: intention
Note: *p < .05. **p < .01 (2-tailed).

Source: Primary data

Table 9 indicated that experience was a significant influence on intention ($\beta = .47$, $p < .001$). Thus, the null hypothesis ($H5b_0$) was rejected and the alternative hypothesis ($H5b_A$) was substantiated.

Research objective 3

For research objective 3, the researcher conducted a simple regression analysis to measure the influence of attitude on intention. Table 10 showed a significant strong influence of attitude on intention ($\beta = .75$, $p < .001$).

Table 10. Simple regression analysis output for Attitude and Intention

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	**.757**[a]	**.572**	.569	.590

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	69.395	1	69.395	199.379	**.000**[a]
	Residual	51.860	149	.348		
	Total	121.255	150			

Coefficients[ab]

Model		Unstandardised Coefficients		Standardised Coefficients	t	Sig. (p)
		B	Std. Error	Beta		
1	(Constant)	-.260	.187		-1.395	.165
	Attitude	1.000	.071	**.757****	14.120	.000

a. Predictors: (Constant), Attitude
b. Dependent Variable: intention
Note: *p < .05. **p < .01 (2-tailed).

Source: Primary data

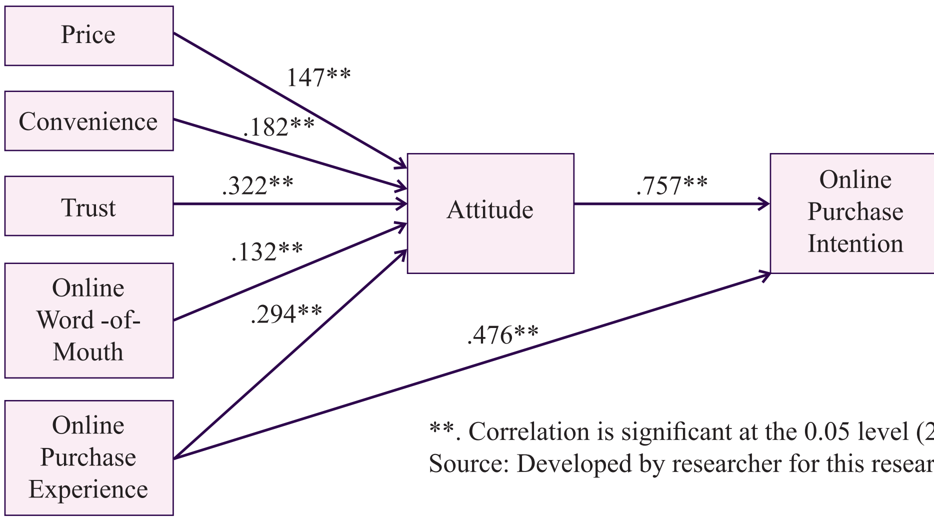
More than half (57%) of the consumers' intention can been explained by attitude; thus, the hypothesis (H6) was substantiated with the F value (199.3) significant at .0001 level.

Figure 2 is a summary of the regression tests carried out on the relationship of the variables (β) to attitude and intention. It indicated the strongest influence factor as well as the least.

Research objective 4

An independent sample t-test was conducted to compare the mean scores of male and female in terms of attitude and purchase intention. Table 11 indicated that the mean of male (M = 2.46, S.D. = .72) and female (M = 2.62, S.D. = .63) on attitude were not

Figure 2: Research model with regression coefficient



**. Correlation is significant at the 0.05 level (2-tailed
Source: Developed by researcher for this research

significantly different with the significant value (p = .145) greater than 0.05 level. Thus, the null hypothesis 7 ($H7_0$) was substantiated. In other words, it indicated that there was no significant gender difference in attitude to online purchase; male and female manifested relatively similar attitudes, though Table 11 showed that males had a higher positive attitude toward online purchase than women (2.62 compared with 2.46).

Table 11. Independent t-test analysis output for Attitude

Group Statistics

	Gender of respondent	N	Mean	Std. Deviation	Std. Error Mean
Attitude	Male	72	**2.46**	.721	.085
	Female	79	**2.62**	.635	.071

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Attitude	Equal variances assumed	.732	.394	-1.465	149	**.145**	-.162	.110	-.380	.056
	Equal variances not assumed			-1.457	142.183	.147	-.162	.111	-.381	.058

Source: Primary data

An independent t-test was applied to investigate the difference in purchase intention between male and female. The t-test in Table 12 suggested that there was no gender difference in intention with the (p) value of 0.32; thus, the alternative hypothesis 8 (H8A) was rejected. Table 12 also indicated that male (M = 2.21, S.D. = .94) had a slightly higher intention to purchase online than women (M = 2.35, S.D. = .85).

