

EXAMINING THE DIFFERENCES OF CONSUMERS' RISK AND BENEFIT PERCEPTIONS IN ONLINE SHOPPING

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ABSTRACT

Retail formats have proliferated greatly during the last century. However, as a new century begins, these retail formats are being threatened by the emergence of online or Internet retailers. Due to certain factors, such as slower adoption of residential broadband Internet connections and consumers' shopping behavior, online shopping has not been popular in Turkey compared to the other developing countries in the the world.

In this paper, we developed a research model to examine the risk and benefit perceptions of the buyers while shopping online and to compare them with the gender and educational level of consumers. The model was tested using an online survey of 2751 online shoppers in Turkey. As a result, we observed that women and men have different risk and benefit perceptions from online shopping, and similarly, these perceptions differ across consumers' level of education. Our results suggest that online retailers should simplify the checkout process more, develop new strategies to build trust in their customers and to demonstrate the benefits of online shopping.

INTRODUCTION

Consumers have more shopping choices than ever before, with diverse retail formats (Kim et al., 2003). The recent evolution in retailing has involved a shift towards non-store formats, especially through electronic means. Although non-store retail sales are only a small portion of total retail sales, non-store retailing is the fastest growing segment within retailing in the world (Dholakia and Uusitalo, 2002).

The Internet is becoming an increasingly popular medium to facilitate information search, choice and purchase. The degree to which shoppers are now turning to the Internet as a shopping channel underscores the need to better understand and predict consumers' online shopping behaviors (Forsythe, Liu, Shannon, Gardener, 2006).

Since its introduction in Turkey in 1993, the Internet has grown to have approximately 15 million users according to Turkish Statistical Institute, accounting for 13.93% of the total population (TSI, 2005). The number of users continues to grow especially after the recent introduction of residential broadband connections such as ADSL and Cable. In 2006, e-commerce sales in Turkey is expected to be USD 600 million. One of the market research companies in Turkey, Emarketer, found that online shopping frequency had increased 25% in 2005. However, only 5% of the internet users in Turkey shop online. This rate is obviously more in USA and other European countries. In Germany, Austria and the UK 95% of Internet users engage in online shopping. This rate is 90% in Asia Pacific region (Yurdakul et al., 2006:40).

Perceived Risk In Online Shopping

When making a choice, the consumer is faced with uncertainty and risk because she can see the outcomes based on her choice only in the future. In an online shopping context, a number of additional risks may be intensely felt. Compared with traditional brick-and-mortar shopping, the perceived product risks may increase in online shopping because consumers do not have the opportunity to actually see and feel the product they want to purchase (Chang, 2003).

The concept of perceived risk is defined used in marketing research is related to the expected adverse consequences that might follow from the purchase of a product or service that cannot fulfill the initial purchase goal (Chang, 2003). Perceived risk influences consumers' product purchases and their choice of retailers, especially when consumers are using non-traditional retail formats such as telephone or mail-order (Kwon and Lee, 2003).

Various types of risk are perceived in purchase decisions, thus risk is a multidimensional concept in this context. According to Cases eight dimensions of perceived risk has been examined in the literature. Bhatnagar and Ghose

used only two dimensions of perceived risk in their study: product risk and security risk, whereas, Jarvenpaa and Todd examined five dimensions of perceived risk.. In a recent study (Forsythe et al., 2006), three types of risk, namely financial, product, and time/convenience risks are examined.

Perceived Benefit In Online Shopping

Perceived risk is not only the factor involved in consumer purchasing behavior. Consumers make purchase decisions to maximize expected gain, in other words, for perceived benefit. Consumers regard the perceived benefit as an incentive for the purchasing behavior (Kim et al., 2000). Researchers have discussed the several benefits that online shopping confers on the consumers. These benefits all provide "convenience" to a degree that is not quite available in traditional shopping channels (Bhatnagar and Ghose 2004). These benefits include time saving, effort saving, easy ordering process, low transaction costs, etc. We can say that as an alternative channel, online shopping is convenient and time saving; with vast information freely available online, consumers can easily compare prices and product features across suppliers.

