

THE IMPACT OF PERCEIVED RISKS TOWARDS CUSTOMER ATTITUDE IN ONLINE SHOPPING

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Abstract: *Many past studies only investigated the impact of perceived risks and customers' attitude towards online shopping intention. Therefore, this study shown the impact of perceived risks towards customers' attitude in online shopping. This study aim to identify the elements of perceived risks and the most influential types of perceived risks towards customers' attitude in online shopping. Four independent variables which are product risk, financial risk, non-delivery risk and psychological risk are selected. This study used quantitative method research by selected 200 respondents at Pengkalan Chepa, Kelantan, Malaysia by using convenience sampling method. The findings showed that product risk, financial risk and non-delivery risk are positively significant relationship between customers' attitude in online shopping while psychological risk is negative significant relationship between customers' attitude in online shopping. Besides, product risk are selected at most influential risk through multiple regression analysis in this study. Indeed, through this study, E-commerce Malaysia such as Zalora.com can improve overall customer satisfaction in online shopping services.*

Keywords: perceived risks, customers attitude, online shopping

Introduction

E-commerce or the real name is Electrical Commerce is a type of commercial transaction of business that closely relate with the information transfer and include with the business, retail site on business, music site, and business exchange trading between product and services when internet appear or exists. In E-commerce, there has no limited and or barriers in distance or location due to E-commerce connect people from over the world and a person also can buy a product or services. E-commerce is a perfect place for a business to expand and to be well known and also can make as a marketing place for the retailers.

The recognition of online shopping has increased by the advancement of internet (Lian & Lin, 2008) and online shopping become the most third most beloved internet activity following by the e-mail using or instant messaging and web browsing (Li & Zhang, 2002). It was reported that Malaysia's online shopping market size was RM 1.8 billion in 2013 and it is estimated to reach RM 5 billion by 2015 (Aliff, Sylvester, Zakuan & Ali, 2014). Based on past researchers, it was recognized that purchasing and purchase intention are influence by risk perception (Aliff et al., 2014). According to Evanschitzky, Iyer, Hesse & Ahlert (2004), provision of products and services via Internet forecasted as large growth potential. However, high rate of Internet user stated that online shopping is frustrating, confusing, and overwhelming activity (Dai, Forsythe & Kwon, 2014). Therefore, customers' attitude should be studied in relation to perceived risks and this lead to more Malaysian to choose online transaction and give consequences to Malaysia E-commerce development.

Literature Review

General Review about Online Shopping

Online shopping is an action which consists by products and services by using internet. Besides that, online shopping includes a buyer access their internet to explore, choice, deal, accept and adapt of products and services for gratifying their needs and wants. According Aliff et al. (2014) has been introduced that risk-taking behaviour in marketing literature as a possibility measurement of customers' attitude towards purchase intention. However, the variables of perceived risk were connected to customers' attitude when online shopping occur. Based on Ariff et al. (2014) stated that Theory of Planned Behaviour (TPB) created by Ajzen (1991) which originally from Theory of Reasoned Action (TRA). TPB adopt to estimate a people's intention for online shopping (Ariff et al., 2014) and it showed customer's behavioural attitude will affect the desire of online shopping directly.

Customer Attitude

Consumer's good and bad feelings can know as attitude in word f online shopping when they about to do the buying decisions according Aliff et al. (2014). Emotion frequently related to attitude of consumer and according to the past researcher Aliff et al. (2014) stated that consumer attitude are influenced from purchasing intention based on the model of attitude change and behaviour. Past researcher (Aliff et al., 2014) proved that perceived risk related with the purchase intention will negative influence the attitude and purchase intention.

Perceived Risk

According to Aliff et al. (2014) advised that perceived risk is a measurement of possibility dissatisfaction with a purchase decision based on the objectives of the buyers. Based on theory of customers' perceived risk, customer are perceived risk due to customer faced uncertainly and potentially undesirable consequences as a result of purchase (Taylor, 1974;

Dowling & Staelin, 1994). Perceived risk defined as capable to explain consumer's behaviour due to "customer are more often motivated to avoid mistakes than to maximize utility in purchasing" (Mitchell, 1999). Due to limited physical senses towards products and sales personnel will cause the level of perceived risk may be bigger in the online shopping context (Forsythe & Shi, 2003; Park & Stoel, 2005).

