

TRUST AND RISK IN ONLINE SHOPPING

Dr. Rajeshwary G and Ms. Samira Sayed

Vice-Principal, K.P.B.Hinduja College of Commerce, 315, New Charni Road, Mumbai
Asst. Professor, Department of Commerce, K.P.B.Hinduja College of Commerce,
315, New Charni Road, Mumbai

Abstract : During the last 30 years the access of personal computers has increased all over the world. Along with the Internet an opportunity has emerged; the possibility to make purchases online, which is called Electronic commerce (E-commerce).

Rapidly increased web users and highly speed internet connection, and some new technology also have been developed and used for web developing, those lead the firms to promote and enhance images of product and services through web site. Therefore, detailed product information and improved service attracts more and more people changed their consumer behavior from the traditional mode to more rely on the online shopping.

INTRODUCTION

Online shopping or is a form of electronic commerce which allows consumers to directly buy goods or services from a seller over the internet using a web browser. Online shopping has grown in popularity over the years, mainly because people find it convenient and easy to bargain shop from the comfort of their home or office.

Consumer behaviour refers to the processes involved where individuals or groups select, purchase, use or dispose of products, services, ideas or experiences to satisfy needs and desires". There are various factors influencing consumer's trust in Online Shopping such as Integrity, Security and Privacy, Useful Information, Convenience in Use, Web Design and Word of Mouth.

Online shopping is the third most popular internet activity after e-mail uses and web surfing. However online shopping has its own drawbacks such as reduced opportunities for sensory shopping, social shopping and face to face interactions with sales personnel, postponement of the consumption or enjoyment of tangible goods. Furthermore there is a trust factor that has a great impact on consumers buying motive. Online shopping has certain potential risk factors that may become impediment in success of online shopping. In the present study the researcher has made an attempt to identify and examine the trust and perceived risk factors in online shopping. The present study will also give insight in to whether these factors are able to influence consumers to change their buying behavior from the traditional brick and mortar store to virtual online store. This present study is designed to provide suggestions that will prove beneficial to e-commerce companies. E-commerce companies will be in better position to design effective strategies which will attract the masses and influence them to buy online.

OBJECTIVES OF THE STUDY:

- ❖ To study the trust factors in online shopping.
- ❖ To identify the various perceived risks involved in online shopping.
- ❖ To study the impact of trust and perceived risks on consumers while doing online shopping.

RESEARCH METHODOLOGY OF THE STUDY:

In the present study the researcher has collected information from secondary sources referring to various books, journals, newspapers, magazines, press clippings, published reports.

ABOUT THE STUDY:

Whitely David (2000) mentions about how online shopping are open to everyone with an internet connection. Online shopping can take place using a computer at home, from work or at cyber cafe. With latest technology it is easily available on one's personal mobile phones. Online e-shops can be anywhere in the world and it is opened 24 hours a day.

Technology Act 2000 gave an impetus to the growth of online business which had positive aspects for the corporate sector. With new opportunities people can now transcend the barriers of time and distance with the internet speed. The new technologies will help businessmen in their online endeavors. One way or method to keep online business alive is to maintain a smooth flow of goods and information. Joseph P.T. (2002).

TRUST IN ONLINE SHOPPING:

One of the reasons cited for slower-than-expected adoption in the early days of e-commerce was lack of trust from potential customers, today majority of people make purchases online and "lack of trust" is no longer a barrier to transacting online. Trust, however matters now than ever. There are many threats that jeopardize trust online including privacy, invasion, identity, threat, spam and phishing. So trust plays an important role across digital channels but rather than a barrier it acts as differentiator. The researcher in this context has studied about the trust element and its impact on minds of the consumers while doing online shopping.

McKnight, Choudhury and Kacmar (2002, p. 298) also stated that the lack of consumer trust, both in the specific web-based vendors and in the overall e- environment, has been a hindrance to electronic commerce. Trust has been positively recognized to influence online consumers' purchase intentions. Consequently, understanding the factors that influence the trusting beliefs in an online environment is of considerable necessary and important to researchers.

