

A STUDY ON PERCEIVED RISK TO CONSUMER IN ONLINE SHOPPING AND ITS RISK MANAGEMENT

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Abstract: Today people have shifted from traditional shopping method to the online shopping, Due to growth of Internet facilities and Smartphone's. On one hand online shopping has provided convenience to the shoppers, but at the same time it has perceived risk. Perceived risk in online shopping can be classified into three categories viz, Financial, Behavioral and security. This study is undertaken to study these risks in detail and to find out the measures to manage or mitigate these risks. This study is beneficial to the online retailers to form their strategies to consumers and also to common man who is getting addicted to online shopping.

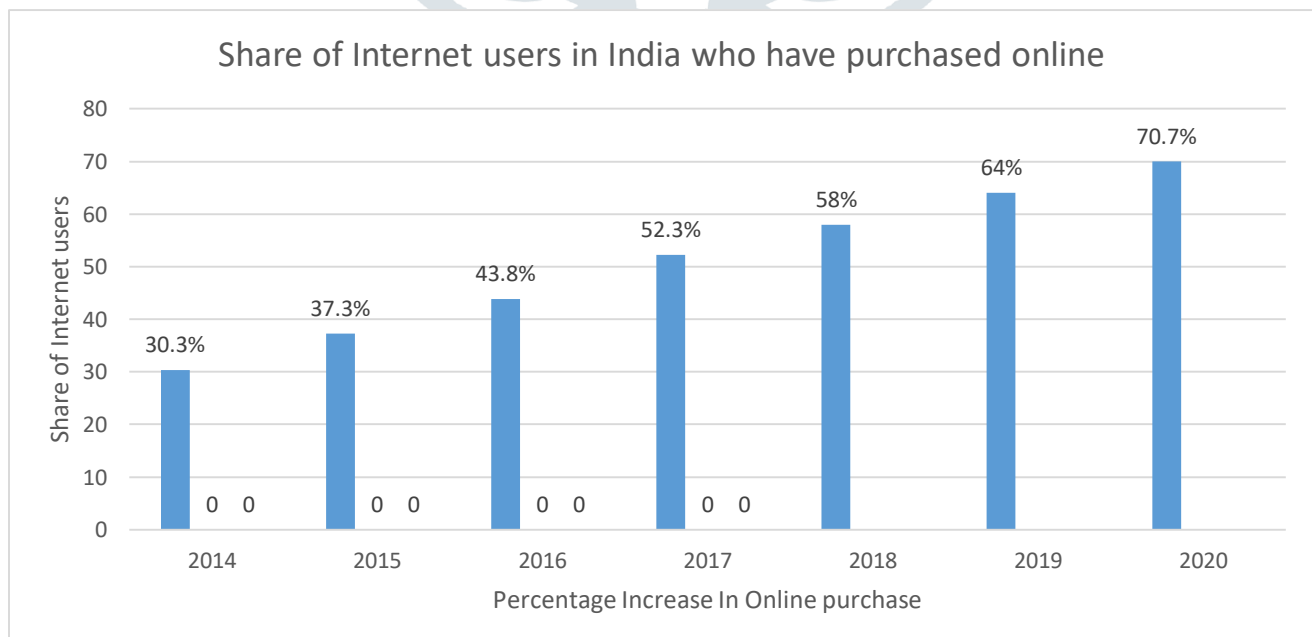
KEYWORDS: Risk, Perceived Risk, Online shopping

I. INTRODUCTION

The growth of Internet in India is steadily increasing since June,2012.A strong contributor to the adoption of the Internet has come from the adoption of mobile phones in the country. As of the year 2016, it is estimated that the number of internet users in India is likely to be around 462 million, as per the reports published by the Internet and Media Association of India.(IAMAI 2016).

