

Risk Dimensions and its Impact on Online Shopping of Youth: An Economic Analysis

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Abstract - India is regarded as 'Young India', which comprises of more youngsters or working age population. Half of its 1.3 billion population is under the age of 25 and one fifth are under the age of 14. Added to this, the mobile penetration rate in India, is very high compared to any other country in the world. This younger generation use internet as a medium of purchase. Increased use of mobile phone and internet has led to unprecedented growth in online shopping. India has witnessed robust growth in e-commerce activities from past two decades. The contact norm between sellers and customers has changed since the extensive adoption of internet. Rapid changes in customer lifestyles, technological progress, increase in customer income, raising disposable income of the population, education and awareness level, financial development etc. have contributed for the growth of e-commerce in India. Therefore, Indian e tailors must assess the different dimensions of risks associated with online shopping and must aim at maximizing both customer satisfaction and profits. The present study identifies the different perceived risk factors in online shopping behavior of Indian youths. Exploratory Factor Analysis revealed eight factors of perceived risk in online buying. This study would help those, who currently offering or aspiring to offer their products and services, through online channel to consumers as it would ensure designing and enforcing an appropriate marketing and electronic tool to overcome their perceived risk in online shopping. This includes assuring delivery of ensured goods and services, making available an easy goods return process, minimizing monetary threats and developing a well secured framework of e-commerce technology for online buying.

Index Terms - E-commerce, Internet, Online buying behavior, Mobile Phone, Young population.

INTRODUCTION

The contact norms between sellers and customers have changed since the adoption of the internet. When sellers are not happy with their desired

product/service, people know where, from whom and how to buy it. The Internet has grown over the past few decades into a massive global marketplace for the exchange of goods and services. The Internet has been adopted as an important medium in many countries, providing a wide range of goods which are available round the clock and wide coverage of the region. Despite the advantages of online shopping over indoor shopping and positive expectations for potential growth of online shopping, negative factors associated with this method of shopping are also becoming important. Risk plays an integral role in consumer behaviour and provides a valuable contribution to understanding information-searching behaviour and decision-making on consumer purchases. For e-commerce to achieve its full potential, online retailers should know about the perceived threats that customers are most concerned about when they shop online and must come out with remedial measures to deal with such perceived risk. This would help them to scale up their business transactions and help them in achieving both sales and profit maximisation.

Goldman Sachs Research analysts examine how India's youth, coupled with better education and a rising economy, is opening up unique opportunities to meet an emerging class of tech-savvy, well-educated urban consumers in an excerpt of a new study, India Market Close-Up: Tapping the purchasing power of a young, connected Urban Mass. Due to the increasing mobile internet delivery in India, the intensification of Indian e-commerce is the result of growing consumer convenience for online shopping websites. The new source of admission to online shopping sites are mobile phones, laptops and personal computers, which are more common due to different adolescent lifestyles and the reduction of 3G or 4G data tariffs by all popular internet service providers. Market behaviour has emerged from a preference of touch and feel shopping for ease and convenience, e-mode of

payment such as debit card, credit card or net banking, EMI alternative, on-site substitution, cash on delivery and free home delivery in a notable change from the previous age group of shoppers. Several e-commerce studies have shown that customer intentions to participate in online transactions are a powerful indicator of the actual involvement of consumers in e-commerce transactions. The relationship between purpose and behaviour is focused on the premise that human beings are attempting to make reasonable decisions based on the knowledge available to them.

Glimpse of different risks of online shopping:

Customers do not have any idea of the product they see on the internet (seeing, feeling, tasting, smelling, and hearing) in online shops as they scan for and buy items. In online stores, due to the absence of face-to-face contact, customers can develop low confidence and perceive high risk. Since online shopping is a relatively new form of shopping system, in order to enable more customers to shop online, major changes must occur. Consumers must understand that they can get a better price from online shopping than from conventional shopping outlets in order for this to happen. Following are some of the different risks existing in online shopping.

Financial risk: Despite the tremendous growth and positive outlook for the potential growth of online shopping, this alternate shopping form is now becoming more widely associated with negative aspects. Consumers are worried that Internet still has very little protection, when it comes to using their credit cards and sharing personal information. Financial risk is the perception that a certain amount of money will be lost or misused.

Product risk: As any form of non-store shopping, the Internet makes it difficult to inspect physical goods; customers need to rely on very restricted data and photos displayed on the computer screen. Product risk is the perception that a purchased product could fail to perform as originally expected. The loss suffered when a brand or commodity does not perform as expected is primarily due to the failure of shoppers to reliably assess the quality of the online product.

