



RISK PERCEPTION OF CUSTOMERS' IN ONLINE SHOPPING

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ABSTRACT

Online retailers use internet as a medium for sale of goods and services to customers. Risks act as a major detriment to online shopping. The purpose of this research is to analyze the risk perceived by customers in online shopping. Questionnaires were distributed to online customers of Chennai city. This study provides an insight into risk involved in online shopping.

KEYWORDS: Online shopping, risk, internet, online customers.

INTRODUCTION

Tremendous increase in usage of internet and smart phones have contributed immensely to the growth of online shopping. According to Forrester Research, sales of Indian e-commerce has risen by approximately 7-8% as per report of Indian E-Commerce industry Report released in March 2021. Traditional retailers have penetrated into online business to combat the competition faced in present business environment and to improve their profitability position. Customers are interested in online shopping rather than stepping out of their houses as they want to save time and cost. They also find it convenient to choose and buy products online due to ease of information on wide range of products available in various websites. Online shoppers are driven by discounts and great deals provided by online retailers. Online customers find it easy to compare various brands and make their own judgement in purchase of product as they are free from undue persuasion by salesmen in their product selection.

LITERATURE REVIEW

Online shopping offers number of benefits over traditional shopping. A number of negative aspects involved in online shopping is a vital issue for online customers. Customers perceive a higher level of risk in online shopping when compared to traditional shopping which has its effect on customer's decision making.

Risk plays a major influence on behaviour of buyers in shopping (Cox and Rich, 1964). Customers fear risk as it may lead to an undesirable result of online purchase decision (Dunn, Murphy & Skelly, 1986). Concern for risk has an adverse influence on attitude of online shoppers (Chang, Cheung and Lai, 2005). Risk occupies a predominant role in influencing the customers buying behaviour (Ghotbabadi, Feiz, & Baharun, 2016). Customers are more concerned about avoiding risk in online shopping and are less driven by utility of products purchased in online transaction. Online retailers must adopt various strategies to mitigate the risk that arise from online purchases (Mitchell, 1999). The feeling of security provided by the website influences the trust of customers towards the site and thus result in purchase of products from the website (Kim et al. 2008). Customers are aware that risk factors present in purchase decision may lead to poor purchases (Bauer 1960 as cited in Laroche, Bergeon and Goutland, 2003). Confidence of customers can be gained by providing adequate information about products they intend to purchase thus reducing their fear for product risk (Wood and Sheer, 1996).

There has been number of studies aimed at understanding the various issues that hinder online shopping. Thus, the aim of this study is to focus on the different dimensions of risks which act as hindrance to online shopping.

RESEARCH OBJECTIVES

- I) To study the perceived risks in online shopping
- II) To identify the most influential risk factor that hinders online shopping

RESEARCH METHODOLOGY

90 questionnaires were distributed among the respondents out of which 64 questionnaires were valid questionnaires. Secondary data were collected from online journals. Analysis was done by Friedman's Rank test, Correlation and t-test.

TYPES OF RISK

Online shopping offers numerous choices to customers but it carries risk attached to it. Risk occupies a predominant role in influencing the behaviour of online customers. Product risk, financial risk, privacy risk, time risk, delivery risk, physical risk, psychological risk and social risk are major dimensions of risk that impede online transactions

Product risk

Product risk is high in online shopping than in traditional shopping because of customer's inability to physically examine the products and test the quality of the products. It refers to the risk of the product not performing as it is originally expected. Performance risk arises due to the inability to judge the product quality due to the limitation of touching, feeling and trying the product online. Customers consider high product risk attached to certain products like apparels (Goldsmith and Goldsmith 2002)

Financial risk

Customers fear that they may pay higher price for products purchased online and not the lowest price at which such products may be available at other websites. Online shoppers have the fear of losing money due to their poor purchase experience.

Privacy risk

Privacy risk refers to the risk of loss of control when information provided by customers are prone to misuse without the customers knowledge or permission when doing the transaction via credit card or visa card.

Time risk

Time risk involves the loss of time as well as efforts of online shopper in respect of product being returned or replaced as it does not meet their expectations

Delivery risk

Delivery risk is the risk of products not being delivered to the correct destination. It also includes risk of goods being damaged during transit. Online shoppers also face the risk of undue delay in delivery of goods. During festive season, delay in delivery of goods may create a bad reputation of online retailer in the minds of online customers.

Physical risk

Physical risk refers to the perception that a product may be dangerous to health or safety and the product does not work as expected. It refers to the chances of any physical injury such as eye strain from overuse of computers.