In a recent research report, Greenfield Online found that online shopping is preferred over in-store shopping by some Internet users because of its convenience and time saving. However, the study also found that an overwhelming 69 percent of Internet users said shopping at stores and malls allows them to see, feel, touch, and try on the products before they buy them. These findings suggest that the consumers who value convenience are more likely to buy on the Web, while those who prefer experiencing products are less likely to buy online (Li et al., 1999). In other words, we can say that perceived benefit like perceived risk is also a subjective concept.

There are two kinds of shopping motives in the literature: functional and nonfunctional (Babin et al., 1994; Forsythe et al., 2006; Dholakia and Uusitalo: 2002; Bhatnagar and Ghose: 2004; Sorce et al. 2005; Childers et al. 2001). Functional motives are related to utilitarian functions such as convenience, variety and quality of merchandise, and price, whereas nonfunctional motives (hedonic) are related to social and emotional needs for enjoyable, interesting shopping experiences (Forsythe et al., 2006).

In our study we mostly used Forsythe, Liu, Shannon and Gardener's scale for measuring perceived benefit. The product selection statements from Bhatnagar and Ghoose's study were also included. We include four dimensions of perceived benefit: shopping convenience, ease/comfort of shopping and product selection for functional motives, hedonic/enjoyment for nonfunctional motives.

DATA AND ANALYSIS

The data used in this article was collected via an online survey. Participants were solicited through announcements on Internet-related newsgroups (Haberturk.com, Internethaber.com, Gazeteoku.com) and announcements made on one online retail store (estore.com.tr). The prerequisite for answering the questionnaire was to be an online shopper. A total of 2751 valid and complete responses were included in the final analysis out of 2910 responses we received.

In order to measure perceived benefit and perceived risk from online shopping, a questionnaire developed out of 31 questions. The respondents had to indicate their agreement/disagreement on 5 point Likert scale. Two of the statements about perceived risk were reverse coded. The final section of the questionnaire was devoted mainly to the demographic characteristics of the respondents for classification purposes. Their gender and the highest level of education they attained were also recorded. To ensure that the questionnaire was well understood, it was tested on a small scale of respondents to detect the existence of misinterpretation as well as any spelling and grammatical errors. The suggestions made were subsequently incorporated into the final questionnaire. We tested the following hypotheses:

- H₁: The respondents' risk perceptions from online shopping differentiate according to their gender
- H₂: The respondents' risk perceptions from online shopping differentiate according to their education
- H₃: The respondents' benefit perceptions from online shopping differentiate according to their gender
- Ha: The respondents' benefit perceptions from online shopping differentiate according to their education

Demographics of the respondent resulted that the gender mode is male with 2243 of 2751. The education level mode is Bachelors' degree with 1597. Among other respondents, 796 are high school graduates, 289 have a master's or PhD degree, and 69 finished primary school or middle school.

We also tested the reliability of our scales used for measuring perceived benefit and perceived risk. The Cronbach's alpha for perceived benefit was found to be 0.908 and Cronbach's alpha for perceived risk was found 0.791. Both of them are over 0.70, the general accepted Cronbach's alpha coefficient.

Discriminant analysis of risk and benefit perception according to gender

A discriminant analysis of perceived risk and benefit according to gender was attempted using the 14 perceived risk and 17 perceived benefit statements. The final discriminant functions are highly significant (0.0000). Therefore H₁ and H₃ are accepted.

Table 1: Structure Matrix and Group Statistics

	Structural Matrix Function Coeff.*	Men Mean	Women Mean
Providing credit card information through the web is the single most important reason I don't buy through the web more often (R.P.)	.565	3.14	3.38
It is just as safe to use credit cards when making purchases from Internet vendors (Reverse coded) (R.P.)	.563	3.12	3.31
May not get the product (R.P.)	.481	2.82	2.99
Can't examine the actual product (R.P.)	.441	3.42	3.58
Broader selection of products (B.P.)	.413	3.99	3.79
Size may be a problem with clothes (R.P.)	.385	3.78	3.91
Difficult to find appropriate websites (R.P.)	369	2.23	2.1
Internet vendors offer more useful information about the choices available (B.P.)	.323	3.53	3.36
Don't have to wait to be served (B.P.)	253	3.75	3.89
Items from everywhere are available (B.P.)	239	4.05	4.17
Internet vendors offer better prices (B.P.)	.237	3.7	3.6
Can custom design products (B.P.)	.224	3.86	3.76
Can get good product information online (B.P.)	.207	4.04	3.93

^{*} Significant at p<0,05. B.P.: benefit Perception R.P.: Risk Perception

When we look at the structure matrix the most powerful discrimination variables from the statements were found as above for gender variables. According to those coefficients, female respondents have higher risk perception in most of the statements. But men mostly agree with the benefit perception statements.