Table 12. Independent t-test analysis output for Intention

Group Statistics

	Gender of respondent	N	Mean	Std. Deviation	Std. Error Mean
Intention	Male Female	72 79	**2.21** **2.35**	.941 .859	.111 .097

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means					95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
Attitude	Equal variances assumed	.003	.955	-.997	149	**.320**	-.146	-.146	-.436	.143
	Equal variances not assumed			-.993	142.183	.322	-.146	-.147	-.437	.145

Source: Primary data

Discussion:

The findings showed that among all the significant influences, the relationship between attitude and intention was the strongest with the highest β value and R Square. Among the five influencing factors, trust had the strongest influence on attitude. This supported the finding of Njite & Parsa (2005), who concluded that attitude had the strongest influence on consumers' intention and trust was the most influential factor on consumers' attitude. Based on the TRA model, experience could be considered as an influencing force on intention and attitude. In fact, next to trust, experience was the second most significant influence on intention directly and indirectly through attitude. It is consistent with the findings of Dillon & Reif (2004) and Dai (2007), suggesting that consumers' previous experience significantly impacted their attitude and intention. Furthermore, this study indicated that online WoM had significant influence on consumers' attitude, which supported the findings of Ji & Zhang (2009) and Prendergast, Ko & Siu Yin, (2010).

In terms of expected benefits such as price and convenience, the finding of this study confirmed the results in previous studies (Delafrooz *et al*., 2009 and Njite & Parsa, 2005), which indicated that expected benefits significantly influenced attitude.

Interestingly, the impacts of the benefits from price and convenience on online purchase were not as strong as in other findings. Hui & Wan (2007) argued that consumers now were less price conscious. Price was not the primary concern of online shoppers because of their higher purchasing power. This study indicated the weakening influence of price as one of the main motivators for online purchase in Singapore. The correlation analysis indicated that they was a high correlation, and hence a positive relationship between attitude and intention, at 68%.

This finding also revealed that male shoppers tended to purchase online more frequently than female shoppers even though their purchase durations were shorter. This indicated that female shoppers made online purchases of necessary purchases (including oversea products) that they could not find physically in local stores. This could be explained by the hedonic values in shopping such as the emotional involvement and social interaction that online purchase lacked. Indeed, the findings supported the conclusions of Seock & Bailey (2007) and Jiyoung (2009) that male shoppers purchased online more than female shopper. Seock & Bailey (2007) explained that male shoppers were greater online shoppers because they perceived more trust, usefulness and convenient from online shopping than female shoppers. This study, however, supported the claim that there was no significant difference in attitude and purchase intention for male and female shoppers, consistent with the study findings of Hui & Wan (2006).

Conclusion

The findings of this study have some important implications for marketing managers targeting online shoppers. This study confirmed the strong relationships between attitude and behavior or intention. To maintain and create a positive attitude leading to purchase intention and behavior, consumers' expectation and perception must be enhanced by trust. This study showed that **trust** had the strongest influence on **attitude**. Marketing managers should create consumer trust in their companies and products to help increase sales among consumers. In order to build trust, the companies must ensure the quality of their products and services, the functionality of their websites, the security of the transactions, and the accessibility of reliable customers' information. Additional incentives must also be provided to create trust; for example, as trust-building measures, companies can provide the promise of compensation and refunds; and assuring consumers about the confidentiality and security of their transactions. However, trust does not build up within a short period of time; companies must encourage consumers to **experience** it more as previous purchase experience is the second strongest influence to their attitude and intention. This study also suggested that **trust** and **experience** were highly correlated and interactive; it indicated that the more the consumers experienced online purchase, the more they would trust it. Thus, incentives and benefits must be provided to encourage the consumers to purchase online.

Despite the weaker impact of the variables of **price**, **convenience** and **online WoM** to the **attitude**, it is important for marketing managers not to neglect these influencing factors. Lower prices has an impact on the consumers' decision and behavior, though low prices may sometimes create negative effects, which may lead to consumer perception of the product as of poor quality. One way to mitigate this possible effect and create emotional value may be to offer free delivery for purchases above a certain value.

Even though this study revealed the weak influence of **online WoM** to **attitude**, it was still a major influencing factor. Lau & Ng (2001) concluded that there was a high possibility of negative WoM when dissatisfaction occurred. The negative WoM that result can be a strong and powerful influence. Marketing managers can take several measures to counteract such possible experiences of dissatisfaction. These will include encouraging consumers to provide feedback, and to create incentives/rewards for them to contribute their reviews and comments on the products they purchased. In addition companies can manage consumers' expectations by providing adequate and reliable information such as on the proper usefulness and limitations of the products, use expiry date, and the appropriate situations for the optimal use of the products. Finally, continuous product quality improvement is essential to gain consumers' satisfaction.

