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**IN-HOME SHOPPING THROUGH INTERNET: CONSUMER
SATISFACTION AND PERCEIVED RISK**

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ABSTRACT

The Internet/World Wide Web (Web) is an important way for the sharing of business information between retail firms and their customers. Although electronic commerce (e-commerce) has received considerable research attention, the literature reveals that the relationship between customer satisfaction and e-commerce has not yet been sufficiently studied. This research contributes to a better understanding of perceived risk and customer satisfaction arising from in-home shopping experience by using e-commerce in comparison with using other non store purchasing methods. This paper considers the role of perceived risk in consumer's satisfaction and acceptance of e-commerce, and applies a quantitative approach attempts to provide some data on this relation. We then discuss aspects of importance for further extensions.

KEYWORDS

E-commerce, Distribution channels, Customer satisfaction, Consumer behaviour, Perceived risk

1. INTRODUCTION

Although the consequences of marketing to the Internet are not clear yet (Peterson et al 1997), there is a consensus concerning the different environment for marketing activities that Internet represents (Ruiz & Soriano 2002). More than 420 million people had Internet access in 27 countries in 2003 (Nielsen 2003). Several studies have indicated that since 2000, the proportion of Internet users who shopped on-line increased globally by 50%. Forecasts of electronic shopping sales have ranged from \$5 billion to \$300 billion annually (Shim et al 2002).

Frequently e-commerce is mislead with direct marketing. Direct marketing is defined as "relational marketing process of prospecting, conversion, and maintenance that involves information feedback and control at the individual level by using direct response advertising with tracking codes" (Bauer & Miglautsch 1992). So we can find several methods of commercial distribution that are direct marketing but not e-commerce as direct selling, teleshopping, mail order, and other non-store shopping methods.

Prior research suggests that non-store shoppers are younger, venturesome and recreational shoppers, and they are more likely to patronize non-store retailers than the older consumers with higher incomes (Korgoankar & Bellenger 1983).

Several authors have undertaken research on in-home shopping (Peters & Ford 1972; Cunningham & Cunningham 1973; Gillett 1976; May 1979; Darian 1987; Peterson et al 1989). However, little research has considered the customer's affective reaction to product/service information and customer-service elements as presented by Internet retail. This research is aiming to contribute to a better understanding of how consumers perceived risk and satisfaction on using the Internet to in-home shopping.

2. THEORETICAL FRAMEWORK

2.1 Internet shopping

The Digital Economy emergence, sustained in a new concept of enterprise organization, has in the Web and in the Internet its foundation and main operational sustainability (Domingues & Cordeiro Gomes 2003). Some literature indicates that the collapse of some empires based on the Digital Economy may be the end of economical models sustained in the virtual organizations and the consequent return to the classical models and the old economy (Porter 2001). But the Internet is still growing at a high speed, and firms are investing millions into online presences to gain competitive advantage (Gervey & Lin 2000). Almost every company has a web site these days. The problem is that it often ends there: many companies create a web site just to be present on the Web (De Wulf et al 2002). A study made in 1995 found that 90% of web sites are developed without asking customers what they want (Korgoankar & Wolin 1999). All companies want to be in the Internet, and so it is not surprising that even the direct selling organizations that rely mainly on personal relationship to obtain sales are including the Internet as part of their marketing strategy, either to communicate with the salespersons, or to promote the products and the business to the consumer (Alturas 2003).

In general, consumers attach importance to the opinion of others like family, friends, colleagues, shop assistants, and consumers associations while making purchase decisions. With the arrival of the Internet as a new way to communicate and interact it is interesting to find out how consumer behaviour is affected by those with whom the consumer closely associates (De Valck et al 2002).

Also the personalisation of the Web site is an important variable. Personalisation measures the extent to which an e-commerce site takes into account his personal needs and desires and is viewed as an important aspect of the e-commerce environment (Eighmey & McCord 1998). As the user is being more and more familiar with a website he tends to be more loyal because a consumer familiar with the shopping environment may find it extremely legible and adopt an epistemic strategy of relying on prior knowledge of the shopping environment to locate desired products (Ruiz & Soriano 2002). We also have to take into account that the consumer first decides about purchasing the brand, and later if the purchase will be done through the web site (Peterson et al 1997). If the consumer perceives that the web site is simple and user friendly, than he may chose to buy on the web site (Srinivasan et al 2002).

