



## A STUDY ON IMPACT OF ONLINE SHOPPING EXPERIENCE ON RISK PERCEPTIONS

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### **Abstract**

*In the last few decades internet has luteinized the lives of millions of users with its immense applications. With the growing proclivity and economic growth online shopping has increased drastically. The world of electronic commerce, also known as e-commerce, enables consumers to shop at online stores and pay for their purchases being contented at home. This study investigated how consumers' previous online shopping experience influences their perception of product, financial, and privacy risk associated with online shopping. Consumers' previous online shopping experience, the three types of risk perceptions were examined as antecedents of online purchase intentions. This research proposed a conceptual model that illustrates the relationships between the variables and examined the relationships among male and female online shoppers for different product categories being purchased online. Overall, previous online shopping experience had a significant positive influence on consumers' online purchase intentions regardless of the product category and gender. It appeared that, in online apparel shopping, men tend to perceive higher privacy risk with increased experience in online apparel shopping, whereas such impact was insignificant for female respondents. It was also found that men perceived more product risk, whereas women perceived less product risk with increased online apparel shopping experience. In general, women were more likely to use purchase both products on the Internet than men.*

**Key Terms:** - Online Shopping; E-commerce; Internet; Consumers perceived risk, product risk, financial risk.

### **Introduction**

As shopping on the Internet has become a common practice for many consumers, online shoppers are now more experienced as compared to a decade ago. It may be that online consumers now hold different perceptions of the potential risks associated with purchasing online. Researchers may extend the understanding of online consumers' perception of specific types of risks associated with online shopping by examining how previous online shopping experience impacts consumers' perception of specific types of risks associated with online shopping and their online purchase intentions. Research has shown that previous online shopping experience positively influences consumers' perceptions of online shopping.

However, a more recent market survey on online shopping showed unprecedented high concerns over privacy, online fraud, and identity theft. This may be explained by consumers' growing awareness of such types of risk and the consequences of such risks as their online shopping experience accumulates. Thus, online consumers' perceptions of certain types of risk may increase with shopping experience while perception of other types of risk may decrease with increased online shopping experience. The current study examines the impact of previous online shopping experience on consumers' perception of product, financial, and privacy risk associated with online shopping.

Although the Internet literally is a marketplace for all kinds of goods and services, the moderating influence of product characteristics on consumers' risk perceptions has often been neglected in the research on online shopping. For example, little previous research has examined whether consumers' risk perceptions vary across online product categories (e.g. shopping for apparel products online vs. shopping for music products online). Nelson (1970) found that, in the traditional shopping environment (e.g. a brick and- mortar store), consumers tend to rely on different information sources to make purchase decisions depending on the product category shopped. It is logical to expect that consumers' dependence on various information sources in the traditional shopping setting may also apply to the Internet shopping setting. Thus, online consumers may differ in their risk perceptions associated with purchasing different types of product depending on the availability of information required to make the purchase decision on the Internet. However, little research has provided convincing evidence as to how online consumers' risk perceptions differ when they shop for different types of products online or how these differences in their risk perceptions may influence their online purchase intentions.

### **Objectives**

The main objective of this study is to develop and test a conceptual framework that explains:

1. The influence of previous online shopping experience on consumers' perception of specific types of risks associated with online shopping.
2. The influence of previous online shopping experience on consumers' purchase intentions and
3. Whether product category and gender moderates the relationships between above variables.

### Online Shopping Experience

As consumers become more familiar with the Internet as a sales medium, it is expected that they will feel more comfortable and confident to purchase online. Previous purchasing experience via a certain shopping channel is negatively related to the perceived risks associated with future purchase in that channel. In other words, when a consumer gets more experiences with shopping on the Internet, he or she sees shopping online as a less risky action in all terms and is more likely to continue to shop online. For example, even though consumers are not able to touch to test the feel of the fabric or try on a denim jacket to test its fit in the online setting, those who have purchased similar products online may not have as many concerns as those who have never purchased online.

There is a certain level of consensus regarding the impact of previous online shopping experience on online consumers' purchase intentions. Park and Stoel (2005) confirmed that the more experienced online consumers are, the more likely they will continue to use the Internet as a shopping channel. However, the potential effect of previous online shopping experience on specific types of risk perception remains unclear. Thus, there is a need to study how consumers' previous online shopping experience may influence their risk perceptions and future purchase intentions.

### Analysis Results

#### Previous Online Shopping Experience, Risk Perceptions, And Purchase Intentions

Before running the regression analyses, factor scores were calculated by averaging the scores of the three items of each construct. Due to the fact that respondents' average online shopping spending was measured with a categorical ordinal scale, it was not included in calculating the factor score for previous online shopping experience. Therefore, the factor score of previous online shopping experience was calculated by averaging the Z-scores of online shopping frequency (times) and duration (number of years) because both were measured on different scales. A series of simple and multiple regressions were conducted to investigate the relationships of variables in the proposed model on SPSS. Simple and multiple regressions were used to test:

1. The direct effect of previous online shopping experience on three types of risk associated with online shopping and purchase intention,
2. The direct effect of three types of perception of risk associated with online shopping on purchase intention, and
3. The indirect effect of previous online shopping experience on purchase intention via risk perceptions. The relationships were tested within the combined group (men and women) and between groups (men vs. women) for each product category.

