

FACTORS INFLUENCING CONSUMER'S PERCEIVED RISK AND ONLINE CONSUMER BUYING BEHAVIOUR

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Abstract

Purpose: *The purpose of the study is to determine the factors influenced on consumers' perceived risk and online customer purchasing behavior*

Design/Methodology/Approach: *The primary quantitative method has been chosen to complete the study along with the survey procedure.*

Findings: *It has been observed from the study that consumer perceived risks are associated with products' prices, quality, and lack of information which lower the online purchases.*

Research, practical work, and social implication: *The study helps to enlighten the factors that are integrated with consumers' perceived risk and helps to enhance the online purchasing.*

Originality/ Value: *The value of the study is that it provides a better understanding on the components that controls the consumers' perceived risk.*

Keywords: *Perceived risk, online purchasing, customer purchasing intention, Online marketing, social media platform*

INTRODUCTION

Introduction

Consumers' perceived risk is crucial for understanding consumers' purchasing behavior to manage sales. The study highlights the factors that control consumers' perceived risks. The study highlights objectives and problems to provide an outline of the research. A theory and survey procedure is used to understand consumer purchasing intention based on others' opinions.

Background

The perceived risk can be defined by the uncertainty faced by consumers while purchasing some goods or services. There are seven types of perceived risk associated with customers' buying intention (Wai et al. 2019). These are *time risk*, *functional risk*, *substance risk*, *financial risk*, *social risk*, and *psychological risk*. These risks can be mitigated by improving the brands' image and loyalty towards customers. In contemporary days, most businesses integrate the option where customers can shop through official websites.

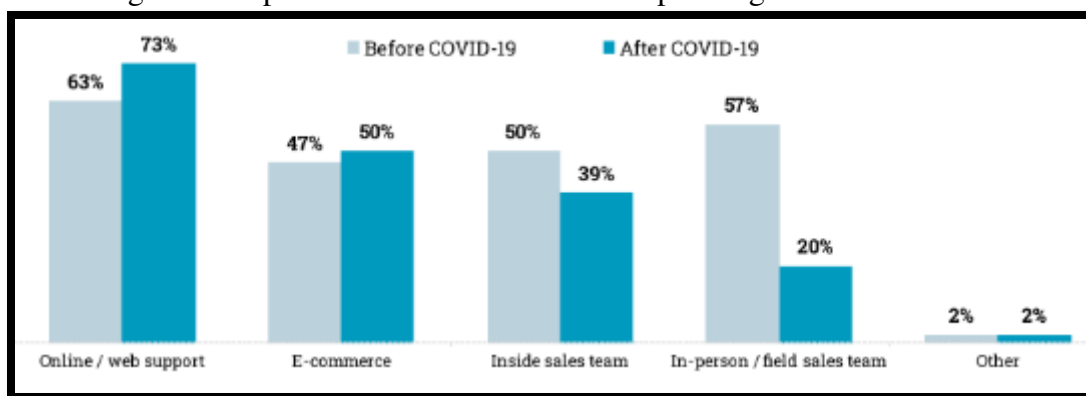


Figure 1: Online shopping in pre- and post-Covid Scenario
(source: Bhatti, Saad & Gbadebo, 2018)

From the above figure 1, it can be evaluated that during the global pandemic, online shopping becomes popular due to the worldwide lockdown. The figure shows that sales raise about 3% in the post-Covid situation as compared to the pre-Covid scenario.

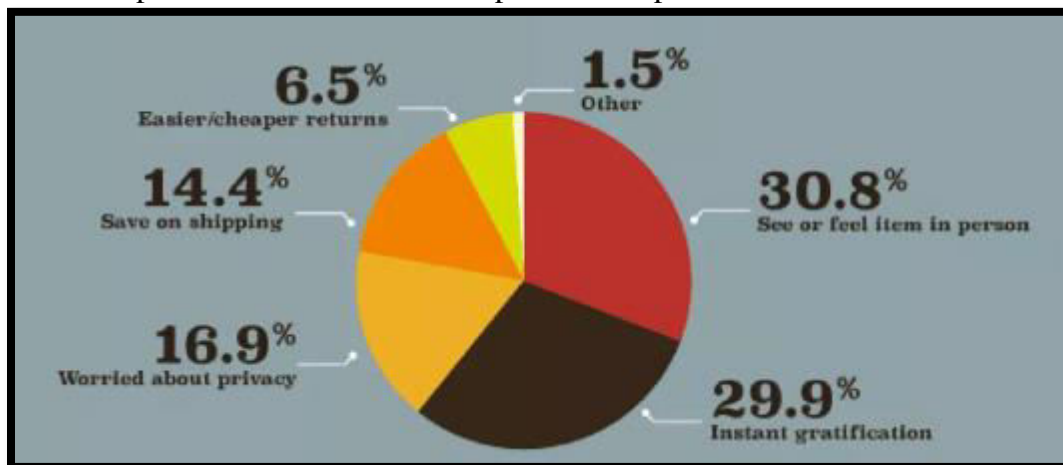


Figure 2: Advantage of using online shopping
(Source: Hakim, Zanetta & da Cunha, 2021)

The buying process becomes easier in online shopping which positively impacts customer purchasing intention as shown in figure 2. Moreover, customers can compare prices on different websites and have a lot of options which increases the probability of buying products and leaves a positive influence on consumer buying behaviour.

