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Research on the Influence of Perceived Risk in Consumer On-line Purchasing Decision

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Abstract

Perceived risk is an important factor that affects consumer's on-line shopping purchasing decision, through the perceived theories the consumer can know clearly which step owns higher risk in the whole shopping process, then learn how to prevent it, this process also strengthen the consumer confidence, thus lowering to know that the risk adjudicate to the feeling, so the essay has important and realistic meaning for further expand the electronic commerce. At first, investigate, collect, tidy up, analyze the questionnaire information, and thus get the primary data. Finally try to find out the influence of perceived risk to each stage of purchasing decision during consumer on-line shopping process with data and personal analytical. The paper is a complement to the local and existing perceived theories. The result of the study manifests that, the order of main perceived risks which felt by consumer during on-line shopping process are as follow: financial risk, the performance risk and service risk.

Keywords: On-line shopping, Perceived risk, Purchase decision

The first deal of Internet trading was completed in 1994, while it came to China 4 year later. Then it begins to develop until 2000. It has been through 5 years totally in China.

Facing the colorful and diversified commodities, tremendous customers are scared to weigh in, even the former users refused to purchase on-line again. Revealed by the survey that the factor they think influence the enthusiasm most is insecurity. This article analyses the process of the on-line purchase decision through the theory of perceiving the risk to grab the highest risk in the process.

1. The introduce of the conception of perceiving the risk

The conception of perceiving the risk was first transferred from the psychology by Raymond Bauer in Harvard university, it is actually means a uncertainty feeling due to the unexpected purchasing result[1].It

has two aspect, one is the uncertainty about the purchasing result(whether it will meet the customer's need, the other is the uncertainty about the unsuccessful purchasing behavior. During the purchasing process, the customers will confront different kinds of risks, some of them can be perceived by themselves, some of them can not, some of them can be extravagated, and some can be dwindled. So the perceived risk may be different from the actual risk because the risk cannot influence the buying decision without knowing it.

2. On-line purchasing risk analyze

Though there are so many advantages of the on-line shopping, such as timesaving, immediately information, and convenience, but people still have certain kind of concern to keep away from the new shopping pattern.   Discovered by Tan's research that people feel more risky shopping on-line than in the traditional shopping mall. People prefer not to shop on-line most lies in the risk problem [2].

2.1 Risk produced by the imperfect basic system

1)　*Credit system*
Credit problem is the out-standing problem of shopping on-line; it is taken seriously by both buyer and seller. According to the data revealed by the www.fraud.org the loss caused by Internet fraud is still surging, from $310 in 1999 to $895 in 2004 for average single person. It is fully showing the deteriorated situation and uncertainty of the on-line shopping credit circumstance. Under the background of the imperfect basic system the ratio of been cheated is very high.

2)　*The system of bank credit card payment*
The service of the on-line payment has been improved obviously as well as providing enormous convenience for on-line shopping. But professionals believe that the credit card payment is still restricting the development of the on-line shopping to some extend; on the other side, when the customer first open an credit account, they are needed to go the bank by themselves, which really is an obstacle for the on-line deal

3)　*Security system of the network*
The security problem is always there from the day it begin to enter people's life. Netizens also have a lot of concerns about the on-line shopping including the private information, the password of the bank account and the security of the capital transferred during the dealing process. These are all haunted over the on-line shopping. A report issued by the American security technology league in 6/15/2005 shows that nearly half of the interviewees didn't chose on-line shopping because of the afraid have been stolen by the thieves of their account information.

4)　*Logistic distributing system*
For the traditional shopping, you can bring what you bought home the minute you pay for it, but for the on-line shopping, you should wait after you ordered. Presently the logistic company can serve for us, however at least one hour within the city, while at most 2 days. In addition, they are not free for the customer, so, we should consider whether the extra charge is worthy [5].

2.2 Risk caused by the actual and virtual interface of the network

1)　*Unclear commodity information*
People can get to the commodity only by the depict of the text and pictures, but some context is very ambiguous to cause misunderstanding. When someone get their good though the on-line dealing, they will accuse what they bought is different from what they saw before. So the sellers always take back what they sold.

2)   Risk of unavailable

Though the information is spreading very fast, but the commodity is not available synchronously. The information is boundless, but some information can be seen but the commodity is not available at the same time because the suppler is traditional enterprises that can not distribute the good synchronously with the information.

3)   Risks of the fake or stolen good

The undistinguished of the identification of both sides is the bed of the fake goods. Some frequenter said that the so-called cheap brand goods are not because of the low cost but the fake rampancy. Besides, we can offset the deficiency of the commodity diversity, and even extend the second-hand market, but in many occasion, people will get stolen good without awareness. So it is a time and effort saving channel for the illegal deal.

4)   The threaten of the net terrorism.

With the soaring number and scale of the net-users, the criminal and terrorists begin to use the internet to serve for them. They can cause destructive effect by the extensive information destroy though not the system collapse. The electronic business date is easy to be the target of the terrorists owing to the large profit and poor security.

