

A Study on Perceived risk in online consumer behaviour of youth: An Indian perspective

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Abstract

Consumers especially youths find risks in payment security and personal privacy from e-commerce and that these concerns are at least as great and may be greater for internet shopping than other distance channels. Internet shopping can involve potential risks to consumers and businesses. Risks to consumers broadly revolve around the possibility of personal and financial information, such as addresses, passwords and credit card details, being compromised. The primary risk for businesses is that information is used fraudulently to make a purchase from them. This paper tries to understand the role of perceived risk in online consumer buying behaviour of youth.

Introduction

The total digital commerce market in India was valued at INR 47,349 Crores in December 2012 and is expected to grow by 33 percent to reach INR 62,967 Crores by the end of 2013. (IAMAI, 2013). India is a young country with 35% of the population between the age bracket of 15 and 35 years (Technopak, 2012). Further, the internet audience, i.e. people who access the internet from either home or work, also comprises a younger population with 75% people between the age bracket of 15 and 34 years, of which the 25-34 years of age segment comprises 40%. About 50% of these visit e-tailing¹ websites. This is the core target audience for e-tailing in India, both because of their access to the internet, comfort with online transactions, their lifestyle needs and disposable income. Going forward, young India will continue to drive the growth of e-tailing. But, at the same time these youths as a consumer are also exposed to the risks associated with internet shopping.

¹ Retailing done through internet

Table 1: Age group distribution of online Internet users in India

Internet Consumers in India	
Age group (in Years)	%
55+	3
45-54	6
35-44	16
25-34	40
15-24	35
	100

Source: Tecnopak E-tailing Report 2012

The above table 1 shows that 35% of India's population is between 15 and 35 years of age. India's Internet audience is also young, with 15 to 34 year-olds making up 75%, and 25 to 34 year olds alone accounting for 40%. Visitors to E-tailing sites comprise about 50% of this population.

Review of Literature

While making a purchase decision and immediately after having made a purchase, consumers experience a state of uneasiness and tension. The purchase process results in a state of anxiety and tension with respect to the negative consequences that could result from product usage. This state known as "perceived risk"; it refers to a feeling of uncertainty that arises within an individual when he fails to predict the consequences of product choice, usage and resultant experience. (Sahney, 2013) This feeling arises because the consumer cannot judge with certainty the consequences of their purchase decision. The circumstance that led to such a state is lack of information, newness of the product/service offering, complexity of the offering, high price, etc. (Sahney, 2013)

Perceived risk is defined as "the nature and amount of uncertainty perceived by consumers in completing particular purchase decision (Rich, 1964). Two elements, uncertainty and consequences may play a significant role in perceived risk (Stoel, 2005). Difficulty of identifying buying goals and matching these goals with product or brand offerings leads to

uncertainty. Consequence is associated with performance (whether products perform as expected) and psychological goals (what will others think of me). In the online context, perceived risk is defined as “the expectation of any loss or any negative consequences as a result of online shopping” (G. Pires, 2004).

Perceived risk and value is researched in the context of willingness to buy and recommend. Based on the findings, social risk is cited as the major factor that is given priority in the internet shopping willingness to buy. Besides, the prior experience and purchasing throughout internet has been detected as a vital aspect in terms of internet shopping. (Cengel, 2012).

Internet brands should pay the greatest attention to social risk while establishing their marketing strategies. In addition, they should motivate the consumers through extensive promotional strategies by enabling the consumers to try internet retailing. As individuals get experience through internet purchases, they tend to buy more from the internet as they perceive their risks to be minimized and they transfer their knowledge and expertise to their friends through word of mouth. It is also depicted that there exists no relationship between quality perception and willingness to buy. (Cengel, 2012).

More than 75% of the students had already made purchases over the Internet and that security and price were major factors in their decisions. Men used e-commerce more than women and that kind of consumption is positively related to incomes and the use of credit cards. (Alves, April 2012). The consumption preferences, able to differentiate consumers of e-commerce, were: making purchases quickly and practically, risk perception and indifference to testing the products before making purchases.

The linkage of Online Marketing, Trust, Perceived Risk and Consumer Behaviour

As per the Internet Readership Survey 2007, (Ibid) online shopping accounted for only 1.2 percent of total Internet indicating that many users are reluctant to make purchases on the Internet. Thus, there is still much room for online shopping to grow (G. Noort, 2006). Perceived risk and lack of trust are the main cited reason for consumers not purchasing online (A. M. Hasan, 2006). Developing trust in online shopping environment is especially challenging because of the lack of direct contacts with the physical stores, salesperson and physical products in the digital world (Uslaner, 2004). Consumers' experiences are different while purchasing the same product through online or offline (Gilly, 2003). In a physical store, consumers can see, touch, try and feel the product and its quality which is absent in online

shopping. In online environment consumer interact in a virtual environment through the website interface (J. W. Alba, 1997).