Research Objective

RO1: To understand the concept of consumers' perceived risk and customer buying behaviour

RO2: To identify the influencing factors of customers' perceived risks and purchasing intention

RO3: To determine the influence of customers' perceived risks and consumer purchasing behaviour on sales

Research Problem

Lack of product information raises the consumers' perceived risk in online shopping (Lăzăroiu et al. 2020). Such risk generates due to the uncertainty of customers while buying products and services and poor information creates such risk. *Lack of payment options, slow site speed* and *having a scope of personal data theft* are the most common issues regarding online purchasing.

LITERATURE REVIEW

Concept of consumers' perceived risk and consumer purchasing behavior

The concept of consumers' perceived risk can be highlighted by the uncertainties that a consumer faces while buying products in offline and online stores. As per the comment of Ariffin, Mohan & Goh (2018), an increment in such risk lower the consumers purchasing

intention as customers feel confused while buying goods. Thus, this risk plays a vital role in online consumers' purchasing behavior since customers fail to foresee the consequences of their buying decisions. Furthermore, different social media platforms help to grab the attention of audiences and thus, these control consumers' decision-making process.

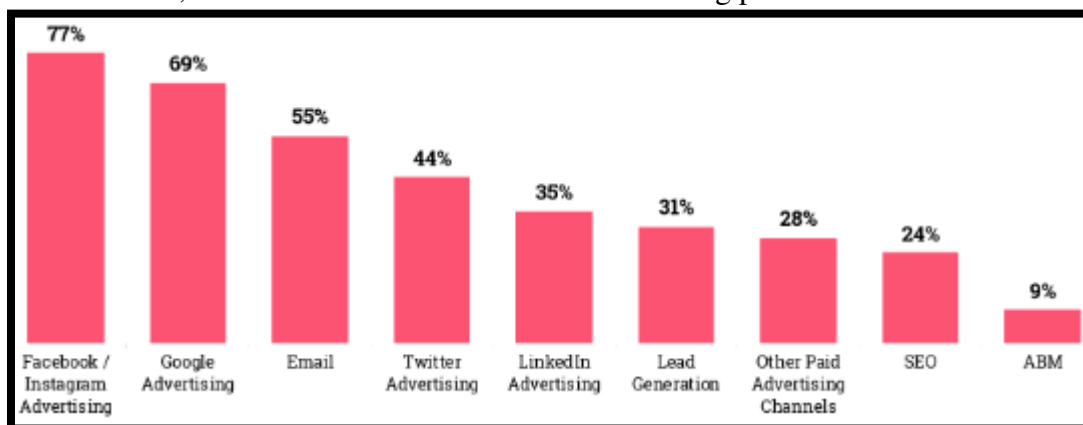


Figure 3: Different types of social media platform

(Source: Wai et al. 2019)

The above figure shows various areas of social media advertising such as Facebook, Instagram, Twitter and others. In addition, it highlights internet-based marketing namely; email marketing and Google advertising. All these mentioned categories are integral components of product marketing which in turn influences customer buying intention.

Factors influencing Customers' perceived risk

Considering the complexity of consumer psychology, it requires an in-depth analysis of customer information along with market demands. In terms of this, there are certain risks related to consumer buying behavior especially linked with uncertainty (Wei et al. 2018). Oftentimes, it is witnessed uncertainty about product quality, website information, product pricing, return policies and others have influenced consumer preferences.

