Online Purchase: Risk Cognizance Influencing Intention

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Abstract

Background /Objectives: To investigate the effective method of reducing risk in consumer's point of view. To examine the association between perceived risk and risk reduction strategies. To study the impact of marketers risk reduction strategies towards purchase intentions. **Methods/Statistical Analysis:** The association between risk and risk reduction strategies were taken into account. A quantitative survey was conducted in order to measure perceived risk level and risk reliever utility. 400 samples were collected across Chennai. Among them 320 of them are valid. **Findings:** The results from current study suggested that Website loyalty; Possibility of communicating with a salesperson (by phone or mail), Word of mouth- comments on the Internet will be adopted to reduce the risk. Time risk and financial risk plays a predominant role among online consumers. **Application/Improvement:** Online buying is one of the fastest growing phenomena in Indian context. However, knowledge regarding consumers' awareness and possible ways to reduce the perceived risk in online context are limited. Results from current study can contribute to the field by illustrating the useful risk aversion strategies that e-vendors can use to reduce possible concerns

Keywords: Online Shopping, Perceived Risk, Purchase Intention, Risk Reduction Strategies

1. Introduction

Internet has changed the way of Indian consumers purchasing for goods and services. According to[1] titled "Understanding online consumers" reveals that there are nearly 40 Million online shoppers in India. 98% of the consumers access the internet for shopping purposes. The study by revealed that the Internet has sturdy effect on the universal market settings and it has extended online retailers to develop their ventures reach throughout the world[2]. Even though there is lots of advantages in online shopping, obstructive effect related with online shopping are also getting unfavorable[3].

While comparing to conventional form of shopping, consumers perceiving excess risk when shopping online. These perceived risks have a crucial impact on consumer decision making process[4]. From a marketer view, comprehending consumers perceived risk and how they try to crack the risk has become an unexplored topic[5]. This study gives better understanding about online shopping perceived risk as perceived by Indian online shoppers and relevant risk reduction strategies predominantly used by the Indian consumers. On the other hand, our review of literature reveals that very few studies on Perceived risk and risk reduction strategies conducted in Indian context[6,7]. Studied that, the e-marketer should think about various determinants of online shopping prior online purchase experience, perceived risk, privacy and security features to design their product offering for their customers.

Eventually, this study will give an idea about the importance of risk reduction strategies to the Indian online retailers.

2. Material and Methods

The study was conducted in Chennai and data was collected through structured questionnaire. 400 respondents were chosen on convenience based among them 320 questionnaires are valid. All respondents who

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had made online purchasing for the past six months. Based on the literature review, 11 items scale comprising for risk reduction strategies and 57 items scale for Perceived risk dimensions were constructed. Perceived risk and Risk reduction Strategies was measured on 5 point Likert-scale with '1' stating 'strongly disagree' and '5' Stating 'strongly agree'.

The data were analyzed with SPSS.20[8]. Frequency analysis, reliability Test, Pearson Correlation and Friedman mean rank test were used.

3. Sample Characteristics

Demographic characteristics of respondents are as follows. Table 1 callout in gender, males and females were 58% and 42%, respectively. In age distribution, those in their 19 to 29 took up 73.2%, the major proportion, followed by those in their 30-39 (23%), those in their 40-49 (2.7%), those in their 50s and above (1.1%). In educational qualification, post graduates took up the largest part of respondents, 75.1%, followed by under graduates 24.9%. Their income levels varied from less than 40,000 won 73.8%, 40,001-60,000 won 19.7%, 60,001–80,000 won 3%, above 80,000 won 3.5%. Finally, the marital status of them are, married 68.9% and unmarried are 58%.

Table 1. Demographic characteristics of gender, males and females

Sample Charecteristics	Category	Frequency	Percent
Gender	Male	189	58
	Female	131	42
Age	19-29	236	73.2
	30 – 39	75	23.0
	40 – 49	5	2.7
	Above 50	4	1.1
Qualification	Ug	82	24.9
	Pg	238	75.1
Monthly Income	Less Than 40,000	253	73.8
	40,000 – 60,000	63	19.7
	60,000 – 80,000	6	3.0
	Above 80,000	8	3.5
Marital Status	Married	142	42
	Single	178	58
Family Type	Nuclear	220	68.9
	Joint	100	31.1

Source: Primary data

4. Statistical Analysis

First, to test the internal consistency of a construct reliability test conducted. Table 2 callout, all the constructs coefficient values are above 0.7 and generally indicate the satisfactory internal consistency reliability[9].

Table 2. The constructs coefficient values

Construct	No. of Items	Cronbach Alpha
Risk Reduction Strategies	11	0.769
Financial Risk	8	0.724
Product Risk	5	0.865
Time Risk	9	0.736
Delivery Risk	4	0.727
Social Risk	6	0.789
Information Security Risk	6	0.837
Psychological Risk	3	0.876
Physical Risk	5	0.819
Source Risk	6	0.956
Quality Risk	5	0.716
Overall Value	68	0.816

Source: Primary data

5. Results and Discussions

Table 3 callout illustrates the correlation test between independent variables and dependent variable, Pearson correlation test was applied. The independent variables of the study are perceived risk and dependent variable risk reduction strategies. The following hypothesis was formulated to test the relationship.

H_0: There is no significant relationship between perceived risk and Risk reduction strategies towards online shopping.