Product Risk

Definition for product risk is probability of the item failed to achieve the performance requirements from customers (Peter & Tarpey, 1975). According to Forsythe & Shi (2003), product risk identify as significant effect on the quantity of purchasing online. A relatively high level of product risk is conventional when being purchased online, especially for some categories of product, due to shippers' cannot physically examine and test product attributes online (Alreck & Settle, 2002; Garbarino & Strahilevitz, 2004). According to Aliff et al. (2014) stated that product is explained about a product that purchased maybe function not as originally expected. As conclusion, inability senses or try the products before customers are purchased that products as the primary concerns when purchasing online and it will causes increasing of product risk perceived (Saprikis, Chouliara & Vlachopoulou, 2010).

Financial Risk

Financial risk is defined as the monetary cost associated with purchase price as well as the following maintenance cost (Jacoby & Kaplan, 1972; Peter & Ryan, 1976; Stone & Gronhaug, 1993). The main financial concern for many online customers is credit card fraud, where they report increasing concerns regarding financial loss during online transactions. Perceived financial risk is more strongly associated with the process rather than the product or service (Akram, 2008). The fear of credit card fraud represents on of the most invoked concerns when buying online (Saprikis et al., 2010) due to some E-commerce websites are not secured enough.

Non-delivery Risk

According to Aliff et al. (2014) stated that non-delivery risk as the potential fail of delivery. Therefore, one of the biggest worried that is non-delivery risk occur when customers decided to shops online to purchase. The product may get corrupt when delivery process, delivered to a wrong places, or in some cases, delayed (Naiyi, 2004). Besides, consumer scale about the delivery will be delayed because various reasons, such as the delivery company won't deliver the purchased item within on time (Aliff et al., 2014).

Psychological Risk

According to Lim (2003), psychological risk defined as the probability that the individuals suffer mental stress because their purchasing behavior. For instant, customers are likely to feel frustrated if their purchases are unsuccessful. Based on Constantinides (2004) stated that, psychological factors affecting online trust and it also consist different elements such as transaction security and consumer data safety, clear ordering payment and refunding procedures as well as concrete customer policies, good communication and strict security. Furthermore, as a result of an online transaction, perceived psychological risk relates to an individual's concern that their stress levels could increase transaction (Hassan, Kunz & Pearson, 2006). As well as impacting willingness to purchase, perceived psychological risk may also prevent individuals from providing their personal information in an online transaction if they feel that providing such information is unsafe due to the lack of access control (Akram, 2008).

Methodology

Population and Sampling

The target population for this study defined as individuals who regularly or have experience in online shopping at Pengkalan Chepa, Kelantan, Malaysia. However, the population is prefer on working people and students due to customers who are employed have big probability in online shopping and high purchasing power and young people especially like students are the most active online buyer. Besides, the population prefer on people who ages between 18 to 45 years old. To obtain sample frame, data stated 3673 residents in the area of Kemumin, Pengkalan Chepa, Kelantan from Department of Statistic Malaysia official websites. Therefore, 200 respondents been choice by using convenience sampling method.

Research Instrument

The questionnaire was developed using Likert scale ranging from 1 (strongly disagree) to 4 (strongly agree). The questionnaire was developed by two languages (English and Malay) to convenience respondents. The questionnaire was design was straightforward and comprehensible to avoid respondents misunderstood.

Generalization of Item in Questionnaire

To generate a questionnaire that fulfil research objectives, that several questions are designed to identify variables in this research:

- i. Product risk (four items) and financial risk (four items) were adopted based on the research by Swinyard and Smith, (2003); Forsythe, Liu, Shannon & Gardner, (2006); Moshrefjavadi Dolatabadi, Nourbakhsh, Poursaedi & Asadollahi, (2012). Four items of non-delivery risk adopted from Forsythe et al., (2006). Four items of psychological risk adopted from Ibrahim, Suki & Harun, (2014).
- ii. Four items for customers' attitude were adopted from George (2004).

Summary of Findings

Respondents Demographic Characteristics

A complete data was collected from 200 respondents that who have experience in online shopping at Pengkalan Chepa, Kelantan, Malaysia. 79 male (39.5%) and 121 female (60.5%) respondents are involved in this survey. In term of race, Malay was the majority of the number of respondents with 110 (55.0%) and followed by Chinese which represents about 58 (29.0%). Besides that, it also followed by Indian and others with 23 (11.5%) and 9 (4.5%) respectively.