The Internet is one of the channels that a consumer uses for undertaking information search and purchase when it comes to making a decision about what product/service to purchase. Although India's use of Internet is lower than many poorer countries, the country's e-commerce sector grew by 209 percent over five years between 2010 and 2016. In terms of actual monetary value ,the volume of transactions grew from \$ 4.4 billion i.e.(20,020 crore) in 2010 to around \$38 billion(2,52,700 crore)in 2016,according to an Associated Chambers of Commerce & Industry of India(ASSOCHAM) report released in January 2016.The online retail sector in India is expected to be a \$1 trillion (6,60,000crore)market by the end of year 2020, according to a recent report by the confederation of Indian Industry(CII) and Deloitte, a leading consultancy firm in India.

The Graph below demonstrates the share of Indian consumers who have purchased something on the Internet, is steadily growing. In 2016 43.8 percent of internet users in India had purchased product online. In 2019, this figure is expected to grow to 64.4 percent.



Source: Pg.161 of Internet Marketing-A practical approach in the Indian Context.

II. OBJECTIVES OF THE STUDY

1. To know the perceived risk to consumer in online shopping.
2. To study the various methods to manage the risk in online shopping.
3. To find out the review of literature in the related area.

III. REVIEW OF LITERATURE

Uma Narang(2015): In her book Risk management principles and techniques she states that risk is always there in everything we do in life and it cannot be completely avoided only we can do is mitigate the risk by following the precautionary measures and by planning our work. She states that risk management is simply the practice of systematically identifying and understanding risks and the controls that are in place to manage them.

Moutusy Maity(2017): States that Consumer face a wide variety of risks in market place. Consumer can reduce risk related to purchase decision by acquiring and processing additional information. Risk is often conceptualized as the overall risk that consumers perceive when searching for information on the internet. Perceived risk of buying a product is positively related to the total amount of search undertaken.

S. Ramesh Kumar(2013): According to author consumer behavior varies from product to product and from person to person so in order to find out the behavioral changes it is necessary to study the situation and frame the strategies. In his book he has given various case studies showcasing the behavioral changes in consumers in online trading.

HussainiMamman (2015): In his paper on effects of perceived risk in online shopping with two dimension i.e financial and security risk. He says that these two are the major risk associated with online shopping to a consumer while buying a product .he has also stated the measures to mitigate these risks.

IV. PERCEIVED RISK IN ONLINE SHOPPING

Perceived risk is a set of uncertainties that consumers have in their minds while purchasing a product regarding the outcome of the product usage. It is kind of a psychological and functional risk that consumer feels is taking while purchasing that product. It is basically a level of uncertainty that consumers have regarding worth of buying product.- MBASchool.com.

Consumer while shopping online may come across various risks. These risks may be bifurcated into three dimensions:

- a. **Financial Risk:** It is the monetary loss occurred to the consumer in online shopping. It includes the loss of money due to fraud , over pricing or due to money spend in making the product work properly or if the product stopped working within few days or months of buying.
- b. **Information Security Risk:** It is the risk involved with the security of online information provided while making payment through debit cards, credit-cards, net banking etc. To make purchase complete payment has to be made .many consumers prefer to use their plastic money or digital payment methods were mandatory to share the personal details. Sometimes these details are not secured and they can be hacked by the hackers. Information security risk is the crucial factor which holds back many online buyers from using internet payment option so they prefer cash on delivery option.
- c. **Behavioral Risk:**It is also known as behavioral addiction this area have a wide scope for psychological studies as in recent times online shopping addiction is emerging as a new psychological disease prevailing among people of all age groups and both in males and female especially the youth is getting more attracted to online shopping. They cannot stop themselves from getting engaged in surfing activity even if they do not want to buy anything. Anxiety, Depression, Guilt feeling etc. is also included in behavioral risk.

V. RISK MANAGEMENT

As we know that under the impact of uncertainties, variations in net cash flow take place which could be favorable as well as unfavorable. The possible unfavorable impact is the “risk”. And therefore the loss potential of a business needs to be managed so as to reduce potential losses.

Risk management is defined in standard as “the systematic application of management policies, procedures and practices to the task of establishing the context, identifying, analyzing, assessing, treating, monitoring and communicating “It is an interactive process that with each cycle, can contribute progressively to organizational improvement by providing management with greater insight into risks and their impact.

