Influence of Perceived Risks on Consumers’ Online Purchase Behaviour: A Study

Rama Mohana Rao Katta, Department of Commerce and Management Studies, Andhra University, Visakhapatnam, India
Chandra Sekhar Patro, Department of Management Studies, GVP College of Engineering (A), Visakhapatnam, India

ABSTRACT
This article describes how online shopping has been emerging as an important part of consumers’ life style in almost all developed countries as well as developing countries. People can buy anything at any time and from anywhere through online shopping. Consumers have to deal with risks they perceive about the product, the environment, or the buying process. Beside the vast benefits of online shopping, consumers perceive different type of risks involved in online shopping environments. Therefore, consumers have to deal with the risks they perceive in relation to financial risk, product performance risk, convenience risk, security & privacy risk and health risk. These perceived risk factors determine the consumers’ purchase behaviour towards online shopping. The purpose of this article is to analyze the dimensions of risk and the perceptions of the consumers in online shopping processes. The findings of the study would help the e-retailers to have a better understanding and to develop strategies to eliminate or reduce risk perceptions of the target consumers.

KEYWORDS

INTRODUCTION
The development of the Internet has strongly impacted the worldwide marketing environment and has provided the companies with the ability to expand their business reach through e-commerce. It has become a popular medium to facilitate information search, choice, and purchase. The internet technologies offer wide benefits to the consumers such as additional channel for information, convenience, cost savings, time efficiency and avoidance of crowds. Furthermore, the Internet makes an unlimited range of products and services accessible for consumers all around the world, people can buy or sell virtually anything, at any time, from anywhere, through online shopping (Katta & Patro, 2016). Despite the significant and optimistic future growth of online shopping, negative aspects are also becoming more frequently associated with this alternative shopping method. For example, consumers may worry about purchasing products and services from faceless retailers, giving out personal and financial information, cannot examine products physically before a purchase, loss of time and/or

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money, as well as what their friends and family will think about their purchases. These perceived risks occur when an individual recognizes the possibility of loss or some other negative consequence from using or purchasing a product or service. These perceived risks may increase when consumers consider shopping from internationally-based retailers that cross global and cultural boundaries. As such there has been amplified interest by retailers, in how people from around the world might perceive the risks affecting how, when, and if consumers will purchase a product or service online.

Perceived Risk (PR) is referred as consumers’ subjective expectation of suffering a loss in pursuing a desired outcome (Zhou, Dai & Zhang, 2007). The concept of perceived risk to consumer behavior was first introduced by Bauer (1960) to describe the phenomena as information search, opinion leaders, reference groups, brand loyalty and pre-purchase considerations. Wang, Ashleigh & Meyer (2006) stated that products or service quality, personal privacy and safety are the essential concerns of consumers who often perform the online financial transaction. Schiffman & Kanuk (2007) expressed perceived risk as the uncertainty that the consumers face when they cannot predict the consequences of their purchase decision. Shoppers perceive a greater level of risk when they shop on e-commerce websites compared to brick and mortar store. Consumers are afraid their personal identity or credit card information being hijacked by an anonymous party which causes consumers to purchase online frequently (Liebermann & Stashevsky, 2002). Novak, Hoffman & Yung (2000) argued that perceived risk has negative influences on consumers online purchase intention and recommended that perceived risk in e-commerce and consumer online purchase intention can be moderate with computer knowledge.

Consumers who have more optimistic online shopping experience perceived lower risk in online shopping and lower perceived risk leads to less future purchase intention from the online store. Vijayasarathy & Jones (2000) report that perceived risk influence consumers’ attitudes towards both online shopping and intention to shop online. However, perceived risk influences consumers’ attitudes toward online shopping, but not the intention to shop online. Consumers are more likely to shop at online stores with sound security and privacy features. Claudia, Alexandra, & Ionut (2013) stated that in online shopping a perceived risk appears from when customers feel uncertainty and fear of financial loss, poor product quality, non-delivery concerns, the breaching of trust and misusing of personal information. The internet unlike other purchasing channels causes a larger amount of uncertainty for individuals (Patro, 2016). This may be due to the complexity, ease of use or accessibility. Due to the uncertainty involved in internet purchases, it has been considered a more risky option as opposed to in-store shopping (Kim & Prabhakar, 2004). Swinyard & Smith (2003) identified that more than 70 per cent online non-shoppers do not buy online due to risk of financial losses if they shop from online e-retailers. Perceived risks have negative impact on consumers’ behaviour while purchasing online and reduces the intention to purchase other goods as well. Therefore, perceived risk play an important role to determent consumers’ online shopping behaviour and predict consumers’ intention to shop online in the future.

This study provides a comprehensive picture of perceived risks in online shopping and focus on the impact of risk variables on purchase behaviour so as to reveal the importance of each variable used. The outcome of the research will demonstrate the influence perceived risks on willingness of consumers to buy online and at a practical level, assist marketers and online retailing developers in designing more efficient risk reducing strategies for online retailers.

**REVIEW OF LITERATURE**

The study provides the review of select literature in the area of perceived risks of the consumers’ while shopping online to have a thorough understanding of the conceptual constructs and empirical research. Chen, Yan & Fan (2015) found that different sources of perceived risk bring distinct effects to purchase behavior. Perceived risks from individual anxiety were found to have significant influences on consumers’ satisfaction and re-purchase intention, while risks from transaction cost affect only
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