



CUSTOMER PERCEIVED RISK IN ONLINE SHOPPING

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Abstract

Electronic transactions have become more important as producers and marketers conveniently market their products using online channels. However, there is still lack of coherent understanding of dimension of perceived risks on online shopping in tertiary institutions. This study adopted a survey research method examining the effect of perceived risk on behavioural intention to shop online, using a sample of One Hundred (100) staff of the Oyo State College of Agriculture and Technology, Igboora. The primary data were analyzed using both descriptive and inferential statistics. It was found that the independent variables, including after-sales service risk, information loss risk, physical risk, performance risk, social risk, time loss risk, and digital knowledge did not significantly influence consumer behavioural intention to shop online. On the contrary, perceived financial threat, psychological risk, gender, and educational qualification significantly affected consumer behavioural intention to shop online at a 5% probability of error level. Thus, it was recommended that online shopping outlets should resolve all related issues that would affect consumers' assurance for online patronage.

Keywords: Behavioural Intention; Perceived Risk; Online Shopping; Digital Knowledge.

Introduction

The advent of the internet has created opportunities for firms and corporate entities to stay competitive by providing customers and consumers with a convenient, faster and cheaper way to make purchases and conduct transaction. The attitudinal effect of online shopping has however little direct research attention. Sinha (2010) posits that consumers use internet for many reasons in the business to consumer (B2C) e-commerce cycle activity. These include searching for product features, prices or reviews, selecting products and services through internet, placing the order, making payments, or any other means which is then followed by delivery of the required products through the internet, or other means as well as after sales service. Online stores and services are important sales channels in B2C transactions that studying online shopping behaviour of consumers has been one of the most important research agendas in e-commerce during the past decade (Chen, 2009). Online consumer behavior requires research attention in diverse disciplines including marketing, information systems, management science, and social psychology, etc. (Koufaris, 2002; Gefen et al., 2003; Pavlou, 2003; Cheung et al., 2005). In the findings of the University of California, Los Angeles (UCLA) Center for Communication Policy (2001), online shopping has become the third most popular internet activity, immediately following e-

mail using/instant messaging and web browsing. It is even more popular than seeking out entertainment information and news, two commonly thought-of activities when considering what internet users do when online. In its survey of internet users, 48.9 percent made online purchases in 2001, with three-quarters of purchasers indicating that they make 1-10 purchases per year. When segmented into very versus less experienced internet users, the very experienced users averaged 20 online purchases per year, as compared to four annual purchases for new users. The researchers seem to take different perspectives and focus on different factors in different ways. For example, Case, Burns, and Dick (2001) suggest that internet knowledge, income, and education level are especially powerful predictors of internet purchases among university students.

The literature generally favours the negative relationship between the variable perceived risk and online purchase. However, some studies have not found this relationship to be significant or even positive (Pelaez, Chen and Chen, 2017). Balogh and Mészáros (2020) applied exploratory factor analysis, identified five risk categories connected to online purchasing: perceived after-sale risk, perceived data security risk, perceived delivery risk, and perceived product risk. The fifth risk factor, according to them, seemed the most characteristic to Hungarian customers, who are wary of the possibility of online vendors selling fake products on the internet. Zhang and Yu (2020) examined concepts such as perceived risk, trust, negative reports, and consumer



cross-platform buying behavior. A questionnaire survey of three hundred and sixty-six users was conducted, and a basic description and comparison of consumers' cross-platform buying behaviour were made in terms of consumers' perception of the risk of product effects, consumers' perception of service risks, and consumers' perceptions of other risks. Findings revealed that the degree of trust in the platform and negative reports about the platform affected cross-platform buying behaviour. Reference was provided for related platforms while the study's findings concerning consumer's buying behavior were seen dependent on the security of platform in people's conceptions.

Gerber, Ward and Goedhals-Gerber (2014) investigated six perceived risk types in Southern Africa: functional, physical, financial, social, psychological, and time risks. They stated that risks perceived by their respondents can be grouped into three risk factors: personal, social, and performance risks. Masoud (2013) revealed that financial risk, product risk, delivery risk, and information security risk negatively influence online shopping behaviour. Other dimensions in scope - time and social risk - have no effect on online shopping. According to Zhang, Tan, Xu, and Tan (2012), five independent dimensions significantly affect online purchase behaviour in China: perceived health, quality, time, delivery, and after-sales risks. Zheng, Favier, Huang, and Coat (2012) analyzed ten risk dimensions in China: performance, privacy, source, delivery, time, financial, payment, physical, social, and psychological. These ten dimensions were classified into two main risk factors: personal and non-personal.