5)   Lack of immediately accomplishment sense

From the day of trade comes up, people have been enjoying the happy of accomplishment sense after the deal accomplished. When the on-line shopping begins, the feeling is postponed, they can't get what they bought immediately, so to some extend, the pleasure is also reduced.

3. The essence analyze of the risk perceiving when shopping on-line

3.1 The essence analyze of the risk perceiving

Bauer didn't mention what was included in the risk perceiving or even the kinds when he first put forward the definition. Cox thinks that it has something to do with financial or psychological risk[6],while Cunningham figured out that it might include the social aftermath, capital loss, physical injury, time loss, and product capability. After that, many scholars have researched the structure of perceiving risks which was manipulated by six risk categories: financial risk, functional risk, substance risk, psychological risk and social risk, meantime, Roselius has defined the sixth important risk—time risk; during the research of the Stone and Gronhuang, the six risks can account for up to 88% of the total risks.

According to above, perceiving risk can totally be classified into time risk, functional risk, substance risk, financial risk, social risk as well as psychological risk[7].

3.2 The essence analyze of the risk perceiving when shopping on-line

When people shop on-line, they perceive more risks than shopping in stores or supermarkets because they can not check the commodity before they get them due to the dummy of the network and the worry of the after-sale service quality. As a new household shopping style, shopping on-line use internet as its exchanging media, so it is not easy to identify each other's identity with uneven information. Therefore a lot of new risks emerged which are not covered by traditional trade circumstance. The following list 3-1 shows the 32 perceiving risks when shopping on-line through deep and focal investigate of customers.

Table I. Risk elements perceived when shopping on-line

Perceiving risk contains	Elements	Perceiving risk contains	Elements
Financial risk	Loan loss	Social risk	Judgment from the colleagues
	Credit lost risk		Judgment from family
Time risk	Too long to search the information	Private risk	Private information lost
	Uncertainty of the delivery time		Be traced of the buying habit
	Trivial payment procedure		Unpermitted contact
	Over long withdraw time		Key word and the account leak
Performance risk	Fake risk	Resource risk	Authenticity risk of website
	Production function risk		Website information risk
	The exaggerate of the product quality		Fraud behavior of the website
	The difference between the practice and propagandize		Dummy of the internet itself
Psychological risk	Psychological pressure	Service risk	Withdraw risk
	Their require can be denied		Maintaining risk
Physical risk	The physical risk		Risk of no sales men
Delivery risk	Delivery lost risk		After-sale service guarantee
	Risk of being broken in delivery		No choose space
	Mistakes in delivery		Technical emergency

4. Effect on on-line shopping decision of perceiving risk

4.1 Decision-making procedure of purchase

There are five steps in buying: require confirmation, information collection, project evaluation, purchase decision, and after-buying behavior. But sometimes it cannot be totally the same, especially the low-participating degree purchase; even more some steps can be skipped or upended.

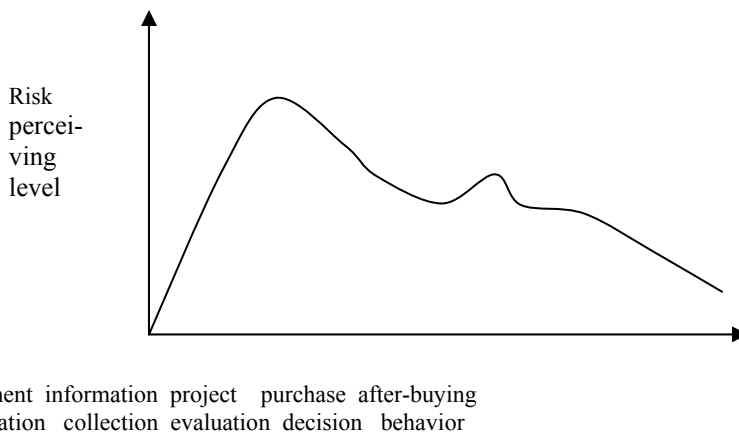Mitchell's research discovered that the risk perceiving levels are not the same, which was showed below.

Requirement information project   purchase after-buying
confirmation collection evaluation decision behavior

Figure 1. Risk perceiving level in each steps of the buying decision

4.2 Effect on on-line shopping decision of perceiving risk

We delivered 500 sheets of the investigating papers totally in this research; the receivers covered 200 high school and colleges' students and 300 experienced netizens with on-line shopping or selling experiences. 389 sheets were back, 327 of those were effective. The back percents is 77.8%, effective back percent is 65.4%. In the survey, the male claimed 48.6%, female 51.4%; the age bracket ranges from 20 to 43, within which the students among 20 to 24 claims the most, 42.5% of the total. 22.4% of the interviewers have an income below 800, 20.1% between 800-1200, the two groups are almost the students without independent income, and people between 25 and 43 are most the entrepreneurs, technicians with an income of from 1500 to 4000.