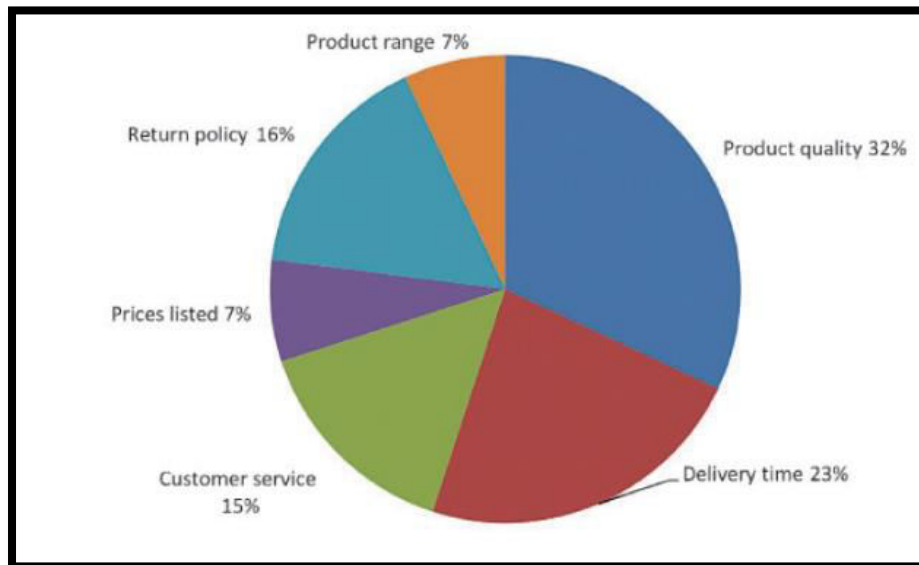


Figure 4: Categories regarding customers' perceived risk
(Source: Tzavlopoulos et al. 2019)

Figure 4 showcases certain categories related to risks perceived by the customer. Accordingly, it outlines major threats that arise due to product quality issues since it determines safety guidelines followed by firms. On the same hand, the return policy is equally accountable to pose a significant risk to consumer buying intention. Concerning size issues or fabric-related factors, return policies are detrimental to consumer satisfaction (Bhatti, Saad & Gbadebo, 2018).



Figure 5: Potential risks of online customer purchasing behavior
(Source: Ariffin, Mohan & Goh, 2018)

Furthermore, figure 5 highlights other potential risks which denote buying preferences of consumers. In terms of this, fraudulent activities committed by brands become a critical threat. Financial fraud is crucial to create a major gap between customers and brands and it caters to the negative growth of the firm.

Theoretical Framework

Motivation-Need Theory

Motivation is ascertained to be a significant factor in all spectrums of human life. Speaking from a psychological sense, motivation is instrumental to leverage the courses of action occurring in everyday life. As per the opinions of Marriott & Williams (2018), the need theory of motivation exclusively focuses on consumer psychology that gets impacted due to several motivational factors. These motivational factors can range from necessity, and upgrading one's social class, to feeling good and secure and many more. From Maslow's viewpoint, five dimensions namely; physiological survival, safety, love, esteem, and self-actualization form the base of human needs and fulfilling these aspects often motivates consumers to purchase goods and services. Therefore, brands can evaluate customer information and create a roadmap to develop effective strategies and target the needs and requirements of their audience.

MATERIAL AND METHOD

The primary quantitative method is used for executing the study with the help of survey analysis. The survey analysis is conducted with the aim of collecting others' viewpoints on the same facts (Newman & Gough, 2020). The method consists of graphical interpretation along with statistical and numerical analysis which helps to understand in an easy manner.

RESULT AND DISCUSSION

Result

Gender

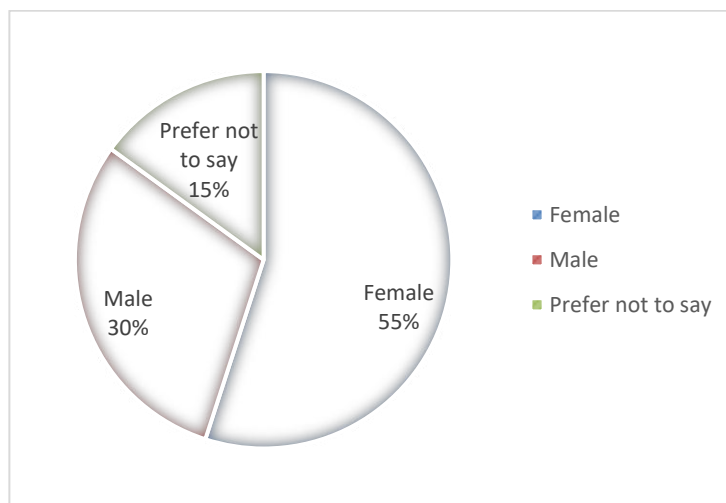


Figure 6: Gender

(Source: Ms-Excel)

The above figure illustrates that 55% of 20 respondents are female and 30% of the total audience is male. It has been seen that 15% of total survey participants are not comfortable revealing their gender.