The use of internet or online shopping is evidently beneficial and has been employed by millions of customers, companies and international organizations all over the world but still face certain challenges as customers still have reservation in embracing online shopping. One of the challenges faced is that online shopping requires some degree of literacy. That is, some customers that make use of the internet lacked experience or do not know how to use the internet to make transactions on their own. The international crime statistics indicates an increase in the rate of internet connected fraud including the credit card fraud, non-payment and non-delivery of goods and services. Forsythe and Shi (2003) proposed that private risk, product risk and the risk of unknown origin would impact on the online shopping and could explain the barriers of online shopping.

The previous studies indicated that the following

types of risks are usually involved in purchase decisions: financial risks, product risk, convenience risk, health risk, quality risk, time risk, delivery risk, after-sale risk, performance, psychological, social, and privacy risk, website design style and characteristics, and trust in the web site affect significantly online consumers' purchasing behavior. Research has shown that online shopping poses certain forms of threat to consumers and they perceive using the internet risky (See Ha and Coghill, 2008; Bianchi and Andrews, 2012). The limited research attention in the literature, as against the statistical and economic studies on customer satisfaction and loyalty in comparison to physical store shopping especially in Nigeria constitute a gap which this study seeks to bridge. This study focuses on consumer perceived risks towards online shopping in Oyo State College of Agriculture and Technology, Igboora. It broadly ascertains the different forms of perceived risks associated with online shopping and specifically seeks to: (i) identify and describe categories of risks consumers are exposed to and their severity with respect to their purchase decision; (ii) examine the factors that affect the risk perception of consumers; (iii) examine the influence of perceived risks in behavioural intention of consumers to shopping online.

Materials and Methods

This study employed survey design and has theoretical linkage with the Technology Acceptance Model (TAM) which predicts computer-usage behaviour. The independent variables were factors that affect perceived risks in online shopping and were proxied by types of perceived risks: financial risk, performance risk, time lost risk, physical risk, psychological risk, social risk and perceived after-sale service risk. The dependent variable was behavioural intention to shop online and it was measured by demographic variables such as, age, income, level of education, image or reputation of the site and digital knowledge. The researchers took cognizance of infinite population of online consumers and adopted a sample frame of workforce in Oyo State College of Agriculture and Technology that have not shopped online in the last one year. Purposive sampling and Cochran's techniques were used to obtain sample size of 120 from which 100 were returned.

Results and Discussion

Table 1 is the summary of the path coefficients in the structural model results. The result showed that perceived after sales service (PASS) risk dimension of the perceived risk was not statistically significantly related to consumers' behavioural intention (CI) to purchase online with a path coefficient of 0.147 and a p -value of 0.238. Perceived financial risk (PFR) showed a



significant negative influence on consumers' behavioural intention (CI) with a path coefficient of -0.298 and a p -value of 0.021. Perceived information risk loss (PILR) was insignificant and positively related to CI with a path coefficient of 0.105 and a p -value of 0.421. Furthermore, perceived physical risk (PPHY) was insignificant and positively associated with CI with a path coefficient of 0.101 and a p -value of 0.453. Perceived performance risk (PPR) was significant and positively related to CI with a path coefficient of 0.088 and a p -value of 0.857. Perceived psychological risk (PPSY) showed a significant negative influence on CI with a path coefficient of -0.373 and a p -value of 0.003. Perceived social risk (PSR) was significant and positively related to CI with a path coefficient of 0.149 and a p -value of 0.242. Perceived time loss risk (PTLR) was significant and positively related to CI with a path coefficient of 0.014 and a p -value of 0.920. Respondents who are still single was significant and positively related to CI with a path coefficient of 0.249 and a p -value of 0.002. Respondents' educational qualification was significant and negatively related to CI with a path coefficient of -0.314 and a p -value of 0.000. Lastly, respondents' digital knowledge was insignificant and negatively related to CI with a path coefficient of -0.129 and a p -value of 0.133.

Furthermore, the model explained about 45% of the variance in behavioural intention. The fact that 45% of the target-dependent variable was explained indicated a medium effect and suggested that the model fit the data well. However, the unexplained variance (55%) may be due to several factors (other relevant variables not in the model).

Objective One: Effect of Perceived Risk on Consumer Behavioural Intention to Shop Online

The findings showed the results of the path estimates for each perceived risk dimension. As shown in Table 1, perceived after-sales risk had an insignificant effect on consumer behavioural intention to shop online. The finding implied that the respondents were not concerned about the challenge involving contacting online sellers, solving commercial disputes, and not getting after-sale service guarantees, which did not affect their behavioural intention to shop online. Also, perceived financial risk had a significant effect on consumer behavioural intention to shop online. The finding implied that the respondents were concerned that their financial records might not be adequately protected when they use a credit card for shopping

online and might attract hidden costs charges, which affected their decision to shop online. Perceived information lost risk had an insignificant effect on consumer behavioural intention to shop online. It implied that respondents were not concerned about their personal information being kept safe and disclosed to other companies when shopping online. Finally, perceived physical risk had an insignificant effect on consumer behavioural intention to shop online.