Time risk: Time risk deals with the time spent on searching for information, decision making and

waiting period. When the product bought is repaired or replaced, time, comfort or effort will be lost. The time risk involves the inconvenience of online purchases, frequently triggered by difficulties accessing and/or sending orders or delays in obtaining items.

Delivery risk: Potential loss of delivery due to missing merchandise, damaged goods or delivering the consignment to wrong location or person. Because of different reasons, consumers fear that delivery will be delayed; the delivery company may not deliver within the time period negotiated with customers, or customer's fear that the goods will be defective when treated and shipped or no proper packaging and handling during transport.

Social risk: Social risk refers to the belief that rejection by family or friends may result from a purchased product. It also applies to the possible loss of standing in the social community of customers due to either the product's inappropriateness or the rejection of using the internet as a shopping platform. Typically, in order to minimize social harm, consumers attempt to seek advice or approval from others in their social community.

Information risk: Through online availability of product information quality, purchase and distribution capability and reliability service quality, customers can learn about the value of products; but if there is no information in place, the intention to buy would be adversely affected. Consumers avoid websites that require registration of personal data, causing some individuals to falsify or provide incomplete information. Many scholars emphasize that data confidentiality, data integrity and non-repudiation communication, authentication security, IT performance and privacy protection, all of which relate to website characteristics, should include website security and privacy.

Functional risk: Functional risk is characterized as the uncertainty and consequence of a product not operating at some expected level, also known as performance risk. Due to inability of the shopper to accurately assess the quality of the product, product performance risk can result from a poor product choice.

Psychological risk: Psychological risk represents the dissatisfaction of a person in the event of a bad choice of goods or services. Psychological risk is also characterized as the probability of a particular transaction being inconsistent with the consumer’s personal or self-image. Psychological danger as the possibility that the consumer’s ego will be bruised by a bad product choice. It can therefore be inferred that psychological risk applies to the internal and personal evaluation of dissatisfaction by the customer.

OBJECTIVES OF THE STUDY

- To find out the preference of Indian youth for online shopping
- To explore the various risk associated with online shopping.
- To ascertain customer satisfaction level with respect to online shopping
- To offer suggestions to deal with various risk dimensions of online shopping.

HYPOTHESIS:

Online shopping is rapidly growing in India from past two decade. This research study is carried out to test the relationship between perceived risk and its impact on online shopping amongst Indian youth. In pursuit of the same, two hypotheses namely

1. H1: Perceived product quality will affect perceived value positively.

Hypothesis	Relationship	Beta	S.E	t. value	P value	Result
1	Perceived product quality will affect perceived value positively	0.291	0.091	3.171	0.002	Supported
2	Perceived product quality will affect the customers satisfaction positively	0.326	0.119	2.819	0.005	Supported

T value signifies 5% Level of significance, 95% confidence level.

“R2” value was obtained as:

	R ²	S.E	T value	P value
Perceived value	0.648	0.067	9.288	0.000
Satisfaction	0.689	0.060	11.17	0.000

Adjusted R2 values were obtained as:

	R ² (Adjusted)	S.E	T value	P value
Perceived value	0.637	0.069	8.841	0.000
Satisfaction	0.680	0.061	10.660	0.000

Hypothesis: 1

2. H2: Perceived product quality will affect the customers satisfaction positively were framed.

To test the above hypothesis, structural equation modelling (SEM), which is a second-generation multi-variate data analysis method used to examine the relationship between the variable of interest. This helps in prioritizing the resources to serve the customer in a better way. The primary data was collected from 100 respondents and analyzed using Cronbach Alpha to test the consistency of variable. Co-efficient alpha measures the degree to which all the items in a construct are inter-related.

Scale’s Cronbach alpha

Construct	Cronbach Alpha
Perceived product quality	0.77
Customer satisfaction	0.81

Co-efficient alpha ranges between 0 to 1. A low alpha value or a value nearer to zero represents that scaled items performance poorly in capturing the construct. On the other hand, alpha value which is near to one or large, represent that the scaled value items are correlated well in-between. Therefore, alpha values for the construct are nearing to one and it is indicating construct is high. All direct and indirect effect were calculated with the help of smart PLS software. The standardized parameter estimate of the hypothesized relationship was obtained as follows:

Perceived product quality will effect perceived value positively. The obtained result with Beta = 0.291 (P>0.05) suggest that perceived product quality significance & positively affect the perceived value. Hence 1 hypothesis accepted.