Online shopping requires more trust, since it is more complex than traditional shopping. In internet it is not easy to establish trust between buyers and sellers. Trust is the mental shortcut that consumers can use, when trying to reduce the uncertainty and complexity of the transactions and relationships in the electronic markets. Trust in online is the key factor determining the success or the failure of e-commerce businesses. Trust in an e-business is very important. Lack of consumer trust often results in an unrecoverable loss of reputation and revenues. Lack of trust leads to financial losses to an e-business as the organization will not be able to generate the expected revenues with lesser number of customers in hand. They will lose upon their chance to strike a deal with prospective customers due to the customer's fear of shopping online.

THE FOLLOWING ARE THE VARIOUS TRUST FACTORS RELATED TO INDIAN E-COMMERCE SCENARIO:

Brand Recognition: Brand recognition refers to likelihood that the customers will be able to recognize a brand and connect to the company's name, logo, tag lines and other things related to that brand. For an Indian customer to shop on a particular website, it is important for him to have heard or gone through the website's name somehow.

Website Look & Feel: In offline stores, the physical appearance of the store and facilities, along with the face to face contact with the employees of the store, has an effect on customers' trust. The customer is able to form a view of the organization's trustworthiness with those cues. But, these cues are missing in the online environment. Many online customers have admitted to make intuitive, and rather emotional, on the spot decisions by just watching the e-vendor's website while shopping online. The look and feel of a website serves as a basic for customers to form a first impression of the merchant, to develop an opinion of its trustworthiness (Karvonen, 2000).

Payment Related Issues: Indian consumers have believed cash on delivery (COD) as the most preferred way to make payments. According to them, if an e-vendor is ready to accept payments in COD form, he

Trust and Risk in Online Shopping

does not have any wrong intentions and can be trusted. Study shows that COD acts as an enabler even to those people who are likely to pay using other payment methods like credit cards, Internet banking etc. Some other customers feel that e-marketers should have multiple modes of making payments. Customers also feel that the e-vendor should use reliable payment gateways like Citibank payment gateway, ICICI Bank payment gateway. Making payment through these gateways makes them feel secure about their payment and information.

Kumar Manish, Kanti Tushar and Singh Nidhi (2011) mentioned about banks important role in creating security of payment gateways that restores the confidence of customers purchasing online. Banks have initiated separate portals for making the routine payments. In this regard HDFC – renowned bank India has a stake in e-commerce websites easy2buy.com where HDFC customers are facilitated in buying product with the help of their account number. This will further enhance customer trust in online shopping.

Product Description: Indian customers feel that crystal clear, grammatically correct, detailed and meaningful product description makes them believe in the website's professionalism and intention to sell genuine products. If the customers are not able to relate themselves with the products, it will decrease the customers' trust in the e-business. E-businesses should also pay special attention to the appropriateness of the image of the product being displayed.

Order Tracking: Indian customers have related their ability to track orders before and after shipment to positive impact on trust. The customers expect the businesses to notify them through emails and SMS's regarding the status of their orders (right from placing the order to the delivery). Such notifications will also have a positive impact on the perceived professionalism of the e-businesses.

Money Back Guarantee / Return & Exchange Policy: Money back guarantee is basically a simple guarantee which assures the customer that in case of dissatisfaction of the customer with respect to a product or service, a refund will be made. Indian customers have shown their inclination towards websites which assure money back guarantee as compared to the ones which only exchange the products but do not offer refunds in case the customers do not like the products due to any reason. In India flip kart has offers replacement and return guarantee which adds up to better customer satisfaction.