Age

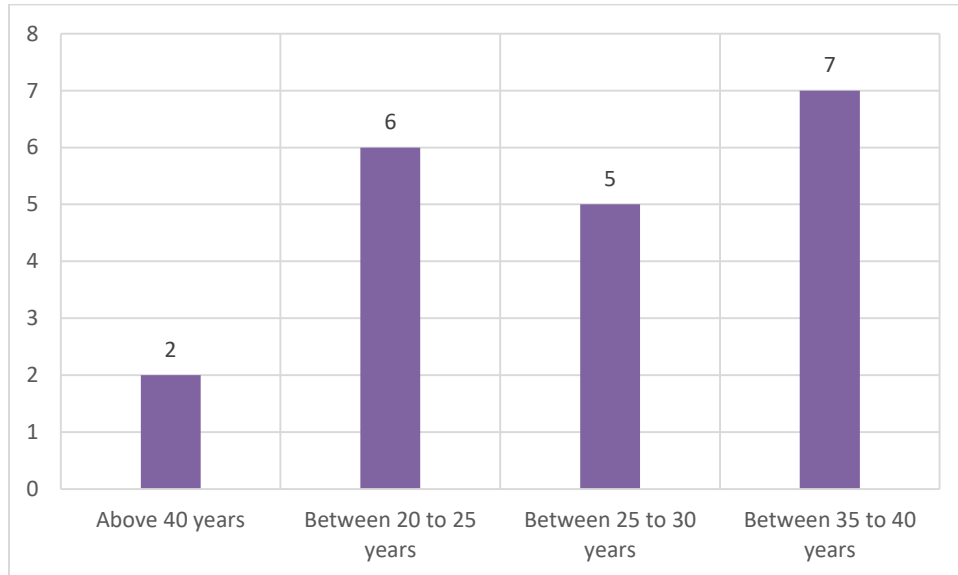


Figure 7: Age

The above graphical representation shows that 30% of the total audience is between 20 to 25 years whereas 25% of people belong to the age group between 25 to 35 years. Among the remaining participants, 35% belongs to the age group between 35 to 40 years and 10% of audiences are above 40 years old.

Monthly income range

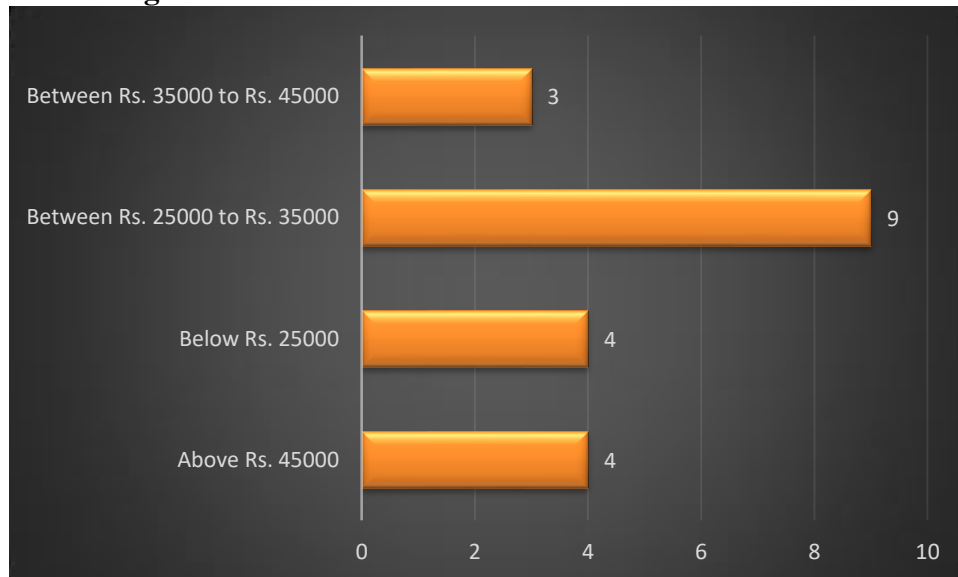


Figure 8: Monthly income range

The above diagram shows that 20% of total survey respondents have a monthly income range below Rs. 25000 and 45% of survey audiences have an income range between Rs. 25000 and Rs. 35000. It has been seen that about 15% of audiences have an income range between Rs. 35000 and Rs. 45000 whereas 20% of participants have income range above Rs. 45000.