2.2 The concept of satisfaction

Satisfaction is considered a post choice evaluative judgment concerning a specific purchase selection (Oliver 1980; Soscia 2002). However there is no common definition of customer satisfaction but most researchers agree that satisfaction (and dissatisfaction, respectively) is the result of a complex psychological comparison between expected and received product performance levels. The concept of customer satisfaction describes the emotional reaction to the degree in which a product meets a buyer's expectations (Oliver 1980; Swan & Trawick 1981; Helm & Höser 1995). A customer is satisfied if perceived performance clearly exceeds his expectations. He is dissatisfied if perceived performance clearly does not come up to his expectations. Within a "zone of indifference" where the gap between expectations and perceived performance is too small to arouse an emotional reaction, neither satisfaction nor dissatisfaction arise (Churchill & Surprenant 1982; Woodruff et al 1983; Helm & Höser 1995).

We can find two kinds of expectations: normative expectations that define with precision how the product should behave, and predictive expectations that indicate the away we think the product will behave (Wotruba & Duncan 1975). However the expectation is not the only factor which influences satisfaction towards a product. The effort taken to buy the product also influences satisfaction that could be bigger when the consumer made a considerable effort to get the product, and lower when the consumer made a modest effort (Cardozo 1965). A growing body of literature proposes models for consumer satisfaction (Oliver 1980;

Woodruff et al 1983; Oliver & DeSarbo 1988; Bolton & Drew 1991; Schlesinger & Heskett 1991; Anderson & Sullivan 1993; Woodruff & Gardial 1996). However little research has considered the customer's affective reaction to product/service information and customer-service elements as presented by Internet retail marketers for on-line customers. Yet, the Web-based retail shopping experience may differ from conventional shopping in several ways, possibly resulting in differing customer satisfaction elements (Shim et al 2002). The most common benefits found on using e-commerce are: lower prices, 24 hours accessibility, accessibility, no travel required and time saved (Shim et al 2002). However, recent research identified two main categories of obstacles that can make the use of e-commerce unpleasant and reduce the consumer satisfaction: obstacles emanating from the user interface and obstacles with an emphasis on social and cultural factors (Minocha et al 20023).

2.3 The role of risk

Research has shown that the willingness to purchase products is inversely related to the amount of perceived risk associated with a purchase decision (Sharma et al 1983). The perceived risk theory allows the examination of consumer information acquisition and usage as well as other strategies such as brand and channel loyalty, by setting the information in a context of risk reduction, thus giving a focus and purpose for consumers' activities (Mitchell & Prince 1993). Meanwhile, we found multiple definitions of the concept and a universally agreed theoretical or operational definition still eludes marketing academics in the field (Mitchell 1999).

Perceived risk has been applied by a number of authors to the study of consumption of consumer goods and services. Studies of innovative channels of retailing such as telephone shopping (Cox & Rich 1964) and mail-order shopping found that consumers perceive higher risks in new channels. An undertaken research in the United States shows that buying from direct selling is perceived as less risky than other non-store shopping modes such as telephone shopping (Peterson et al 1989). Research in the perceived risk of the Internet found that consumers perceived Internet shopping to be of higher risk than in-store shopping (Tan 1999), but Internet shopping can offer a mix of risk relievers that are favourably evaluated and can even challenge specialty store alternatives (Van den Poel & Leunis 1999). Also it was investigated that consumer revealed higher risk in Internet shopping compared to print catalogue shopping (Vijayarathy & Jones 2000).

Prior research also suggests that consumer patronage decisions are influenced by the type and level of risk associated with the purchase of a product (Korgoankar 1982). Choice situations involve two aspects of risk: uncertainty about the outcome and uncertainty about the consequences. Acquiring and processing information can reduce uncertainty about the outcome. Uncertainty about the consequences can be dealt with by reducing the consequences through reducing the amount at stake or putting off the choice (Taylor 1974).

A number of risk dimensions have been identified as potential inhibitors to purchase. These dimensions include performance, social, psychological, convenience, physical, and financial risks (Peter & Ryan 1976). It was found that these six dimensions capture almost 90% of overall risk (Stone & Gronhaug 1993).

3. RESEARCH

3.1 Research question and hypotheses

We derive our basic research question: does the perceived risk influences the acceptance of accomplishing a purchase through the Internet and the subsequent satisfaction?

The set of hypotheses related to this research question was built after the literature research:

H1: Buying through the Internet is perceived as more risky than other non-store shopping modes.

H2: The in-home shoppers will be more satisfied with the purchases made through the Internet than by others non-store purchasing methods.

H3: Perceived risk will be negatively related to Internet shopping acceptance and to satisfaction.

H4: Internet shopping acceptance will be positively related to satisfaction.