In context to online shopping the above three potential risks are involved viz. Financial risk, Information security risk and Behavioral risk. The above three risks cannot be fully eliminated but it can be mitigate to some extent by some of the precautions and awareness.

VI. FINANCIAL & INFORMATION SECURITY RISK MANAGEMENT

There are five P's through which financial risk as well as information security risk could be managed or minimized, they are:

Pricing: A consumer has to be very alert regarding the website or online app through which he is shopping. It is possible that a new shopping site is offering unbelievable discount on product which may not be true or it may be a trap. So a consumer always has to keep an eye on price of a product while shopping online. He should compare the same product with the prices on trusted online websites.

Protection: If a consumer finds something on a site which they have never used before, they need to make sure that the checkout is secure. Whenever they are inserting personal information, especially if they are entering financial info, they should make sure the URL starts with 'https' rather than 'http'. That means that online shopping website is using a secure server.

Password: When a consumer sets a password for sites where monetary transactions are involved they should make sure that they should not use repetitive password, or the passwords like their date of birth or their names or family members name which could be easily identifiable. Passwords should be more complex and now a day's smartphones are used for online shopping so separate passwords should be there to protect the devices.

Payment method: Risk management says "if you cannot eliminate the risk then try to mitigate it. Consumers should use PayPal as it not only reduces the risks but also tries to eliminate it. It protects consumers purchase for 45 days after sales also. Other option is to use a low limit credit card for online shopping payment, so even if the information is hacked the loss will be limited.

Privacy: Privacy is another and the most crucial tool in online transaction. Privacy is important to everyone but few consumers are not so alert or careful about it. They keep their account logged in and move from their seats, they don't use passwords for locking smartphones etc. In online forms very limited personal information is required so there is no need to share more than what is required especially in payment the final P is yet another that would make a list of standard online risk management tips. Privacy is important to everyone, but many people give it away all too freely online. Most online forms have minimum requirements for information sharing, it's important that you don't share more than you have to. One has to be very much aware and careful in entering details of personal information locations that take payment details.

Behavioral Risk Management: Recent studies on the topic of online shopping addiction have mentioned it as a growing disease among the people. Even psychologists do not have a proper cure for such disease many trial and error sessions and techniques are being introduced to bring the victim out of such online shopping addiction, also there are cases of debt trap due to online shopping. One can manage the risk by keeping self-control or limit the time of online surfing. Where the addiction has reached to the high level, people should visit a psychiatrist for seeking help.

Online shopping can be a real timesaver. It can make holiday shopping easy and even enjoyable. Just make sure you use the right risk management measures, so you can enjoy the rest of the holidays too.

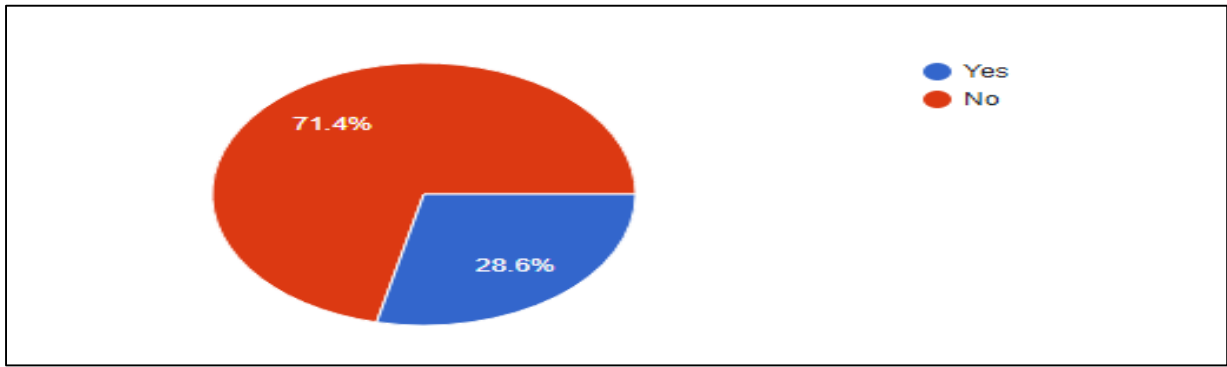
VII. DATA ANALYSIS & INTERPRETATION

Have you ever felt cheated in terms of money in online shopping?