Influence of level of customer service on consumers' buying behavior

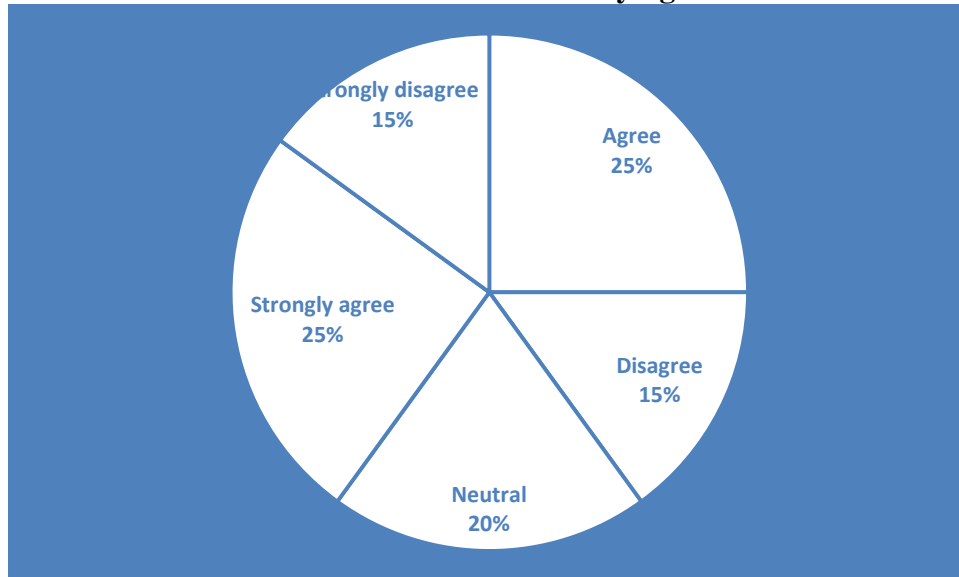


Figure 9: Influence of level of customer service on consumers' buying behavior

The above figure illustrates that 25% of 20 participants have strongly agreed with the fact following 25% of people have agreed with the fact. On the other hand, about 20% of survey people have chosen the neutral option. It has been observed that 15% of 20 survey audiences have disagreed and 15% of survey respondents have strongly disagreed with the factorial aspects.

Impacts of social media advertising on customers' buying intention

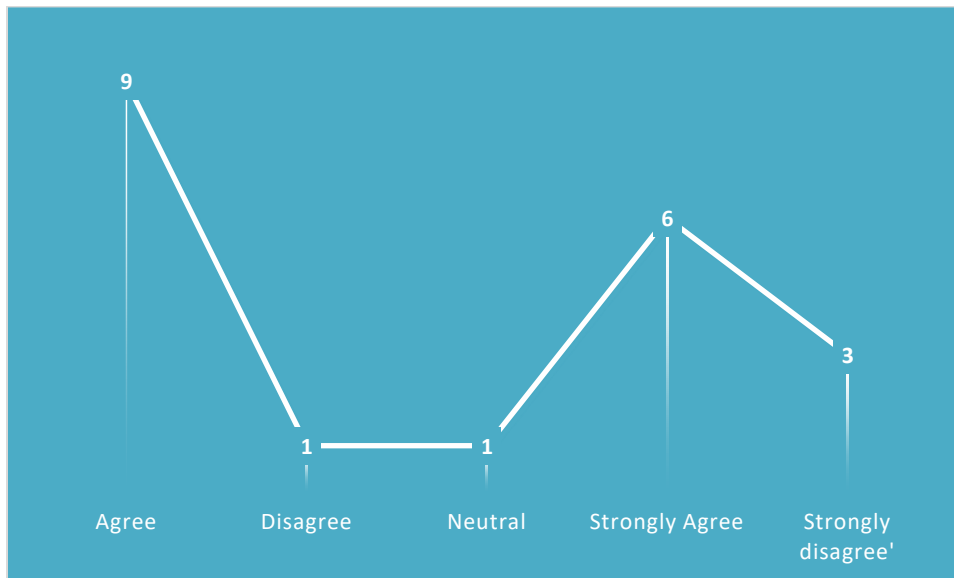


Figure 10: Impacts of social media advertising on customers' buying intention

The above figure illustrates that 30% of 20 participants have strongly agreed with the fact following 45% of people have agreed with the fact. On the other hand, about 1% of survey people have chosen the neutral option. It has been observed that 15% of 20 survey audiences have disagreed and 1% of survey respondents have strongly disagreed with the factorial aspects.