#### Online Apparel shopping

To investigate the influence of online shopping experience on consumers' perceptions of the three types of risks associated with online shopping. The effect of previous online apparel shopping experience on the three types of risk perceptions was examined through three simple regressions, where previous online apparel shopping experience was treated as an independent variable and the three types of risk perceptions as dependent variables. Data were first analyzed for all respondents, and then for separate groups of men and women.

**Regression Analysis Output For Online APPAREL Shopping (Men And Women) (N = 336)**

| Independent variables                          | Dependent variables | Standardized Beta | p    | R <sup>2</sup> |
|--|---------------------|-------------------|------|----------------|
| Previous online shopping experience            | Product risk        | 0.582**           | .000 | .339           |
|  | Financial risk      | 0.742**           | .000 | .550           |
|  | Privacy risk        | 0.021             | .699 | .000           |
| Product risk<br>Financial risk<br>Privacy risk | Purchase intentions | -.285**           | .000 | .607           |
|  |                     | -.501**           | .000 |                |
|  |                     | -.408**           | .000 |                |
| Previous online shopping experience            | Purchase intentions | .794**            | .000 | .631           |

Note: \*p < .05. \*\*p < .01 (2-tailed)

Results from the first stage simple regression analysis for all respondents indicated that previous online shopping experience significantly explained consumers' perception of product ( $\beta = -.58, p < .001$ ) and financial ( $\beta = -.74, p < .001$ ) risks associated with online apparel shopping whereas its influence on consumers' perception of privacy risk was not significant. Overall, 35% and 55% of the variance of consumers' perception of product and financial risk, respectively, were explained by previous online shopping experience.

**Gender Differences In Online APPAREL Shopping (Men: N = 106; Women: N =200)**

| Variables                         | Men M (S.D.) | Women M (S.D.) | t      | p    |
|-----------------------------------|--------------|----------------|--------|------|
| Perception of Product Risk        | 4.34 (3.30)  | 4.09 (6.22)    | 1.316  | .000 |
| Perception of FinancialRisk       | 10.18(4.27)  | 10.33 (3.83)   | 0.107  | .744 |
| Perception of Privacy Risk        | 15.52 (3.05) | 9.11 (6.25)    | 11.096 | .000 |
| Online Shopping Duration (years)  | 3.52 (.98)   | 3.85 (1.62)    | -2.083 | .000 |
| Online Shopping Frequency (times) | 2.18 (.39)   | 3.01 (1.45)    | -6.503 | .000 |

The above table examines the gender differences in (1) onlineshopping experience in term of expenditure, durations, and frequency and (2) consumers' perception of the three types of risks associated with online apparel shopping. A series of t-tests were conducted to compare the sample means. Because t-tests were run on the equal variance assumption, the homogeneity of both groups was also analyzed. A follow-up of independent-sample mean comparison was conducted in case of violation of the equal variance assumption.

Results of the t-tests indicated no significant gender difference in perception of financial risk for online apparel shopping. However, male respondents perceived significantly higher levels of product and privacy risks associated with online apparel shopping than women. Female respondents had more previous online apparel shopping experience than men with respect to online shopping duration and frequency in the past six months. In addition, female respondents ( $M = 5.33, S.D. = 2.13$ ) were more likely ( $t = -6.87, p < .001$ ) to purchase apparel products on the Internet in the next six-month period than male respondents ( $M = 3.83, S.D. = 1.67$ ).

### Implications

The major contribution of this study is the proposed conceptual model that provides a framework to examine the relationships between the three types of risk perceptions associated with online shopping and online purchase intentions. Another contribution of this study is the examination of the impact of previous online shopping experience on consumers' perception of three types of risks associated with online shopping. Online apparel shopping experience seems to increase men's perception of product risk in online apparel shopping. Future studies may examine the impact of consumers' online shopping experience on their risk perceptions and the impact of risk perceptions on purchase intentions in various online shopping situations not included in the present study.

The findings in this study also provide practical implications for online retailers. Knowing consumers' perception of risks associated with online shopping, e- marketers may take various actions to make shopping online a less risky practice for more consumers. For example, online retailers may investigate male consumers' specific concerns regarding purchasing apparel products from their website and provide accurate product information. E-marketers may provide low-rate shipping and low-price guarantee to reduce perception of risk. Given that online shopping experience has a positive influence on consumers' purchase intentions in general; it will be wise for online retailers to seek to enhance consumers' shopping experience. Since all three types of risk perceptions are negatively related to consumers' purchase intentions in general, it is important for online retailers to take various measures (e.g. providing as much product information and up-to-date privacy security practice, improve the security of the website) to make online shopping a less risky practice for consumers.

### Conclusion

First, for online apparel shopping, all relationships between the variables in the proposed research model were significant except the influence of previous online apparel shopping experience on consumers' perception of privacy risk associated with online apparel shopping. However, when the relationship between online shopping experience and perception of privacy risk was examined for male respondents and female respondents separately, it was found that men, but not women, perceived higher privacy risk with increased online apparel shopping experience. It may be that men are more aware of the privacy risk and consequences of privacy risk associated with online apparel purchases as their online shopping experience increases. Another interesting finding is that, with increased online shopping experience for apparel products, men perceived more product risk, whereas women perceived less product risk. As there are more female online shoppers and women tend to spend more and shop more frequently than men in online apparel shopping, female online shoppers may be more familiar



with online shopping websites and particular apparel product brands. Thus, they perceive less product risk in online apparel shopping.

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