Hypothesis: 2

Perceived product quality will affect the customer satisfaction positively. The results obtained with beta= 0.326 (P>0.05) suggest that perceived product quality has positive influence on customer satisfaction. Hence hypothesis 2 is accepted.

Findings of the study:

- Risk plays an integral role in consumer behaviour and provides a valuable contribution to understanding information-searching behaviour and decision-making on consumer purchases. In order for e-commerce to achieve its full potential, online retailers should gain an awareness of the perceived threats that customers are most concerned about when shopping online.
- Consumers assuming their debit or credit card details are not safe or if product is not up to the mark as it was projected and the monetary loss occurring as a result, is denoted as financial risk.
- Product risk is the perception that a purchased product could fail to perform as originally expected or loss suffered when a brand or commodity does not perform as expected is product risk. Internet makes it difficult to inspect physical goods; customers need to rely on very restricted data and photos displayed on the computer screen.
- Time risk is the idea that when a product bought is repaired or replaced, time, comfort, or effort may be lost. The time risk involves the inconvenience of online purchases, frequently triggered by difficulties accessing and/or sending orders, or delays in obtaining items. Potential loss of delivery due to missing merchandise, damaged goods, and sent after shopping to the wrong location amounts to delivery risk.
- Social risk refers to the belief that rejection by family or friends may result from a purchased product. It also applies to the possible loss of standing in the social community of customers due to either the product's inappropriateness or the rejection of using the internet as a shopping platform. Consumers avoid websites that require registration of personal data, causing some individuals to falsify or provide incomplete information. This is information risk.
- Perceived risk directly affects online consumer behavior and their intention to purchase. When consumer perceived risk is high, the consumer intention to purchase online is low and when consumer perceived risk is low, the consumer intention to purchase online is high.
- Co-efficient alpha ranges between 0 to 1. A low alpha value or a value nearer to zero represents

that scaled items performance poorly in capturing the construct. On the other hand, alpha value which is near to one or large, represent that the scaled value items are correlated well in-between.

- Beta = 0.291 ($P > 0.05$) suggest that perceived product quality significance & positively affect the perceived value.
- Beta= 0.326 ($P > 0.05$) suggest that perceived product quality has positive influence on customer satisfaction.

Suggestions for improvement:

- Travel related services have recorded the highest frequency of buying online. This has been a consistent record. Therefore, it becomes imperative for travel related agencies to have their presence online to generate big volumes.
- Buying electronic goods online has become the new trend in India. On interacting with the respondents, it was found that products are cheaper online and more trustworthy. It is advisable to the electronic goods companies to make their presence online and facilitate the purchase of their goods without hassles.
- A well-designed website reduces a consumer 's effort, cost of searching and time required for information processing. It should provide easily accessible website links to the company. Speed in quick opening of sites and download time should be given due importance as the customer lacks patience if it is slow.
- Website design must be given due importance as majority of the respondents felt it plays a major role in the purchase decision. As more than half of the respondents have stated that they check or open their email this is an opportunity for marketers to send in promotions and advertisements through email.
- Payment Related Issues can be overcome if there is collaboration between companies offering online purchasing and banks where banks maintain account directly fear of purchasing would be reduced. This will boost the transactions made with the bank.
- Business concerns should avoid controversial, socially unacceptable advertising and represent accurate, clear and comprehensive information about promotional terms, conditions and offers.

- Warranty and claims were recorded as the second most important barrier to online shopping. Refund Policy was not satisfactory, and it was seen as the third most important barrier to online shopping. To overcome these problems toll free numbers, virtual operators and online chat environments may provide for maintaining consumer relationship which in turn may provide efficient functioning and reduction of these barriers.
- Returning goods attracts shipping charges and are detected from customer during payment. Easy way of returning items must be made available to customers.

CONCLUSION

Internet has brought forth a new mechanism of interaction platform between sellers and buyers. This provides an opportunity for online shopping in India. The increasing use of Internet by the younger generation in India provides an impetus for online retailers. The fast emergence of digital landscape and the changing pattern of consumption culture have forced the business managers, advertisers, and marketing professionals struggle to learn about online consumer behavior because consumer response is the ultimate test for whether a marketing strategy will succeed. Most companies have no choice today but to offer their products online if they have to be in the competition. This is also with the aim of cutting marketing costs and reducing the price of their products and services in the markets. The knowledge about online consumers helps marketers to determine & design marketing mixes and web site features that provide value by attracting and retaining consumers. The largest driving factor for online shopping is convenience. Risk perceptions, particularly concerns about online security are deterring many people from shopping online. E-tailers and consumer interest protection organizations should come together to improve perception of online security that could lead to a better shopping experience for consumers.

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