Consumers' perceived risk impacts sales of different sectors

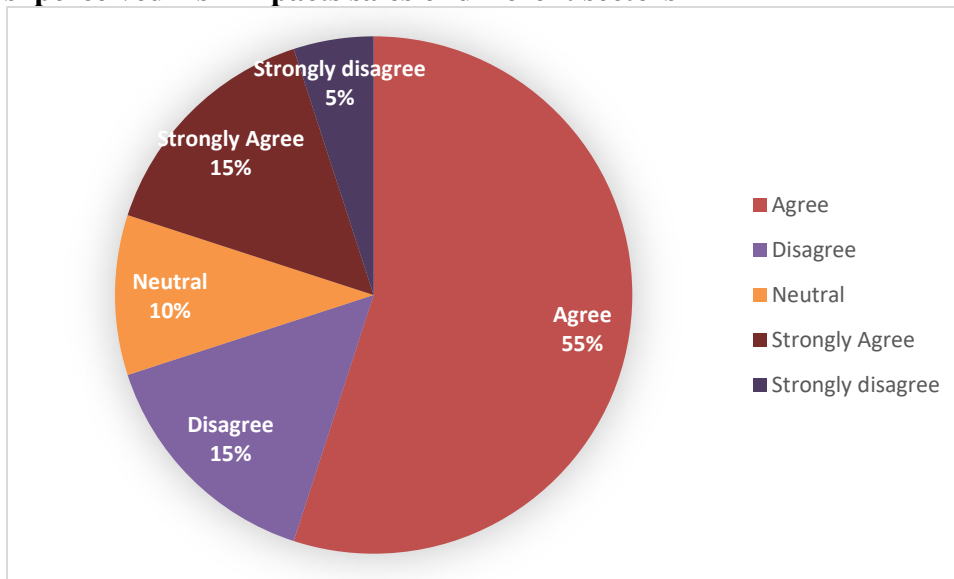


Figure 11: Consumers' perceived risk impacts sales of different sectors

The above figure illustrates that 15% of 20 participants have strongly agreed with the fact following 55% of people have agreed with the fact. On the other hand, about 10% of survey people have chosen the neutral option. It has been observed that 15% of 20 survey audiences have disagreed and 1% of survey respondents have strongly disagreed with the factorial aspects.

Pricing and quality of goods are influencing factors for customers' online purchasing behaviour

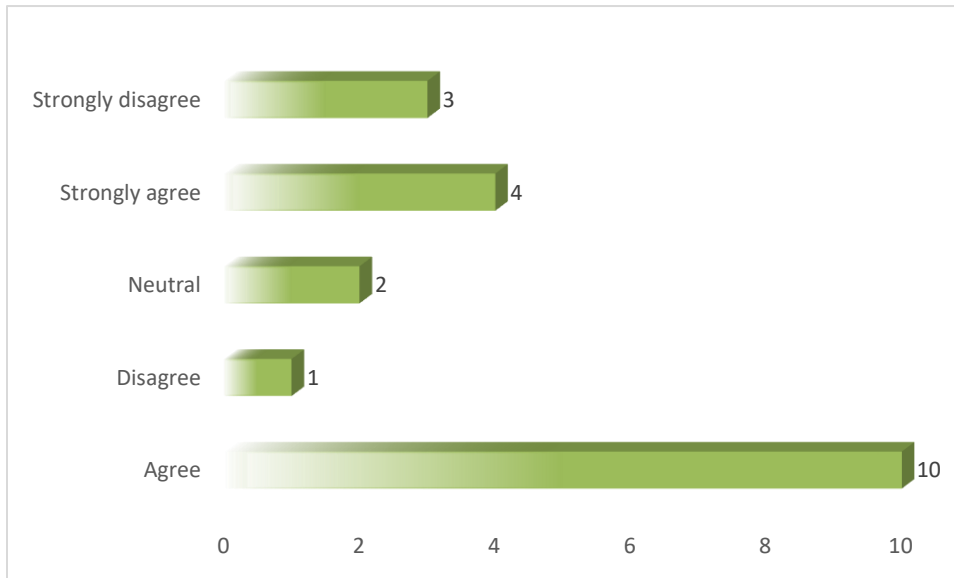


Figure 12: Pricing and quality of goods are influencing factors for customers' online purchasing behavior

The above figure illustrates that 20% of 20 participants have strongly agreed with the fact following 50% of people have agreed with the fact. On the other hand, about 10% of survey people have chosen the neutral option. It has been observed that 1% of 20 survey audiences have disagreed and 15% of survey respondents have strongly disagreed with the factorial aspects.

Uncertainty about buying goods causes financial risks in stores

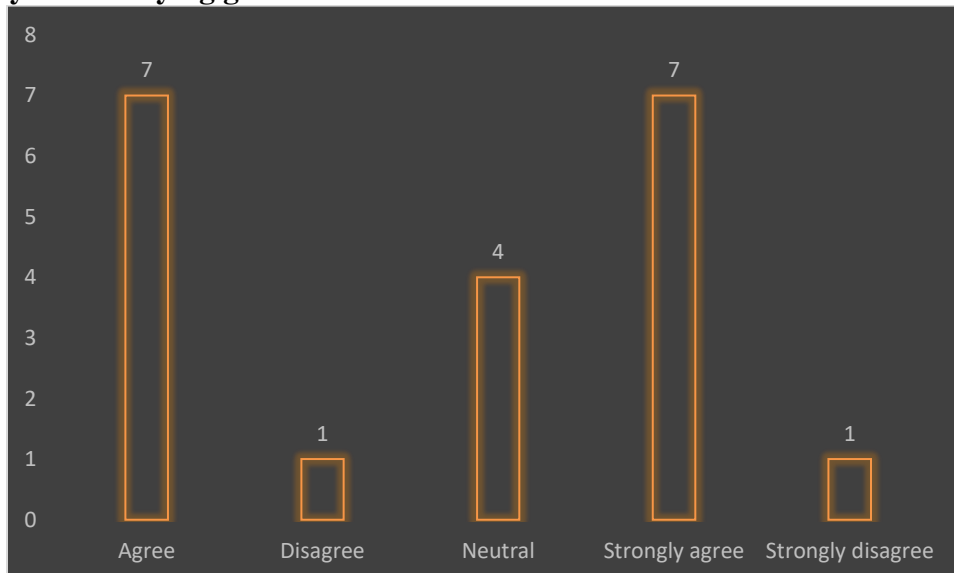


Figure 13: Uncertainty about buying goods causes financial risks in stores

The above figure illustrates that 35% of 20 participants have strongly agreed with the fact following 35% of people have agreed with the fact. On the other hand, about 20% of survey

