

Perceived Risks towards Online Shopping

An Empirical Study of Indian Customers

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Abstract - In the rapidly changing time and especially in India where service sector is witnessing exponential growth; the online marketing sector is all set to witness bright future ahead. The increased use of internet in India provides greater prospects for online shopping. Despite of this increased use of internet, there are several factors affecting Indian consumer's online buying behaviour. And if the online retailers make aware themselves about these factors they can further develop their prospects and converts potential customers into active ones. In this research paper an effort has been made to find out the perceived risks of Indian customers with reference to online shopping. The risk in online shopping is mainly concerned with the misuse of credit cards, leakage of personnel information, product risk and risk of convenience.

Key words - Online shopping, Perceived risk, Online consumer, India, Buying behavior, Product risk, Convenience, Security

I. INTRODUCTION

In the early days, the Internet was primarily used by academicians, research scientists and students for academic purpose; but due to the impact of Globalization a movement of commercial organization for incorporating the World Wide Web into their promotional campaigns has taken place, and started offering the facility of online shopping. Hence, the internet has been evolved into a worldwide accessible marketplace for exchanging commercial information and is also used for personal shopping by the online customers.

Despite the growing population for online shopping, a large percentage of Internet users find online shopping as a source of risk and uncertainty. For online Consumers' perceived risk is considered as a fundamental concern of decision making process during online shopping where Perceived risk is defined as the degree to which a person expresses uncertainty about a service or good. In an online shopping environment, as compared to a existing physical one, greater risk and less trust are expected because of the fact that there is huge difficulty in evaluating a product as there are no visual or tangible indications related to the quality of the product nor face-to-face interaction with sales personnel, and the purchase is affected by security and privacy issues (Laroche et al., 2005). Therefore, it is assumed that people may feel a certain degree of risk when purchasing a product through the Internet. For example, consumers are worried that the Internet still has very little security concern with respect to using their credit cards and disclosing personal information or concerned about purchasing a product from sellers without physically examining the products (Pallab, 1996). There have been intensive studies regarding online shopping attitudes and behavior in recent years. Most of them have attempted to identify factors influencing online shopping attitudes and behavior. These studies have all made important contributions to our understanding of the dynamics of online shopping field.

II. REVIEW OF LITERATURE

Compare with the in-store shopping, the online shopping has greater risks during the purchasing process. As online shopping is one of the non-store shopping formats, others such as mail order (Spence, 1970), telephone shopping (Cox and Rich, 1964), catalogue (Reynolds, 1974) and so on, which have proved by recent studies shown that consumers perceive a higher level of risk. Even though the internet provides many functional advantages, but it still have some perceived risks associated such as risk of privacy, product risk and convenience risks.

III. PRIVACY RISK

Privacy risk is psychological risk and disappointment of shopping online, which is mainly caused by the privacy information lost. On the Internet, the privacy information could be tracked and collected, and then it can be used to sharing with third parties, in order to send spam mails or emails. The Federal Trade Commission (FTC) has statutory authority to prohibit the web site to acquire information by "unfair and deceptive" trade practices (Earp and Baumer, 2001); however, it does not have ability to comprehensively control every activity among the Internet. Privacy risk also includes the unauthorized acquisition of personal information during Internet use or the provision of personal information collected by companies to third parties. Perceived privacy risk causes consumers to be reluctant in exchanging personal information with Web providers (Hoffman et al., 1999). The author also suggests that with increasing privacy concerns, the likelihood of purchasing online decreases. Similarly, George (2002) found that a belief in the privacy of personal information was associated with negative attitudes toward online shopping.

Product Risk

On examining the influence of perceived risk in online shopping, Pires et al. (2004) stated that there is negative association with the perceived risk of intended purchases. Product risk is the risk of making a poor or inappropriate purchase decision. Aspects involving product risk can be an inability to compare prices, being unable to return a product, not receiving a product paid for and product not performing as expected (Bhatnagar et al., 2000; Jarvenpaa and Todd, 1997; Tan, 1999; Vijayasarathy and Jones, 2000). Bhatnagar et al. (2000) suggest that the likelihood of purchasing on the Internet decreases with increases in product risk.