Discriminant analysis of risk and benefit perception according to education level

After discriminant analysis for risk and benefit perception according to gender was conducted, a similar analysis was performed according to education levels of the respondents. The final discriminant functions are highly significant (0.00). Thus, both H₂ and H₄ are accept

The structure matrix shows us the most powerful discrimination variables from the statements for education level. According to those coefficients, respondents with Bachelor's degree or more have higher risk perception in every statement. They also mostly agree with the benefit perception statements.

Table 2: Structure Matrix and Group Statistics

	Structural Matrix Function Coeff*	High School graduate or less Mean	Bachelors' Degree or more Mean
Size may be a problem with clothes (R.P.)	.632	3.67	3.86
No busy signal (B.P.)	.625	3.79	3.95
Can't examine the actual product (R.P.)	.623	3.31	3.51
Inability to touch and feel the item (R.P.)	.595	3.88	4.06
Can't try on clothing online (R.P.)	.559	3.93	4.1
It is easier to place orders with Internet vendors (B.P.)	.548	3.87	4.00
Don't have to wait to be served (B.P.)	.515	3.68	3.82
Can get good product information online (B.P.)	.506	3.93	4.06
Items from everywhere are available (B.P.)	.456	3.99	4.11
Internet vendors offer more useful information about the choices available (B.P.)	.408	3.43	3.53
Broader selection of products (B.P.)	.400	3.89	3.99
No hassles (B.P.)	.375	4.09	4.18
Providing credit card information through the web is no riskier than providing it over the phone to an offline vendor (Reverse coded) (R.P.)	.370	3.15	3.16
Not embarrassed if you don't buy (B.P.)	.364	3.9	4.0
Internet vendors offer better prices (B.P.)	.343	3.64	3.73
Can custom design products (B.P.)	.337	3.79	3.87
Pictures take too long to come up (R.P.)	.318	2.16	2.25
My personal information may not be kept (R.P.)	.296	2.8	2.9

^{*} Significant at p<0,05. B.P.: benefit Perception R.P.: Risk Perception

CONCLUSION AND RECOMMENDATION

This research was conducted with an aim to examine the differences of consumers' risk and benefit perceptions in online shopping and whether it differs according to their gender and education level. The results of the study indicate that there are differences between men and women, and also between the education levels of respondents, namely, those with graduates of secondary education and with higher educational level in their perception of risk and benefit.

Female online shoppers who participated in this survey fear more than their male counterparts in cases that arose from the product itself. They worry about not receiving the product they bought, not to have the chance to examine the actual product and hence have a problem about size especially in clothes. But men differently, feel worried in situations like finding appropriate websites. When we look at results about benefit perception we see that men respondents find Internet shopping to be easier and find that online retailers have better prices. Also men like to custom design products more than women. Women value the variety of products and product categories in online retailers more than men.

Women respondents generally agree to statements which measures perceived risk, and men mostly agree with statements that measures perceived benefit from online shopping. Thus, one can say that men see online shopping less risky, but more beneficial when compared to women.

Respondents in higher-education level hesitate using credit cards in online shopping, and they refrain from buying clothes without trying. They have a higher risk perception than respondents with secondary education. Furthermore

they perceive online shopping more beneficial. Therefore, an increase in education level corresponds to a higher risk and benefit perception.

Our findings indicate that risk reduction strategies are advised to the managers of online stores in order to attract more people from every segment to shop online. Some measures must be taken to improve the payment issues, especially. When convenience and competitive prices at online retailers can be emphasized, women and less educated people will be attracted to online shopping.

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Printed in the United States of America

ISSN 1550-7793 ISBN 0-9707955-7-2

In collaboration with The Academy of E-Commerce

Theme

E-ntrepreneurship, Creativity, Innovation: Models, Strategies, Trends

E-BUSINESS REVIEW

Volume VIII

2008



A Publication of

THE INTERNATIONAL ACADEMY OF E-BUSINESS