Table No: 1 Consumers who felt cheated in online shopping

Particular	Responses	Percentage
Yes	187	71.40
No	75	28.60
Total	262	100

Diagram No: 1 Consumers feeling cheated in online shopping



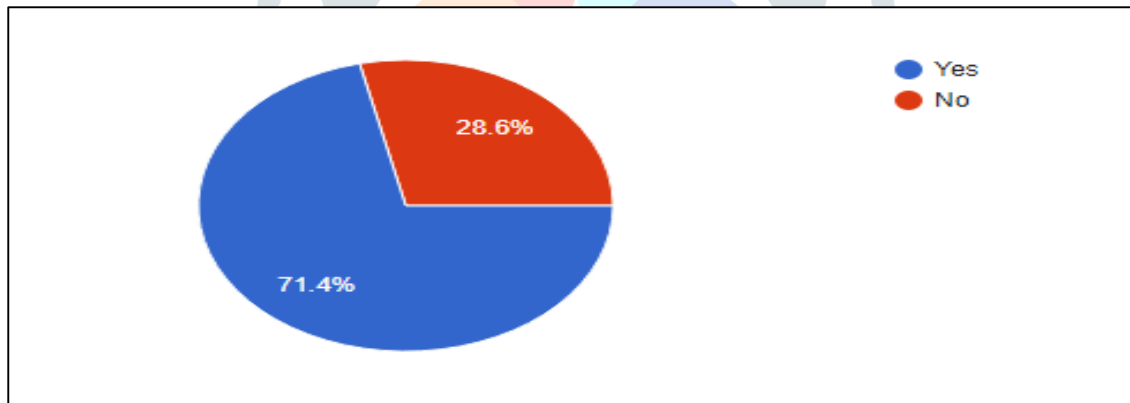
As per the research carried out among people asking them whether they feel cheated in online shopping in monetary terms, or it ever happened that they purchases the product and it stopped working in short time.187 out of 252 people voted “Yes” whereas only 75 people voted as “No”. It means 71.40 percent consumers feels like they are being cheated in online shopping sometimes whereas only 28.60 percent consumers feels they are not cheated.

Do you think it’s risky to share your bank account information online?

Table No: 2

Particular	Responses	Percentage
YES	180	71.40
NO	72	28.60
Total	252	100

Diagram no: 2 Consumers who thinks it’s risky to share Bank Account details online:



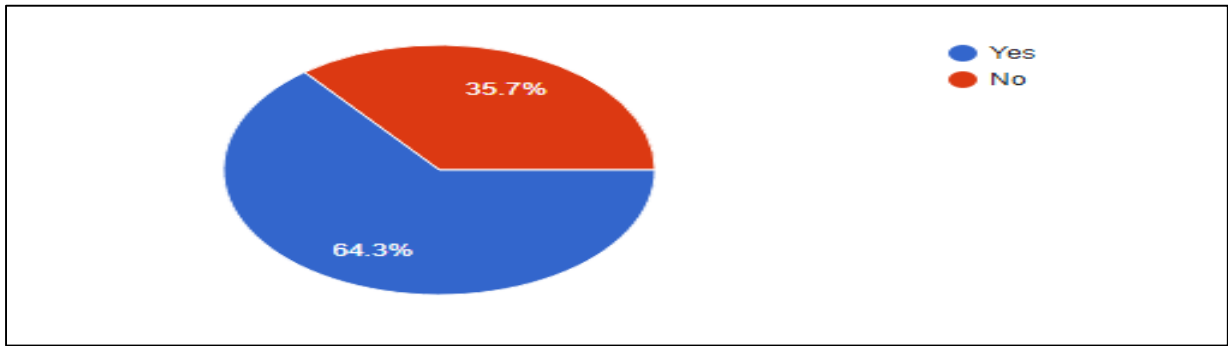
As per the research carried out it is come to the notice that out of 252 consumers 180 consumers Thought that it’s risky to share the bank account information online whereas only 72 consumers Thinks that there is no risk to share the bank account details.