1)   Requirement confirming phase

When the customers realized that the distance between the realities and expect, the requirement is confirmed by the inner and outer stimulation. When people shopping on-line, the requirement is produced by the video and audio stimulation, the web page composed by the context, picture and animated picture are the direct cause. Presently, the net customers are most the youngsters and good educated persons, they have a strong personality and emotion-oriented, and sometimes rash, and emulative, when they confront unknown things, the sense of possession is up onto stage.

The result shows that nearly 30% of the interviewees will immediately buy the commodity when they saw the discount or the personality advertisement on the web page. While when they can afford them, 42.9% of the 314 receivers have the afraid of the unconformity of the real product with the on-line advertisement in the process of requirement confirmation, the next afraid is been cheated which claimed 33.3%, the other 14.3% are afraid of the price is not low enough.

2)   Information searching phase

When the requirement occurred, the customers will search the related commodity information to pick the goods and producer. This is a good method to reduce the perceiving risks. Thanks to the information searching of the Internet data bank, we can break the limit of the time and space to save money and human resources. The interviewees said that in this step, they would collect the information about the brand or product, and only accept the information obtained by the following channel: personal source (family and friends), commercial source (ads, salesmen), public source (the public media, consumers appraising institution) as well as the experiences source (the operation check and use of the product).

62% of the receivers are used to find the information though Internet, they think they can conveniently find out the capability of every competitive brand. The questionnaire shows that 38.1% of the on-line consumers are afraid of the unauthentic or not elaborate enough. 23.8% of the consumers are afraid of the cost of the searching time. So it is not strange that 38.1% of the consumers will praise and consider the objectivity of the information while searching.

3)   Praise of the scheme

After they get the information though the searching, they compare all the brands with a standard to form a final judge of the brand preference or the buying intention within the scope.

We can see from the investigation that the consumers will balance their perceiving risks and the perceiving value on-and-off in this phase and the psychological risks, product performance risks and the service risk cover 80% of the perceiving risks.

To point out specially that 42.9% of them want their favorites and at the mean time receiving the praise of their family and friends, so the risk focus is on whether they will threat their image and self-esteem and receive the nod of their family and friends.33.3% of them mainly consider the function of product and whether they have an opportunity of been cheated.

So, we can see that, the social relationship serves an important effect on the buying decision. Under the circumstance of the selling-preference concept, the consumers undertake the social psychological risk. Besides, a successful on-line shopping experience will help you understanding more about the purchasing

process. For example, which circle's risk is high, and how to defend. It cans strength the confidence of the consuming so that reduces the judge of the perceiving risks.

4)   Make the buying decision

When the customers decide to buy the commodity on-line, they will go though several steps such as the order on-line, arrange payment and the delivery. That is a long period, and people will consider the risk in every circle. Within this time, people will form a perception about the goods, price and exotic stimulation, at the other side, people will have an sense about the upcoming purchase decision. Due to several reasons, people can not aware of the quality of their purchase, so that the risk is increasing. In addition, the following aspects will increase the risk, short of the information about the product category; or the product is new with complicated high-tech; unconfident about the brand; the quality fluctuation between different brands; it is an important goods to the consumers. All the above will have an important influences on the customers.

When people shopping on-line, what they concern most is the capital loss and stolen of the credit cards. This two aspects occupied 52.4% and 23.8% of the experienced people, the following is the private risk, 14.3% of them are afraid of private information leaking. So when people shopping on-line, they will go back and forth between the might-be value and loss, the result is always uncertainty. Only after people increase the certainty though the information from the friends, the brands or the decrease of the loss degree, people will make their decision to buy. So people have a high level of financial risk perception in this phase.

5) After-bought phase

When the purchase finished, that doesn't mean the purchasing process finished. When they began to use it, they will appraise the product by their expected standard, so that to sense the satisfaction or not.

In this step, the worries of having no guarantee of the after-sale service claimed 38.1%, next is the worries about the refusal of requirement of exchange the goods or send back the goods whose percent is 33.3%, and 19% of them are afraid of be traced of their purchasing habit.

So, we can see that the customers have a strong sense of the service risk, psychological risk and private risk. They can share their shopping experience though different ways easily, which is more efficient than traditional ways such as message books.

5. Conclusion

In the whole shopping process, people will face some risks, so they will try their best to reduce the risks. To some extent, the buying behavior is a risk reducing deed. In this circle, the decision-making is a phenomenon of acceptance of the product. While when people alternate, postponed, or cancel their buying decision, is an alert that they perceived the risk existence. So we should try to appeal people to shop on-line, by what they may be a loyal user of on-line shopping, and a positive appliance of the information technology. The methods including diversified payment and delivery modes to reduce the perceiving risk; heighten the credit of the consumers by the trust construction of the merchants; protect the consumers' private information by the technological and legislative ways. So the electronic business workers must continue their endeavours to change the traditional conception, and help them to understand what is electronic business, as well as the current development and its core technology, so that to eliminate their doubt and misunderstanding and promote on-line shopping.

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