Psychological risk

TABLE 1- FRIEDMAN RANK TEST- RISK FACTORS IN ONLINE SHOPPING		
RISK FACTORS IN ONLINE SHOPPING	MEAN RANK	RANK
I am worried about the likelihood of theft of my personal information	6.38	4
Products purchased may not be delivered to me on time	5.45	8
I feel that online payment methods are not secure	6.12	5
The quality of the product that I receive may not be the same as that I ordered	6.57	3
I fear the misuse of my credit card when I undertake online purchases	5.52	7
Online shopping does not create a good opinion for me among my friends	5.64	6
I feel uncomfortable doing online shopping	7.59	2
I feel the inability to pay due to unstable network problems	5.42	9
I feel the inability to touch and see the products	7.93	1
The delivery cost of product is high in online shopping	5.35	10
It takes a lot of time for me to place an order	4.03	11

Psychological risk refers to the negative effect on online shopper's mind caused by purchase of a defective product. It refers to the stress faced by the online shopper due to the possibility of purchasing a substandard product that may bruise the online shopper's ego.

Social risk

Peers and family members of online shopper may feel that online purchaser has bought a faulty product. Customers fear disapproval among family and friends regarding poor product choice in online shopping.

MOST IMPORTANT RISK FACTOR IN ONLINE SHOPPING

Friedman Rank test reveals that inability to touch and see the products is the major risk averse factor that acts as a hindrance to online shopping which is ranked first followed by customers feeling online shopping to be uncomfortable. Product delivered not being the same quality as ordered is ranked in the third place followed by likelihood of theft of personal Information being ranked in the fourth place. Unsecure online payment methods is ranked in the fifth place followed by disapproval among friends regarding poor product choice in online shopping, misuse of credit card information, non-delivery of products on time, inability to pay due to unstable network problems and high delivery cost. Online customers have least concern regarding long time duration taken for placing an order.

TABLE 2- CORRELATION

CORRELATIONS			
		AGE	RISK ONLINE
AGE	Pearson Correlation	1	0.184
	Sig. (2-tailed)		.144
	N	64	64
RISK ONLINE	Pearson Correlation	0.184	1
	Sig. (2-tailed)	0.144	
	N	64	64

INFLUENCE OF AGE ON RISK PERCEPTION IN ONLINE SHOPPING

Hypothesis

Ho: There is no relationship between age of online shoppers and their risk perception in online shopping.

H₁: There is a relationship between age of online shoppers and their risk perception in online shopping.

The correlation between age of online shoppers and their risk perception in online shopping was analyzed. The r value of 0.184 confirms the null hypothesis that there is no relationship between the age of online shoppers and their risk perception in online shopping. Thus, it is evident that the age of online shoppers does not have any impact on risk perception involved in online shopping.

Correlation table shows that there is a positive relationship between age of online shoppers and their risk perception on online shopping. Further the table shows Karl Pearson's r value (0.184) is not close to 1, indicating weak relationship between the two variables. This is confirmed by significance (2-tailed) value (0.144) which is greater than 0.05. Hence null hypothesis is accepted and could be concluded that there is no

statistically significant relationship between age of online shoppers and their risk perception on online shopping.

TABLE 3 - GROUP STATISTICS

	GENDER	N	Mean	Std. Deviation	Std. Error Mean
RISK ONLINE	MALE	25	3.4109	.36658	.07332
	FEMALE	39	3.3357	.52313	.08377

TABLE 4 - INDEPENDENT SAMPLES TEST

	Levene's Test to assess 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	
RISK ONLINE	Equal variances assumed	4.761	.033	.627	62	.533	.07524	.12010	-.16484	.31533
	Equal variances not assumed			.676	61.436	.502	.07524	.11132	-.14732	.29781

T test

Ho: There is no difference in the opinion of gender with regards to risk involved in online shopping.

H₁: There is a difference in the opinion of gender with regards to risk involved in online shopping.

The group statistics table displays that mean value of male online customers are higher than female.

Independent sample t- test table shows that significance value of Levene's test for equality of variance is less than 0.05. Hence significance (2—tailed) value of equal variances not assumed is to be considered. Thus, there is no difference in the opinion of gender with regards to risk involved in online shopping.

FINDINGS AND CONCLUSION

From the survey results, analysis and interpretation of data it is clear that the different risk factors influence the purchase decision of online shoppers. Friedman rank test clearly indicate that the inability of customers to touch and see the products is the most influential risk factor that affects online shopping. The correlation analysis reveals that there is no significant relationship between the age of online shoppers and their risk perception in online shopping. The t-test reveals that there is no difference in the opinion of gender with regard to risk involved in online shopping. Risks in online shopping act as a major hurdle in online shopping. It is prudent on the part of online retailers to adopt effective risk mitigation strategies to curb the risks faced by online shoppers so as to develop confidence in the online transaction and thus enhance customer satisfaction in online shopping.

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