Table 3. Correlation test between independent variables and dependent variable
Correlations

		Perceived risk	Risk Reduction Strategies
Perceived risk	Pearson Correlation	1	-.176(**)
	Sig. (2-tailed)		.001
	N	370	370
Risk Reduction Strategies	Pearson Correlation	-.176(**)	1
	Sig. (2-tailed)	.001	
	N	370	370

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

In order to test the relationship, Pearson correlation test was applied. From the result it is found out that there is no correlation between independent variable and Risk reduction strategies. The perceived risk has least r value (r= - 0.176); this implies that it contributes less to Risk reduction strategies. From the p value in the correlation matrix, it is observed that the level of all independent variable relationship was significant at 0.01 levels. Hence the hypothesis is accepted. So it is concluded that there is no significant relationship perceived risk and risk reduction strategies.

Table 4 Callout indicates that Perceived risk in online shopping denotes the nature and amount of risk perceived by a consumer in contemplating a particular purchase decision. The Table shows the respondents' views about Perceived risk during the buying process. For measuring the perceived risk ten types of risk were taken up for the study. From the mean values of the items taken, it is found that the order of importance for perceived risk is Time risk, finance risk, Product risk, Information security risk, Source risk, Social risk, quality risk, Physical risk, Delivery risk and Psychological risk.

Table 4.   Friedman Test on Perceived Risk

Rank	Perceived Risk Factors	Mean Rank	Chi-Square Value	P--Value
9	Delivery Risk	2.22	2707.830	0.000
2	Finance Risk	8.87		
3	Product Risk	7.67		
10	Psychological Risk	1.12		
1	Time Risk	9.23		
6	Social Risk	5.25		
8	Physical Risk	3.45		
5	Source Risk	5.86		
7	Quality Risk	4.65		
4	Information Risk	6.68		

Ho: There is no significant variation among the respondents opinion toward the perceived risk.

Further Friedman test was conducted to determine whether respondents had a differential rank ordered preference for the items in the dimension. Result of the analysis indicated that there was differential rank order preference for the items in the Perceived risk (Chi-square =2707.830), P<0.001. So it is concluded that the respondents' opinions differ significantly at one percent level. Hence, the respondents' opinion among the items varies. Further Friedman multiple comparison tests were

executed to find the rank of importance to their opinion. Among the opinion of the respondents, Time risk is very much salient among online shoppers. The other important risks are finance risk, Product risk, Information security risk. Table 5 callout illustrates Friedman Test for Risk Reduction Strategies.

Table 5.   Mean rank for risk reduction strategies

Rank	Perceived Risk Factors	Mean Rank	Chi-Square Value	P--Value
1	Time Risk	9.23	2707.830	0.000**
2	Finance Risk	8.87		
3	Product Risk	7.67		
4	Information Risk	6.68		
5	Source Risk	5.86		
6	Social Risk	5.25		
7	Quality Risk	4.65		
8	Physical Risk	3.45		
9	Delivery Risk	2.22		
10	Psychological Risk	1.12		

Source: Primary data ** 1% level of significance

Risk reduction strategies in online shopping defined a risk reliever as a strategy or method adopted by buyers to assure a purchase success/to reduce loss in case of purchase failure. The above table shows the respondents 'views about risk reduction strategies during the buying process. For reducing the perceived risk during online purchase, eleven items of risk reduction strategies were taken up for the study. From the mean values of the items taken, it is found that the order of importance of various risk aversion strategy. Ho: There is no significant variation among the respondents opinion toward the risk reduction strategy.

Further Friedman test was conducted to determine whether respondents had a differential rank ordered preference for the items in the dimension. Result of the analysis indicated that there was differential rank order preference for the items in the risk reduction strategy. (Chi-square = 56 155.483), P<0.01.So it is concluded that the respondents 'opinions differ significantly at one percent level. Hence, the respondents' opinion among the items varies. Further Friedman multiple comparison tests were executed to find the rank of importance to their opinion. Among the opinion of the respondents, it seems that website loyalty is the most useful reliever. Followed by possibility of communicating to the sales person, Word of mouth comments on the internet choose the secured payment. At the other end of the list, word of mouth

information from friends and family persons is judged to be of little use in buying.

6. Managerial Implications

Since marketer view point, recognizing consumer's perceived risk is predominant and the ways to lessen the risk. Ten dimensions of perceived risk were found which was having significant influence on online shopping. Among the various risk dimensions, Financial risk and Product risks where perceived as bigger concern. To decrease the perceived risk ,online marketers have to ensure secure mode for payments. This is the right time to take rigorous measures by Indian Government.

7. Conclusion

Perceived risk is becoming crucial concern in online shopping. To minimize the consumers risk perception and to maximize the online purchase, retailers should know about which risk dimensions are of significant issue to the consumers and to find out the most appropriate one. Among ten types of risk dimensions, it is found that the order of importance for perceived risk is Time risk, finance risk, Product risk, Information security risk, Source risk, Social risk, quality risk, Physical risk, Delivery risk and Psychological risk.

According to the opinion of the online consumers, website loyalty is the most useful risk reliever. Followed by possibility of communicating to the sales person, Word of mouth comments on the internet choose the secured payment. At the other end of the list, word of mouth information from friends and family persons is judged to be of little use in buying.

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