people have chosen the neutral option. It has been observed that 1% of 20 survey audiences have disagreed and 1% of survey respondents have strongly disagreed with the factorial aspects.

Customer review is affecting components of consumers' purchasing intention

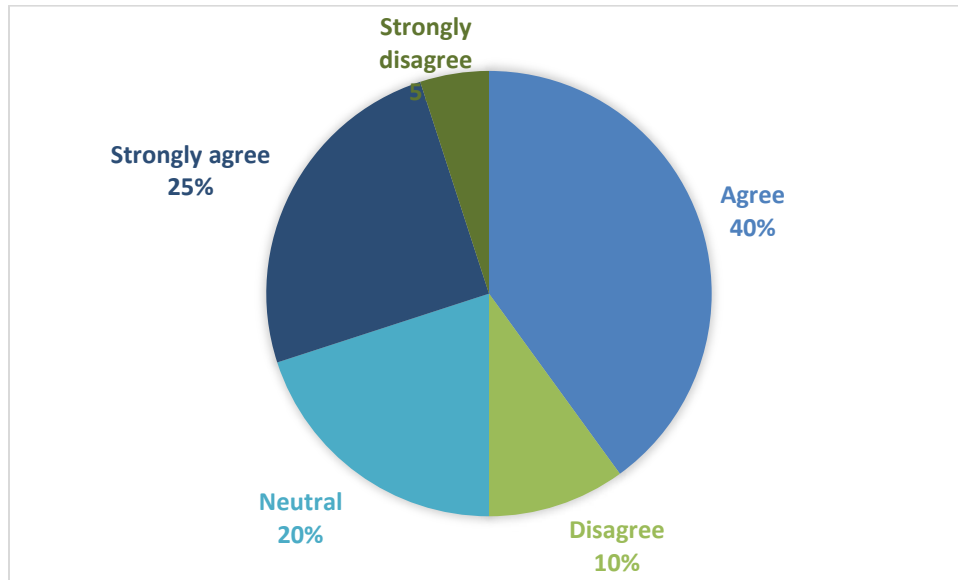


Figure 14: Customer review is affecting components of consumers' purchasing intention

The above figure illustrates that 25% of 20 participants have strongly agreed with the fact following 40% of people have agreed with the fact. On the other hand, about 20% of survey people have chosen the neutral option. It has been observed that 10% of 20 survey audiences have disagreed and 1% of survey respondents have strongly disagreed with the factorial aspects.

Marketing requires grabbing attention and a large consumer base

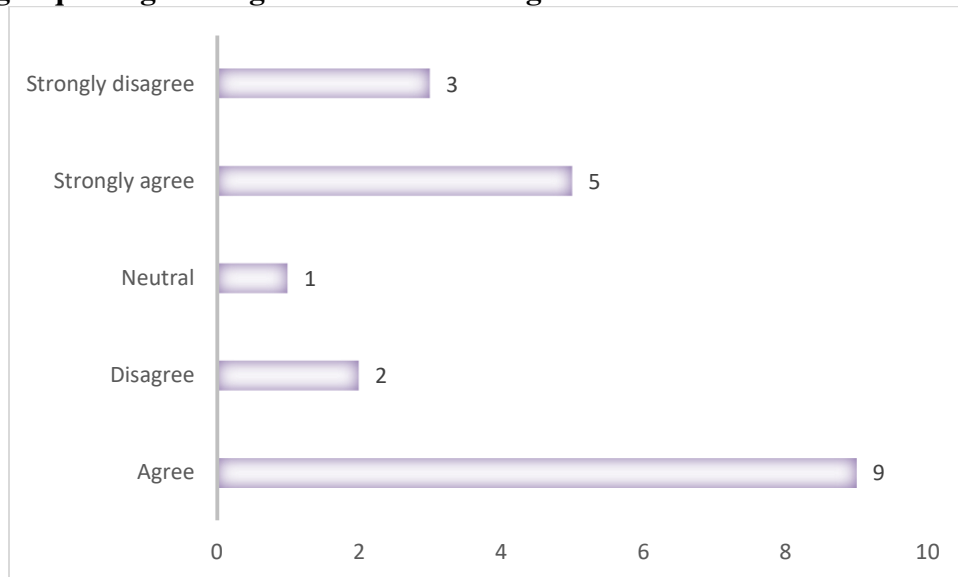


Figure 15: Marketing requires grabbing attention and a large consumer base

The above figure illustrates that 25% of 20 participants have strongly agreed with the fact following 45% of people have agreed with the fact. On the other hand, about 1% of survey people have chosen the neutral option. It has been observed that 10% of 20 survey audiences have disagreed and 15% of survey respondents have strongly disagreed with the factorial aspects.