Online shopping medium has its own drawbacks such as reduced opportunities for sensory shopping, social shopping, and face – to- face interactions with sales personnel, and the postponement of the consumption or enjoyment of tangible goods. Thus owing to the conventional procedures, security concerns and existing habits, shopping for Indians implies physical purchase of products that have a high touch feature. Due to its in-home characteristics, online shopping may be associated with risks similar to other in-home shopping methods (e.g. mail order, television shopping, print catalogue shopping) (Tractinsky, 1999). Such risk is perceived due to uncertainty and consequences of buying (Huang, 1998). As a result trust and risk taking or amounts of perceived risk are very important aspects of online shopping (Shi, 2003). Perceived risk is understood to decrease among people who have an online shopping experience (McCormack, 1998). Trust is critical to the study of online business because it has a significant effect on consumer behavior (R. C. Mayer, 1995). The concept of trusting beliefs means that a potential online shopper believes that the online store is benevolent, competent, honest or predictable. Thus trust is a prime mechanism for reducing uncertainty in Internet shopping (Gefen, 2000).

So, in the review of literature, we find that the study on perceived risk has been done by several researchers across globe. But the research came across negligible efforts have been taken by the Indian researchers and scholars in case of study of perceived risk in Indian internet retailing.

The above studies shows that common type of risk in internet shopping are as follows-

1. **Functional Risk:** this refers to the risk which a consumer perceives when he is uncertain about the product's attributes, features and overall benefit; His doubt is whether the product will perform as it is expected to perform?
2. **Physical Risk:** this kind of a risk is perceived when a consumer doubts about his and his family's safety with respect to the usage of a product? It refers to the dangers that the product usage could bring with itself.

Or. Will it lead to shocks and short circuit in times of voltage fluctuation?

3. **Financial Risk:** this kind of a risk is perceived when a consumer doubts as to whether the product is worth its cost? In other words, the consumer assesses the benefit versus cost of the product?

4. **Social Risk:** this is the kind of risk that a consumer faces when he doubts the product purchase and usage to sanctions and approval by the social group or class to which he belongs.

5. **Psychological Risk:** this kind of a risk is perceived when a consumer fears social embarrassment.

6. **Time Risk:** the consumer is uncertain and doubts whether his time has been wasted by making a wrong choice or that he would have to spend time again if the product does not perform as expected.

Perception of Risk Varies:

Perceived risk is subjective in nature and it varies across people, product and situation. In other words, the degree and intensity of perceived risk would be different for different people, it would be different for different products; and, it would also change with situation. It is noteworthy that consumers' perception of risk is affected by personal characteristics. Also, risk per se is irrelevant for a marketer as it does not affect consumer behavior.

Risk varies across people:

Some consumers perceive high degrees of risk while others perceive low levels of risk. The former, i.e. high-risk perceivers are referred to as narrow categorizers of risk. They are conservative in their approach, and approach the old and familiar brands rather than the new and unfamiliar. They restrict their product choices to a few alternatives, and prefer excluding the new and unfamiliar alternatives to the old and familiar ones (as they fear making a wrong decision). The latter on the other hand, i.e. low-risk perceivers are referred to as broad categorizers of risk. They are risk takers and approach the new and unfamiliar with ease. They make choices out of a wider range of alternatives (lest they make a wrong decision).

Risk varies across products:

Perception of risk also varies across product categories. For high involvement products, like premium products or specialty products, the perceived risk is much higher than low

involvement products like convenience goods or shopping goods. Also the cumulative effect of the types of risk (physical, functional, social etc) would vary across product categories.

Risk varies across situation:

Risk also varies across situation. It varies across the channels of selling (i.e. direct or indirect marketing); it also varies with time available for shopping. (Sahney, 2013)

Perceived Risks in online consumer behaviour of youth:

Like other in-home shopping methods (telephone, catalog, television shopping), Internet shopping may be affected by perceived risk. Two kinds of uncertainty in Internet shopping are product uncertainty and process uncertainty. When the product received does not meet the customer's expectation then product uncertainty occurs. When the customer may not have complete confidence in the transaction process then process uncertainty occurs.

A number of studies have found that product intangibility greatly increases the degree of perceived risk. The shoppers are able to examine and test the merchandise by comparing two or more brands of the same item for price, quality, size, colour or style while shopping in physical store. They can also take the concern of the salesperson, who is experienced with regards to the product in question. These means of getting information which reduces uncertainty and risk is not available in online shopping. Shoppers feel more worried buying online certain products like apparel, perfume & electronics as they cannot touch, try or feel these products. These products are perceived as a greater risk than books and software. They have the feeling that the products will not be up to expectation.

Apparel in the product category, have the most negative rating in online shopping due to difficulty to feel and see texture of colour online. Fitting and returning of the products is also a problem while purchasing apparel as the shoppers cannot try on the clothing before buying it. A number of consumers also face the problem of slow load times, an inability to locate items, incomplete information, lack of human interactions, missed or late deliveries and ease of use (difficulties with site navigation and complex procedures) and security.

Conclusion

In India internet is around 20 years old. India is among the top 3 population of internet users with 145 million consumers. The online retailing is having just 3-4% of organised retailing. This means that some elements are hindrance in the prosperity of online marketing. The perceived risk is one of them. The prosperity of online shopping in India is huge because of

its big size of youth population. The government is investing a lot in internet infrastructure. The organized retailing can't reach to the rural part of India easily whereas online retailers are finding their buyers in tier 2 & tier 3 cities including villages of across India. The retailers have to understand the issues related to perceived risks and should come up with the solutions.

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