PERCEIVED RISKS IN ONLINE SHOPPING:

Perceived risk is defined as the degree to which a person expresses uncertainty about a service or good and particularly, the consequence (Bauer 1960). Perceived risks associated with online shopping negatively influence online purchase intention and behavior. Some researchers examine the impact of various risks associated with online shopping on online shoppers' decision-making by treating perceived risk as one one-dimensional construct (Pires et al. 2004). In contrast, others argue that perceived risk associated with online shopping is multifaceted with one of its components (i.e., uncertainty and consequences) having several sub dimensions (product or performance, financial, social, psychological, physical or convenience

RESEARCHERS HAVE IDENTIFIED DIFFERENT AREAS OF PERCEIVED RISK WHICH ARE AS FOLLOWS:

Financial risk

Financial risk pertains to the loss of money in the case of a poor product or service choice. Financial risk is the potential loss of money associated with the item purchase. Financial risk is related to the loss of money in the case of a bad purchase. Financial risk is the perceived financial concern resulting from a shopping activity.

Product performance risk

Product performance risk is defined as the loss incurred when a product or brand does not perform as expected. (Linda C. Ueltschy, 2004). The Internet, just like any type of non-store shopping, makes it difficult to examine physical goods; consumers must rely upon somewhat limited information and pictures shown on the computer screen (Jarvenpaa and Tractinsky, 1999).

Delivery risk

Consumers fear that delivery will be delayed due to various circumstances; the delivery company won't deliver within the time frame agreed with customers, or consumers fear that the goods may be

damaged when handled and transported, or no proper packaging and handling during transportation (Claudia, 2012).

Time/ convenience risk

Time/ convenience risk relates to the time spent for the purchase of a product and the time wasted in case of a poor product/service choice. (Linda C. Ueltschy, 2004). Time risk is the potential loss of time and effort associated with purchasing the item (Michel Laroche, 2004). Time is the amount of hours spent during the shopping activity (CENGEL, 2012).

Health risk

Potential loss of health because of prolonged use of computer will cause fatigue or visually impaired pressure on one's heart, or buying counterfeit products which is harmful to one's health.

Information security

Consumers can learn about the value of products through website features such as product information quality, transaction and delivery capability, and efficiency service quality; however, if there is no information security mechanisms in place, purchase intention will be adversely affected. This information security factor can be exploited sufficiently depending on internet retailers' ability to meet customers' expectations in the virtual shopping environment (Chang and Chen, 2008).

CONCLUSION:

Online perceived risk is an important issue in e-commerce. This study showed that online shopping is still considered a risky proposition in spite of its numerous benefits. To reduce online consumers' perception of risk and to increase the possibility of purchase, e-marketers and e-retailers involved in an online shopping business should know which risk dimensions are of greatest concern to consumers. The analysis for dimensions of consumer perceived risk in online shopping is a necessary step to know the contents and types of consumer perceived risk, which is considered to be one of the important factors that impact on consumer online shopping decision-making, and to provide e-marketers with useful information concerning their customers.

REFERENCES

A. Books

1. Whitely, David. (2000). E-commerce, Strategy, Technologies and Applications. New Delhi: Hill Publishing Company Limited.
2. Joseph, P.T. (2002). E-commerce - A Managerial Perspective. New Delhi: Prentice Hall of India Private Limited.
3. Diwan, Parag. & Sharma, Sunil. (2000). E-commerce – A Managers Guide to E-Business. New Delhi: Excel book Publications.
4. Kumar, Manish. Kanti, Tushar. and Singh, Nidhi. (2011). E-Banking Concepts and Definitions. New Delhi: Savera Publishing House.
5. Agarwal, Kamlesh. & Amit Lal, Diksha. (2000). Business on the Net – An Introduction to the What's and How's of E-Commerce. New Delhi: Macmillan India Limited.

B. Newspapers

1. Sundaresan, Somasekhar. (2014, September 26). Fighting Credit Card Fraud, "Mumbai Mirror".

C. Journals

1. European Journal of Business and Management. Vol. 5(29). 2013.