IV. CONVENIENCE RISK

Convenience risk is the perception that time or effort may be wasted when a product purchased is repaired or replaced Hanjun et al., (2004). Convenience risk includes the inconvenience incurred during online transactions, often resulting from difficulty of navigation or submitting orders, or delays receiving products or no proper procedure for cancellation of product once ordered (Forsythe et al., 2006). Potential loss of delivery associated with goods lost, goods damaged and sent to the wrong place after shopping (Dan et al., 2007). Consumers fear that delivery will be delayed due to various circumstances; the delivery company won't deliver within the time frame agreed with customers, or consumers fear that the goods may be damaged when handled and transported, or no proper packaging and handling during transportation (Claudia, 2012).

V. RESEARCH METHODOLOGY

Hypothesis

It was hypothesized that there is no perceived risk in Online Shopping for online customers.

Sample size: Sample size used in the present research consists of 400 Respondents. Out of them, 200 were male and 200 were female. The age group of respondents was 18 years and above.

Data collection: The data was collected through self constructive questionnaire which was administered on the selected sample by e-mails, or by posting a link on website and social networks.

Tool / Technique used for Data analysis

Binomial Distribution was used to identify the perceived risks associated with online shopping approach such as privacy, product issues and convenience issues.

Analysis and findings

Privacy Risk:

1. Risk of misuse of credit card

		Category	N	Observed Prop.	Test Prop.	Asymp. Sig. (2-tailed)
misuse of credit card	Group 1	5.00	424	.62	.50	.000a
	Group 2	1.00	262	.38		
	Total		686	1.00		

Table 1: Misuse of Credit Card in online shopping

Group 1: Agreed that there is misuse of credit cards in online shopping

Group 2: Disagreed that there is misuse of credit cards in online shopping

When asked about risk associated with online shopping, it was found that misuse of credit/debit card was perceived as risk by 62% respondents. 38% respondents have no such perceived risk. Respondents were divided on the basis of the statement whether they believed that there was risk associated with misuse of credit cards regarding personal information like passwords and confidential information.

It has been found out that there is a significant difference between people who agreed that there may be use of credit cards and those who did not. The null hypothesis stands rejected in relation to the same. It is found in analysis that respondents perceived risk while using credit cards that credit-card details may be compromised and misused in shopping online and there is possibility of cyber theft.

2. Risk of leakage of personal information

		Category	N	Observed Prop.	Test Prop.	Asymp. Sig. (2-tailed)
leakage of personal information	Group 1	5.00	444	.65	.50	.000a
	Group 2	1.00	242	.35		
	Total		686	1.00		

Table 2: Risk of Leakage of personal Information in online shopping

Group 1: Agreed that there is risk of Leakage of personal Information in online shopping

Group 2: Disagreed that there is risk of Leakage of personal Information in online shopping

65% respondents had perceived risk of leakage of their personal information whereas 35% respondents disagreed to it. The null hypothesis that there is no difference between people who agreed and who did not agree that there could be misuse of personal information. There are many personal information that are required while placing an order online like address, phone number, e-mail id, and some websites even ask for password. There always exists pressure that this information may get leaked.

It was found in the statistical binomial analysis that respondents felt risky that the personal information given for transaction to the retailer may be compromised to third party and misused.

Product risk:

3. Risk of variation of product received

		Category	N	Observed Prop.	Test Prop.	Asymp. Sig. (2-tailed)
received product other than ordered	Group 1	5.00	406	.61	.50	.000a
	Group 2	1.00	270	.39		
	Total		676	1.00		

Table 3: Risk of variation of product received from that ordered

Group 1: Agreed that the received product may be different from that ordered

Group 2: Did not agreed that the received product may be different from that ordered

61% respondents agreed that they had a product risk that they will receive product other than ordered product. It was disagreed by 39% respondents.

It was hypothesized that there is no difference between people who believed that the received product may be different from that ordered and those who did not believe in the same. The null hypothesis stands rejected and alternate hypothesis is accepted.

It was found in the analysis that the respondents have a product risk in online shopping that they might not receive the product they ordered online. The products may be different that the visual image as displayed. There also may be deviations in specifications of color, size, appearance etc.

There are numerous cases in clothing and footwear where product received is not as per the requirements of the customer.