Study Limitations

The data collected and the information analysed in this study came from a sample of college students in Singapore, and can be considered as coming from the low or no income levels. Their purchase decisions would have been situated within their limited disposable incomes. Further, as students with ample leisure time to shop physically, the "convenience" factor, with its time saving feature may not as strong as it should be. To obtain information for a more robust picture, a bigger and random sample of working adults in Singapore should be used.

Second, because the sample was mainly from three major schools, the result would somehow contain bias information related to the respective institutions' academic curricula, level and other unique distinctive features. Future studies should collect data from small samples of populations from many other colleges and universities. One such approach would be to select one to two schools in each region and district in Singapore for a more nationally representative sample.

Lastly, this study is based on a sample population in Singapore, which is a very special and unique country. In Singapore, the good transportation system with its wide networks of buses, taxis and Mass Rapid Transport (MRT) system, together with its compact geographical size, high population density, and numerous shopping centres and malls (hubs) all add up to make offline shopping convenient and easily accessible. Thus the majority of consumers in Singapore are likely to use online purchase more for the purchase of imported products which are not easily available in local shops. This is a plausible explanation of the unique features of consumer lifestyle in Singapore.

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About the Authors

• Ms Zwen Chua

Zwen Chua earned the Master of Science in Information Systems with Distinction, and the Bachelor of Science in BA specialising in Finance with Honours, both under a Hawaii Pacific University Scholarship scheme. She has also completed a Diploma in TESOL with Distinction.

After gaining working experience in the banking and finance, logistics, hospitality, information technology and education sectors, she joined East Asia Institute of Management as a lecturer in business in both undergraduate and postgraduate programmes. Her research area of interest is in integrating information systems into educational and general management. Zwen Chua can be contacted at *zwen@zwenchua.com*

• Mr Huynh Tuan Hung

Huynh Tuan Hung completed his Bachelor degree in Business Management at Seattle University, USA, before coming to Singapore for his postgraduate studies. He recently completed his MBA degree, awarded by Cardiff Metropolitan University. He can be contacted at: *jacky_won@yahoo.com*

• Ms Irene Barkby

Irene Barkby is an Executive MBA graduate, University of the West of Scotland. She has over 30 years of working experience in a wide range of roles within the health service in Scotland including clinical practice, business and service management, professional leadership and ultimately corporate governance and accountability. She has been an NHS Director since 1999 initially in a territorial health board and was seconded to the Scottish Government for two years prior to joining NHS National Services Scotland (NSS) in March 2009 as Nurse Director. She added the role of Director of Strategy and Planning in December 2011. Irene Barkby can be contacted at *irene.barkby@nhs.net*

• ***Dr Lee Hong Chai, William***

Dr Lee Hong Chai (William) holds a Doctor of Business Administration and an MBA, both from Curtin University, Australia. He has over 25 years of working experience in Sales and Marketing and General Management, with companies such as Roche Pharmaceutical, Fitzpatricks-Cold Storage, Kansai Paints Singapore, Bolter and Simon.

He currently lectures in a number of PEIs in Singapore and Indonesia. He is also the supervisor of doctoral candidates with Southern Cross University and Open University Malaysia. He can be contacted at *william.lee51@gmail.com*

• ***Mr Willard Tan***

Willard Tan holds an MBA (Hospitality Management) with Distinction, and a Bachelor of Arts in Hospitality and Tourism Management with Distinction, both awarded by Queen Margaret University, Edinburgh. He earned a Cambridge International Diploma for Teachers and Trainers from the University of Cambridge and is also a Certified Specialist of Wine (CSW) from the Society of Wine Educators (USA). Willard specialises in food and beverage operations management, tourism systems, casino operations management, and strategic management. His key research interests are in the domain area of consumer behaviour, segmentation studies, and contemporary food and beverage issues. He currently lectures in undergraduate and postgraduate programmes at East Asia Institute of Management, in addition to supervising MBA dissertations. He can be contacted at *willard_tan@ymail.com*

• ***Dr Alan Reeves***

Dr Alan Reeves PhD Economics (CNAA), BA Economics (Reading), BPhil Economic Statistics (York), is currently Visiting Research Fellow at the University of the West of Scotland (UWS) Business School. He was until recently external examiner at EASB. His current research interests include the determinants of student performance and the welfare effects of commodity price stabilisation in developing countries. He has published in international journals. He is a member of Saltire research group which researches the business of complementary medicines. He was formerly Senior Lecturer in economics at UWS and Senior Research Fellow at Strathclyde Business School. He has also done consultancy work for many private companies and government departments. Dr Alan Reeves can be contacted at *alan.reeves@uws.ac.uk*

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