Word-Of-Mouth, Trust, and Perceived Risk in Online Shopping:
An Extension of the Technology Acceptance Model

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ABSTRACT
This paper aims to understand the role of word-of-mouth, trust and perceived risk in extended technology acceptance model on online purchase intention. Firstly, EFA was used to test the dimensionality of these constructs. Next the reliability and validity of these constructs have been established using CFA in AMOS 16.0. Then the hypotheses were tested using SEM in AMOS 16.0. It was found that word-of-mouth has a positive and significant impact on online purchase intention whereas perceived risk has a negative and significant impact on online purchase intention. It was also found that word-of-mouth has a positive and significant impact on trust and trust has negative and significant impact perceived risk. Word-of-mouth, trust and perceived risk should be viewed as the levers in the adoption process of online shopping in the extended technology acceptance model. Examining the role of these three constructs on online purchase intention explicated the dual process of perceived risk acting as an inhibitor whereas word-of-mouth acting as an enabler.

KEYWORDS
Enjoy, Entertainment, Perceived Risk, SEM, TAM, Technology Acceptance Model, Trust, Word-of-Mouth

INTRODUCTION
The acceptance of online shopping can be traced way back to the era of internet boom in 1999-2000 when Amazon.com, the online book shop, created history (Fink, Fink, Grullon, & Weston, 2010). After, this break-through many other product categories became popular online. From utilitarian products like books and e-ticketing, several hedonic products like tourism and fashion also got popularized online. The latest being the virtual marketplace (Sarkar, 2013) where a consumer can get a wide variety of products ranging from groceries to jewellery (one-stop online shopping destination). This on-going popularity of online shopping is resulting in continuous erosion of the market share of many big traditional brick-and-mortar organizations (Fink et al., 2010). This has already been envisaged by Wessel & Christensen (2012) that online shopping is like a missile which if not properly gauged can uproot the established brick-and-mortar firms sooner than they can realize.

Fuelled growth of online shopping has not caught up with the same speed with which it was expected to grow (Chang, Cheung, Lai, 2005) and has not even got near the take-off point of diffusion of S-curve (Roger, 1995). The major impediment to the adoption of online shopping is the risks perceived by the consumers (Tan, 1999). Though, perceived risks associated with use of credit card and net banking has been mitigated to a large extent by the banks through their upgraded security and
firewalls. Still, consumers perceive several other risks with particular product categories which need to be addressed to induce the acceptance of online shopping (Zheng, Favier, Huang, & Coat, 2012).

Using the extended technology acceptance model (now here by used as TAM) as a theoretical base, a model is proposed to explain the factors that are affecting an individual in acceptance and usage of virtual marketplace. In addition to this integrated model of TAM, word-of-mouth, trust and perceived risk have been added to the model. The rationale behind integrating word of mouth, trust and perceived risk in TAM is to increase the managerial focus on the critical challenge of using word of mouth as a promotional strategic tool to reduce the inertia of consumers in accepting the virtual marketplace by enhancing trust among them.

LITERATURE REVIEW

Technology Acceptance Model

The idiosyncrasy of the online environment has been explained by Loiacono, Watson, & Goodhue (2002) as the interaction of ‘information system’ as well as ‘marketing’ when accessing a website. Parasuraman, Zeithaml, & Malhotra (2005) also concurred that customer evaluation of new technology is a distinct process. The Theory of Reasoned Action (TRA) has frequently been employed to illustrate how an individual form an intention to act based on his evaluation of the consequences of that action (Fishbein, 1979). Davis (1989) applied TRA in the area of ‘using computer technologies’ and developed TAM. This model suggests that two constructs or belief, ‘perceived usefulness’ and ‘perceived ease of use’, are affecting the online purchase intention (Kesharwani & Tripathy, 2012). Perceived usefulness is the belief of a user on the performance of the new technology (Davis, 1989). Perceived ease of use is the belief that the new technology is easy to use (Davis, 1989).

Several studies (Davis, 1986; 1989) have shown that perceived ease of use influences perceived usefulness. That is ease of use of technology increases usefulness of the technology. Phillips, Calantone, & Lee (1994) and Wang, Wang, Lin, & Tang (2003) studied this relationship in other contexts like internet banking and had shown that perceived ease of use has a positive and significant effect on perceived usefulness.

Loiacono et al. (2002) extended the TAM and developed Webqual scale (an instrument to evaluate the website) on the ground that website sometimes goes beyond utilitarian aspects (i.e. ease of use and usefulness). In this they extended the TAM by including entertainment as the hedonic aspects on the ground that website is driven by some additional factors beyond perceived ease of use and perceived usefulness (Pine & Gilmore, 1998). Hoffman & Novak (1996) and Singh & Dalal (1999) also concurred that websites have some entertainment value that is not easily captured by ease of use and usefulness.

Perceived Risk and Trust in Online Shopping

In online shopping context perceived risk is the extent to which a user believes that using the Web is unsafe or may have negative consequences (Kesharwani & Tripathy, 2012). The perceived risk in B2C e-commerce context differs from that in traditional marketing as it involves online-channel and point of purchase, rather than just the risk arising from product itself (Glover & Benbasat, 2010). Several risks are associated in the purchase of product at a physical store. But, the risks are exacerbated in the e-commerce situation like the exchange occurs over a public network, the consumer may not be able to test the product, and the range of products available for purchase may be very large (Glover & Benbasat, 2010). Kesharwani & Bisht (2012) have integrated this online perceived risk in the TAM model to explain the whole dimension of how the acceptance of internet banking is affected by the online perceived risk. They have taken trust as one of the key antecedent of the online perceived risk. Jarvenpaa and Tractinsky (1999) stated that trust is a key success factor in online shopping as it promotes the online purchase intention.
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