Table 1: Respondent's demographic characteristics

Demographic		Frequencies	Percentage
Gender	Male	79	39.5
	Female	121	60.5
	Total	200	100
RACE	Malay	110	55.0
	Chinese	58	29.0
	Indian	23	11.5
	Others	9	4.5
	Total	200	100

AGE	18 to 26	158	79.0
	27 to 35	35	17.5
	36 to 45	7	3.5
	Total	200	100
EDUCATION	SPM	15	7.5
	STPM	20	10.0
	Diploma	30	15.0
	Bachelor Degree	115	57.5
	Master Degree	16	8.0
	PhD	0	0
	Others	4	2.0
	Total	200	100
OCCUPATION	No Stated	3	1.5
	Government Sector	13	6.5
	Private Sector	38	19.0
	Self-employed	22	11.0
	Others	124	62.0
	Total	200	100

In term of age, 158 (79.0%) respondents where in 18 to 26 years category, 35 (17.5%) respondents where in 27 to 35 years category and 7 (3.5%) respondents where in 36 to 45 years category. In term of education, bachelor degree holder has monopolized the number of respondents which represents about 115 (57.5%) respondents followed by diploma holder which represents about 30 (15.0%) respondents followed by STPM holder which represents about 20 (10%) respondents followed by master degree holder which represents about 16 (8.0%) respondents followed by SPM holder which represents about 15 (7.5%) and followed by others holder which represents about 4 (2.0%) respondents. In term of occupation, there are 38 (19.0%) respondents worked as private sector followed by 13 (6.5%) respondents worked as government sectors followed by 124 (65.0%) respondents worked at other sectors. However, 3 (1.5%) respondents are not stated on our survey for their occupation.

Reliability Analysis

Reliability test was carried out due identify internal consistency of independent variables (product risk, financial risk, non-delivery risk and psychological risk) and dependent variable (customer attitude). Therefore, Table 2 show the result of reliability analysis which showed that all factors is reliable due to the Cronbach's Alpha value ranged among 0.742 to 0.811 which exceed 0.7 as recommend value.

Table 2: Reliability Analysis

Factors	Number of items	Cronbach's Alpha
Customers Attitude	4	0.808
Product Risk	4	0.811
Financial Risk	4	0.802
Non-delivery Risk	4	0.812
Psychological Risk	4	0.742

Pearson Correlation Analysis

Based on Table 3, all independent variables are significant to dependent variable (customer attitude) due to since p-value are less than 0.05. Therefore, product risk and non-delivery risk are moderate relationship between customer attitudes. While, relationship for financial risk and psychological risk between customer attitude are weak and very weak relationship.

Table 3: Pearson Correlation Analysis

		ATT	PR	FR	NR	PSY
ATT	Pearson Correlation	1	.486**	.396**	.482**	-.144*
	Sig. (2-tailed)		.000	.000	.000	.041
	N	200	200	200	200	200

ATT: Customer Attitude; PR: Product Risk; FR: Financial Risk; NR: Non-delivery Risk; and PSY: Psychological Risk

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

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

Multiple Regression Analysis

Based on table 4, R square value is an overall to measure of the strength of association which does not reflect the extent to any particular independent variable is associated with the dependent variable. Therefore, this is the proportion of variance in the dependent variable (customers' attitude) which can be explained by the independent variables (product risk, financial risk, non-delivery risk and psychological risk). In result, 31.6% of customers' attitude can be explained by product risk, financial risk, non-delivery risk and psychological risk.

Table 4: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.562 ^a	.316	.302	.44843

a. Predictors: (Constant), MEAN_PR, MEAN_FR, MEAN_NR, MEAN_PSY

b. Dependent Variable: MEAN_ATT

Based on Table 5, all independent variables except psychological risk is positive effect on customer attitude in online shopping. However, product risk and non-delivery risk have a significant effect on customer attitude in online shopping. By comparison Beta value, product risk is higher than non-delivery risk which means product risk is high impact towards customer attitude in online shopping.