The empirical research that we proposed was built after the literature research, followed by the exploratory phase. Our construct assumes a direct relationship (i.e. not mediated by any effects) between the consumer acceptance to buy a product by the Internet and the satisfaction, and also between the perceived risk and the acceptance and with the satisfaction. Those three variables are in fact dimensions because each one is actually made by several variables once that this model is based on the assumption that many different variables are intervening in the supposed causal relations.

3.2 Methodological considerations

In order to test our hypotheses we designed a methodology based on a questionnaire developed through the contribution of the literature review. In this questionnaire we made questions to verify our hypotheses and also we include some questions to compare e-commerce with other forms of non-store retailing. It is not inappropriate that this study was based on convenience samples allowing that the unit of analysis was the Portuguese consumer. The theoretical universe for this research is the adult Portuguese consumer from the urban metropolitan area of Lisbon. To collect data we use two different ways: cooperation was obtained from high school students in Lisbon who surveyed their families and neighbours as well as from our colleague professors at ISCTE. We obtained a sample of 378 responses to the questionnaire from a total of 1200 potential respondents (response rate of 31.5%).

In order to evaluate the perceived risk respondents were asked to rate a set of 8 non store purchasing methods (4 direct selling modes: One-on-one at home, Sales party at home, One-on-one at workplace, Sales party in an other place than home. And 4 not direct selling modes: TV shopping, Telephone shopping, Mail order and catalogue shopping, Internet shopping) in a 5-point Likert scale anchored by 1 (not risky at all) to 5 (extremely risky). Also a 5-point Likert scale was used for the satisfaction (from 1 “not satisfied at all” to 5 “extremely satisfied”). This same type of scale was used in previous research (Roselius 1971; Black & Lin 2003). The acceptance of Internet shopping was evaluated by asking the respondents if they found suitable to make purchases through the Internet.

3.3 Findings

The preliminary results show that 13.8% of the respondents have bought some products by the Internet in the last 12 months, and 60% of the purchase products were books or music (cd's, dvd's, etc.).

After the data collection we found the mean value of the perceived risk for each one of the modes, and the results were the following: One-on-one at home (2.60), Sales party at home (2.61), One-on-one at workplace (2.76), Sales party in an other place than home (2.87), TV shopping (3.49), Telephone shopping (3.89), Mail order and catalogue shopping (3.07) and Internet shopping (3.36). With those results H1 is partially supported by the data because only Telephone shopping and TV shopping were considered more risky than

Internet shopping. Those two modes were already found to be the more risky in previous studies (Gillett 1976; Peterson et al 1989).

From the 8 non-store purchasing methods Internet shopping was the one with higher satisfaction stated by the respondents. The results were the following: One-on-one at home (3.78), Sales party at home (3.49), One-on-one at workplace (3.56), Sales party in an other place than home (3.38), TV shopping (3.13), Telephone shopping (2.89), Mail order and catalogue shopping (3.59) and Internet shopping (3.78). With those results H2 is supported by the data because only the direct selling one-on-one at home had the same satisfaction level. Also respondents stated that the main advantages of using Internet shopping were no time loss (42.9%) and convenience (14.3%).

Table 1 reports the observed Pearson correlations among the constructs that we computed in order to support H3 and H4.

Table 1 – Correlations among constructs

Pearson Correlation	Internet purchase	Risk with Internet shopping	Suitability of purchase through Internet	Satisfaction with Internet shopping
Internet purchase	1	.	.	.
Risk with Internet shopping	,116 (0,41)	1	.	.
Suitability of purchase through Internet	,294(*) (0,03)	-,118(*) (0,04)	1	.
Satisfaction with Internet shopping	-,064 (0,66)	-,224(**) (0,01)	,264(**) (0,00)	1

* Correlation is significant at the 0.05 level (2-tailed).

** Correlation is significant at the 0.01 level (2-tailed).

Significance levels are noted in parentheses

4. CONCLUSION

This research paper represents a first step towards the study of in-home shopping through the Internet. We are in the early stage of the research and we have focused our study on a particular group of individuals: i.e. Lisbon consumers. This choice inevitably limits the possibility to generalize results beyond the target group.

Results indicate that there is a negative correlation between perceived risk and Internet shopping satisfaction. However, there is not an empirical evidence that the perceived risk will be negatively related to Internet shopping acceptance. Therefore, H3 is only partially supported. Finally, we can say that H4 is supported by the results because there is a positive correlation between Internet shopping acceptance and satisfaction.

These empirical evidences could be relevant for e-commerce firms who seek better marketing strategies including the Internet, and also understanding and predict post consumption behaviours. To sum up, we need to expand the scope of this research in order to test the reliability and external validity of the present results.

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