4. Risk about Tangibility

		Category	N	Observed Prop.	Test Prop.	Asymp. Sig. (2-tailed)
tangibility in examining ceases	Group 1	5.00	494	.74	.50	.000a
	Group 2	1.00	178	.26		
	Total		672	1.00		

Table 4: Tangibility issues in shopping online

Group 1: Agreed that there are tangibility issues in shopping online.

Group 2: Disagreed that there are no tangibility issues in shopping online.

Examination of tangible products cases in online shopping was agreed upon by 74% respondents. 26% respondents disagreed to it. One of the major considered drawbacks of the online shopping is that there are tangibility issues associated with purchasing a product line. As Indian markets get prepared to welcome online shopping trends, there still exists a marked difference between people who saw examination of tangible products as a major issue and those who did not. In the table above it was found that in online shopping physical examination of product ceases that have a significant impact on respondents.

Convenience risk:

1. Risk of Long Delivery Period of product

		Category	N	Observed Prop.	Test Prop.	Asymp. Sig. (2-tailed)
long delivery period	Group 1	5.00	500	.74	.50	.000a
	Group 2	1.00	172	.26		
	Total		672	1.00		

Table 5: Risk of Long Delivery Period of product

Group 1 : Agreed that there is risk of long delivery period.

Group 2: Disagreed that there is risk of long delivery period.

74% respondents found to agree upon that they had convenience risk of long delivery period whereas 26% respondents disagreed to it.

It was tested between the respondents whether convenience risk and long delivery period as a factor in differentiating the respondents. It was observed that there is a significant difference between respondents who agreed that there existed a risk of long delivery period and those who did not believe in it. The calculated value comes out to be 0.00 which is lesser than the value of alpha at 0.05. Thus, the null hypothesis stands rejected.

In the statistical table above it can be seen that the time period of delivery of a product as a convenience have a significant impact in online purchasing of respondents as they might have to wait for longer duration in shopping online as compare to other shopping methods. There have also been cases of consignments getting misplaced or lost. In metropolitan cities, the distances are more and hence, there is implied risk of delivery period being long. On the other hand, in case of remote cities, an effective distribution system may not be present. Thereby increasing delivery period.

2. Risk of inability to cancel orders

		Category	N	Observed Prop.	Test Prop.	Asymp. Sig. (2-tailed)
order cancellation issue	Group 1	5.00	464	.69	.50	.000a
	Group 2	1.00	208	.31		
	Total		672	1.00		

Table 6: Risk associated with inability to cancel orders in online shopping

Group 1: Agreed that there are order cancellation issues.

Group 2: Disagreed that there are order cancellation issues.

69% respondents agreed that in online purchasing order cancellation issue was there. 31% respondents found no such issues associated as convenience risk.

It was hypothesized that there is no difference between people who agreed that in online purchasing there are order cancellation issues and those who did not.

There is a significant difference between those people who agreed that in online purchasing order cancellation issue was there and those respondents found no such issues associated as convenience risk.

In most of the cases, there are limited provisions of cancellation of order that has been placed through online shopping. In contrast to this, in physical shopping for a product there is always scope of cancelling the order placed. The limited order cancellation services provided are also complicated and charge heavily in case of online shopping.

The cancellation issues are found to have effect on online purchasing, as the respondents found it difficult to cancel the orders as an important factor in their online shopping behavior.

3. Risk of product Return

		Category	N	Observed Prop.	Test Prop.	Asymp. Sig. (2-tailed)
product returning policy problems	Group 1	5.00	528	.79	.50	.000a
	Group 2	1.00	144	.21		
	Total		672	1.00		

Table 7 : Product Returning Policy Problems

Group 1 : Agreed that there are product returning policy issues.

Group 2: Disagreed that there are product returning policy issues.

It was hypothesized that there is no significant difference between people who agreed that there are problems in returning a product and those who did not believe that there are problems in returning a product.

It was found in study that 79% respondents found convenience risk of returning a product bought associated with online shopping whereas 21% disagreed to it. In the statistical table above it was found that product returning procedure have a significant impact on online purchasing as the respondents will have problem in returning product they bought online (they will have to send the product back through some shipper and wait to see if the retailer accepts it without any hassle).

VI. CONCLUSION

Thus it is evident from above analysis that there is increasing rapid awareness among Indians about online shopping. The research also proved that people are still facing risks in the electronic form of retail.

Hence, the hypothesis stands rejected as there is perceived risk in Online Shopping for Indian customers.

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