Table 5: Regression coefficients

Coefficients	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	1.505	.257		5.857	.000		
Product Risk	.273	.074	.288	3.684	.000	.573	1.747
Financial Risk	.133	.069	.136	1.919	.056	.698	1.432
Non-delivery Risk	.237	.084	.223	2.808	.005	.555	1.802
Psychological Risk	-.083	.049	-.103	-1.683	.094	.940	1.063

Dependent variable: Customer Attitude

Independent variable: Product Risk, Financial Risk, Non-delivery Risk and Psychological Risk

Discussion and Managerial Implication

The first purpose of this research project is to determine the impacts of perceived risk towards customers' attitude in online shopping. Many researchers carried out this field of study based on customers' attitude in different online shopping websites. They did not specifically focus on the type of nature business of those online shopping. Different type of online shopping maybe provide different type of perceived risks. Hence, we would like to focus our study on Zalora.com based in Malaysia. By clarifying Zalora.com as our research field, other researchers can do further study on this area. This will be reference to all online shopping websites in Malaysia as well in order to match their websites with the current customers' attitude. However, product risk, financial risk and non-delivery risk are positively related to customer attitude in online shopping. Based on Almousa (2011), that product on performance risk, or the fear of product not functioning or performing as expected is increasing in online environment. In short, before purchasing, the primary things that would be concerned when purchasing online are incapability of touching, feeling, testing or trying the products, and the product or performance perceived risk will increases that caused by those concerns (Saprikis et al., 2010). Online shopping websites have to avoid customers from being worried about the online security with respect to using their credit cards and disclosing personal information. So, even though customers order goods online, but majority of them prefer alternative method of payments such as cash at delivery, bank account transfers, and Pay Pal other than using their credit cards. Saprikis et al. (2010) stated that fear of credit card fraud represent one of the most invoked concerns when buying online. "Customers are concerns with the delivery process, for examples the product may get damaged during transportation, delivered to a wrong address or in some cases, delayed" by Naiyi (2004). Due to various circumstances, customers fear about delivery will be delayed such as delivery-company won't deliver the purchased products within the time frame agreed with customers (Claudia, 2012).

The second purpose of this research project is to examine the most influential type of perceived risk that affect customers' attitude towards online shopping. Therefore, multiple regression analysis have been carried out to achieve the second research objective. In result, product risk is the most positive influential types of perceived risks that affect customers' attitude towards online shopping. Therefore, online retailer especially Zalora.com must alert product risk when developed appropriate strategies to improve their online services due to for customers before purchasing, the primary things that would be concerned when purchasing online are incapability of touching, feeling, testing or trying the products, and the product or performance perceived risk will increases that caused by those concerns (Saprikis et al., 2010).

The third purpose of this research project is to recommend appropriate strategies to improve Zalora.com online services. Therefore, product risk have the strongest significant impact among four risks on customers' attitude in online shopping. Past researchers (Senecal, 2000; Borchers, 2001; Bhatnagar et al., 2002) found that product risk is significant influence in online shopping. According Davis (1989), high product quality information and high efficient service quality make customers feel more secure and confident on their online purchasing. Therefore, customers' confidence and trust in shopping websites can be increased by providing high product quality information (Lee, 2009). To prevent customers' attitude impact by product risks in online shopping. Zalora.com must sell the quality products with clear images, characteristics and functionality to customer that buy online by using many techniques to show their product images such as light box, zoom or magnify, full screen images and photo galleries. This is due to adding features for product images can pursuit customers buying that products especially Zalora.com sells variety clothes. By using zoom and light box, customers can be allow to view

magnified images of clothes which easily help them see the details of the fabric. Almousa (2011) stated that product on performance risk, or the fear of product not functioning or performing as expected is increasing in online environment. Therefore, Zalora.com can show the customer review from past customer to give confidence for customer which may buy that products by showing two opposite customer reviews and ratings for customer compares. This is due to customers gain the product knowledge through customer reviews with good and bad that helped them make purchase decision.

In nutshell, this research conclude that four perceived risks have related towards customers' attitude in online shopping. However, three of the perceived risks (product risk, financial risk and non-delivery risk) have positive related to customers' attitude in online shopping. While, psychological risk is negative related to customers' attitude in online shopping. This research must continuously to conduct future research with added new dimensions of perceived risks such as privacy risk and social risk on this topic due to E-commerce activity still is a perfect place for a business to expand and to be well known for the retailers in Malaysia.

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