Excessive use of Internet and online shopping addiction is causing behavioral changes among people?

Table No: 3

Particular	Responses	Percentage
YES	162	64.30
NO	90	35.70
TOTAL	252	100

Diagram No: 3 Consumers who thinks online shopping addiction is causing behavioral changes among people.



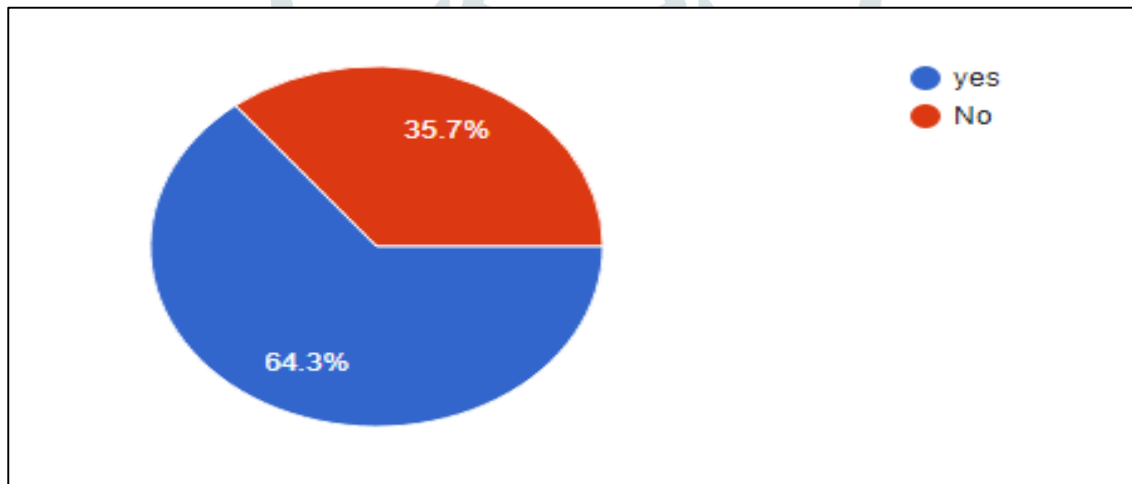
As per the research carried out it has come to the notice that out of 252 consumers 162 consumers Think that online shopping addiction is causing behavioral changes among people whereas only 90 out of 252 people thinks that there is no effect of online shopping addiction on behavior.

Do you think more risk is involved in online shopping as compared to retail shopping?

Table No: 4

Particular	Responses	Percentage
YES	162	64.30
NO	90	35.70
TOTAL	252	100

Diagram No:4 Is more risk involved in online shopping as compared to retail shopping



As per the research carried out it is come to the notice that out of 252 consumers 162 consumers Think that the risk involved in online shopping is more than in retail shopping whereas only 90 out of 252 people think that there no risk in online shopping.

VIII. OBSERVATION

1. It is observed from the above research that the risk in online shopping can be bifurcated into three categories
 - a. Financial risk
 - b. Security risk
 - c. Behavioral risk.
2. Although there are risks the risks can be minimized by following some Precautionary measures and by being alert.

IX. CONCLUSION

Risk is the part and parcel of every business and its unavoidable, it can just be minimized or insured. The risk in online shopping whether financial, security or behavioral can also be minimized by taking the precautionary measures. We are moving towards globalization where retail stores are becoming history now and also cashless economy concepts is taking up boom across the country, Online shopping cannot be avoided or restricted so consumers have to take the risk for saving their time and to make their life easy but at the same time they should also be cautious about the risk and also know the measures to manage such risks.

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