Furthermore, perceived performance risk had insignificant effect on consumer behavioural intention to shop online. The result implied that respondents were not concerned about the difficulty in ascertaining product characteristics and the exact product look the way it appears on the sellers' website. Perceived psychological risk had a significant negative effect on consumer behavioural intention to shop online. The finding implied that respondents were concerned about ascertaining online companies' reliability, expertise, reputation, and trustworthiness, which affected their choice to shop online. Also, perceived social risk had an insignificant effect on consumer behavioural intention to shop online. Lastly, perceived time lost risk had an insignificant effect on consumer behavioural intention to shop online. The finding implied that respondents were not concerned that products bought online might not be delivered on time and take much time to return a product purchased online, which did not affect their choice to shop online.

Objective Two: Socio-Demographic Variables and Consumer Behavioural Intention to Shop Online

It was revealed that respondents who were still single preferred to shop online than those married. Married respondents were the reference group because they dominated the study. This result might be due to the dynamic nature of their job, which did not give them the time to visit the market. Similarly, respondents with secondary school certificates had a significant adverse effect on their choice to shop online. Other certificate holders were the reference group because they hold higher certifications. This finding implied that this category of respondents did not find online shopping suitable for lifestyle. Lastly, respondents' low digital knowledge had an insignificant effect on consumer behavioural intention to shop online. This finding implied that respondents with no digital knowledge might find shopping online challenging as they might find navigating online sites tasking.



Objective Three: Identification of Perceived Risk Category According to their Severe Effect on Respondents Behavioural Intention to Shop Online

The results in Table 1 revealed that perceived social risk had the highest effect on consumer behavioural intention to shop online. The regression path magnitude (0.149) of the relationship between PR and BI was considered the strongest. The second was perceived after-sales service with a regression path strength of 0.147. The third was perceived information loss risk with a regression path coefficient of 0.105. The fourth was perceived physical risk with a regression weight of 0.101. The fifth was perceived performance risk with a regression weight of 0.088. The sixth was perceived time loss risk with a regression path magnitude of 0.014. The seventh was perceived financial risk with a regression weight of -0.298. Lastly was perceived psychological risk with a regression path magnitude of -0.373.

Objective Four: Respondents' Behavioural Intention to Shop Online

It was revealed that about 59% of the respondents were likely to shop online in the next six months. On the contrary, less than half (43%) were willing to consider shopping online from time to time. Also, less than half (41%) willingness to shop online was low. Furthermore, less than half (47%) found online shopping compatible with their lifestyle. On the other hand, very few (31%) believed that online shopping did not suit their customs and traditions. Lastly, less than half (49%) thought that online products were in line with their taste and social status; hence, respondents' intention to shop online was 45%, which was below average.

Conclusion

The study examined the effect of perceived risk on behavioural intention to shop online using a sample of 100 staff members in Oyo State College of Agriculture and Technology, Igboora. It was deduced that after-sales service risk, information loss risk, physical risk, performance risk, social risk, time loss risk, and digital knowledge did not significantly influence consumer behavioural intention to shop online. On the contrary, perceived financial threat, psychological risk, gender, and educational qualification significantly affect consumer behavioural intention to shop online at a 5% probability of error level. Furthermore, the study concluded that social risk had the highest effect on consumer behavioural

intention to shop online, followed by after-sales service risk, information loss risk, physical risk, performance risk, time loss risk, financial risk and psychological risk. Lastly, respondents' behavioural intention to shop online was below average. Thus, it was recommended that the management of online shopping websites should resolve challenges involving connectivity, solving commercial disputes promptly, and ensure customers get quality after-sale service. The authorities of online shopping websites are enjoined to keep customers' financial records by protecting them from hackers and making general all supposed hidden costs associated with online transactions.

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APPENDIX

Table 1: Test of Hypotheses

Causal link	Coefficient	Std. Dev	t-statistic
PASS -> BI	0.147	0.125	1.179
PFR -> BI	-0.298	0.129	2.310
PILR -> BI	0.105	0.130	0.805
PPHY -> BI	0.101	0.135	0.751
PPR -> BI	0.088	0.084	0.106
PPSY -> BI	-0.373	0.125	2.991
PSR -> BI	0.149	0.127	1.170
PTLR -> BI	0.014	0.139	0.100
Single -> BI	0.249	0.081	3.077
Educational Qualification -> BI	-0.314	0.087	3.632
Digital Knowledge -> BI	-0.129	0.086	1.504
Squared multiple correlations for BI (R^2)	0.449		