Discussion

Demographic analysis

It has been noticed that most of the participants are male and belong to the age group between 35 to 40 years. Thus, the people who have monthly income range is between Rs. 25000 and Rs. 35000 are interested in online shopping.

Influence of level of customer service on consumers' buying behavior

It has been observed that business can increase their sales by tempting their customers with good quality services (). Interacting with consumers directly or indirectly influences their purchasing behavior positively since it helps to understand and meet customers' requirements.

Impacts of social media advertising on customers' buying intention

Most people use different social media platforms and thus the inclusion of social media promotion positively impacts customers' buying behavior (Tanveer et al. 2021). Social media promotion influences interactivity, information, and brand awareness which influence the consumers' purchasing intention.

Consumers' perceived risk impacts sales of different sectors

Understanding customers' perceived risk plays a vital role in increasing sales since it impacts on their buying behavior. Financial, performance, physical, psychological, and social risks are the main five factors integrated with customers' perceived risk (Hakim, Zanetta & da Cunha, 2021).

Pricing and quality of goods are influencing factors for customers' online purchasing behavior

Most consumers focus on quality as well as the price of goods and services (Qalati et al. 2021). It has been seen that providing quality products at affordable prices positively influences customers' buying behavior.

Uncertainty about buying goods causes financial risks in stores

During the purchasing time, consumers often feel a sense of uncertainty influenced by financial and social risks (Tzavlopoulos et al. 2019). It has been observed that the customers' perceived risk is inversely connected with online purchasing and hence, the increment of such risk lowers online purchases.

Customer review is affecting components of consumers' purchasing intention

Since customers are unable to feel the quality, hence, the customer review becomes one of the most important factors in customers' decision-making process (TRAN, 2020). Positive customer review helps online business to enhance their brand value to customers and impacts their buying intention.

Marketing requires grabbing attention and a large consumer base

The inclusion of innovativeness and creativity in marketing requires grabbing attention from a large consumer base (Tanveer et al. 2021). It has been seen that online marketing can effectively impacts consumer buying intention and increase sales.

CONCLUSION

Thus, it can be concluded that customer purchasing intention plays a major role in increasing the sales and profitability of businesses in the competitive marketplace. It has been found customer perceived risk is one of the most common threats to companies that negatively impact the consumer's purchasing intention. From motivation theory, it can be understood that several factors are present that encourage people to buy products.

Limitations of the study

Limited time frame and lack of financial support generate some obstacles while completing the research. The drawbacks of the primary quantitative method as well as survey procedures such as lack of responses create limitations in the study.

Suggestions for future work

This study is beneficial for determining all factors influencing customer purchasing intention since it helps increase sales and profitability. Furthermore, the study helps to understand the importance of consumers' perceived risks in online stores and their affecting components.

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APPENDIX 1: SURVEY QUESTIONS

Q1: What is your gender?

- Male
- Female
- Prefer not to say

Q2: What is your age?

- Between 20 to 25 years
- Between 25 to 30 years
- Between 35 to 40 years
- Above 40 years

Q3: What is your monthly income range?

- Below Rs. 25000
- Between Rs. 25000 to Rs. 35000
- Between Rs. 35000 to Rs. 45000
- Above Rs. 45000

Q4. The level of customer service impacts consumers' buying behaviour.

- Strongly disagree
- Disagree
- Neutral
- Agree
- Strongly agree

Q5. Social media promotion influences customer purchasing intention.

- Strongly disagree
- Disagree
- Neutral
- Agree
- Strongly agree

Q6. Consumers' perceived risk affects different sectors in increasing sales.

- Strongly disagree
- Disagree
- Neutral
- Agree
- Strongly agree

Q7. Pricing and quality of products influence customers' online buying intention.

- Strongly disagree
- Disagree
- Neutral
- Agree
- Strongly agree

Q8. The uncertainty of buying products comes with financial risks to stores.

- Strongly disagree
- Disagree
- Neutral

- Agree
 - Strongly agree
- Q9. Customer review impacts the customer perception while buying products.
- Strongly disagree
 - Disagree
 - Neutral
 - Agree
 - Strongly agree
- Q10. Marketing helps stores to grab customers' attention and form a large consumer base.
- Strongly disagree
 - Disagree
 - Neutral
 - Agree
 - Strongly agree