Conceptual Paper

The Risk Faced by Consumers in E-Retailing

Massyazwani Morad
KDU College, Penang
Department of Business, 32, Jalan Anson, 10400 Georgetown, Penang, Malaysia.
syazwaanne@yahoo.com

Saravanan Raman
Department of Business, 32, Jalan Anson, 10400 Georgetown, Penang, Malaysia.
saravanan.r@kdupg.edu.my

Abstract

In global world, internet gives a big impact to the retailer, businessman and shops to run their business through online. Online shopping is convenient, save time and offer cheaper cost to the customer. By providing online store, many customers will faced multiple issues. The purpose of the study is to identify the risk faced by consumer in E-shopping. To identify the risk that customer might face in online retail, several research paper from different author has been used to compare the issues. As recommendation, e-retailers can apply some of marketing strategy to reduce the risk and issues in online stores.

Keywords: Why do people shops online, Perceived Risk, Privacy Issue, Financial Issue, and Product Experience Issue.

1. Introduction

Marketer gain more opportunities because of the increases of globalization in world economies (Tan, 1999). Koontz and Gibson (2002) said that “Retailing is the biggest business in world”. Nowadays, internet has spread to almost all over the countries on earth and most of the people life was affected by this huge technology. Because most of people affected in this giant technology, their lifestyles tend to changed and some online aspect will be added (Khoshnampour & Nosrati, 2011). E-shopping is a method of electronic commerce for the company to run and convert their business from real market to digital market. Almost all company are doing business by using internet (Nawz & Yaqoob, 2014). Although, e-shopping was invented by Michael Aldrich in year 1990s, the research about e-shopping already took part on 1960 (Manjunatha, 2013).

2. Theoretical Background

2.1 Why do people choose to shop online?

The number of consumers buying online and the amount of people spending times in online stores has rise up (Monsuwe et al., 2004). The major reason for consumer to shops online is because it is convenience for them. Online shopping give advantages such as save time,
affordable and can shop at any time they want (Monsuwe et al., 2004). According to Lennon et al., (2008), fun, convenience and quickness become the main factors that influence the customer to shops online. In his studies, he identify about 73% people stated that convenience as their main reason to use internet service. In further, he continued to conduct the same research again and he still found convenience as important factor where 76.5% people admit that shops online is convenient. It is also support by (Sorce et al., 2005) that conveniences become the acceptable reason for consumer to shops online, especially for younger people (Sorce et al., 2005).

Some customer maybe cannot shops in actual shops due to illness or they have to travel in long distance to reach the stores. In this condition, e-shopping is the right choice for them to fulfil their shopping goal and it is also the best alternative to solve geographical distance problem (Monsuwe et al., 2004). Most of the people that stayed in rural area will also face geographical distance problem. Owing to this factor, e-shopping is more beneficial and attractive to consumers who are living in rural area (Lennon et al., 2008). Nowadays, many people have busy lifestyles. The customer such as working man and woman, do not have enough time and need to have extended working hours. As a result, online shopping becomes the best opportunity for them (Monsuwe et al., 2004).

Dennis et al (2002) found some customer said that buying good from internet can get cheaper price. As example, one of the responder chooses to shop online because it is cheaper especially when they bought a CD’s. Smith & Rupp (2003) conducted a research to most people such as family, friends, social class, age, and so on. Most of respondent in his research claimed almost all Web sites are free for anyone to browse (Smith & Rupp, 2003). In other words, customer perceived many benefit by using internet as their platform to buy goods. Retail companies communicate directly with customers offering satisfactory goods and services depend on their needs. (Turley & Chebat, 2002).

2.2 Perceived Risk

Nowadays, technological development and achievement has made Internet to be used by everyone. (Forsythe et al., 2006). However, internet has unlimited access for services and products accessible for most of the purchaser (Ko et al., 2004) and most of shoppers will perceive the risk when they purchase the product and goods in digital platform (Tsiakis, 2012). Customer often perceive higher risk in high technology shopping format, such as mail order, direct sales, mobile shopping and catalogue (Forsythe et al., 2006).

Result from a decision of future events with known probabilities is known as a risky situation. In marketing and information technology, risk has already occurred for a long time (Zheng et al., 2012). Perceived risk is known as evaluation of doubt or lack of knowledge regarding the distribution of potential result and the uncontrollability of the result accomplishment (Tsiakis, 2012). According to Sorce et al. (2005), there are two types of risk or issue that exist in online shopping. It is financial risk and product category risk (Sorce et al., 2005) but there is still another issue to be concern. It is privacy risk. Privacy is the problem or risk that might happen in e-shopping’s (Janda & Fair, 2004). According to Zheng et al., (2012), perceived risk is an amount of possible or expected dissatisfaction with the product purchase; depend on the purchasing purpose of the consumers (Zheng et al., 2012). The risk that is occurring in virtual space can affect the buyer decision making. In fact, about 75% consumers abandoned their shopping carts in online retail web before they make a decision to buy the product (Cho et al., 2006). It is also argue by Gong et. al. (2013) where he found that Chinese consumer also will leave their shopping cart before they do the payment.

2.3 Privacy Issue

Many author claims that privacy is one of the issue exist in e-shopping. Privacy is known as private and uncertainty paired with giving personal details on websites and the risk of such facts being made public (Lu et al., 2013) including the retailer illegally sharing consumers
personal information and the customer received unwanted contact from the e-retailer (Lu et al., 2013). While, Culnan (2000) that are cited in (Janda & Fair, 2004) defined information privacy as the abilities to affect or control the way in which their personal details is used and reveal. Furthermore, Internet privacy scam causes by violation of information. The number of violation on customer information privacy are increases, it is because internet allowed retailers to collect customer information when every time the customer visit the website to purchase the product (Janda & Fair, 2004).

Cookies become the major of privacy issue which get attention from most of the lawmakers (Janda & Fair, 2004). Such as, the Bankruptcy lawyer will able to view customer database as valuable asset when the e-retailers stop run their business even though the customer data information was keep or collected under privacy promise (Moores & Dhillon, 2003). A date stored in a form of text file in the computer and was created by the web server is called ‘Cookies’ (Parsons & Oja, 2011). It allows the retailer identify the user of the website, focus advertisement for future visit and creating the customized greetings. It is also used by most of the marketer to get information about the customer internet habit and identifying the customer location (Janda & Fair, 2004). This is unethical practices, because some of the customer information has high possibilities to be sold to other retailer for them to create more personal customer profile (Janda & Fair, 2004). Zheng et al., (2012) argued that once the customer give credit card number while he or she using internet, the cookies allowed customer personal data information from credit card will be collected by retailers without their knowledge (Zheng et al., 2012).

Internet creates so many issues on privacy. Customers are worried about unwanted disclosure of personal information, or misuse of their personal details therefore invading their privacy (Mohammed, 2014). It is also claim by (Janda & Fair, 2004) that majority of online customers are concerned about conveying their personal information to business via internet. Usually, customers wish to avoid telemarketing and avoiding spam because it leads to supplying the customer contact decision to the retailers. As result, most of retailers make a promise that they would not use consumer information for their own purpose (Jagtap, 2013). Although there are laws and enforcement regarding consumers privacy (Jagtap, 2013), laws regarding internet privacy is still lacking at this time (Janda & Fair, 2004). The Bankruptcy lawyer will able to view customer database as valuable asset when the e-retailers stop run their business even though the customer data information was keep or collected under privacy promise (Moores & Dhillon, 2003).

Privacy online scam is not just occurred in digital platform, brick and mortar store also has possibility of privacy issues. Such as, some company may asking the customer phone number and address at checkout (Jagtap, 2013). It is good to paying cash compare paying the product with credit card. Because, most of larger retailers get consumers address information that was encoded from consumer’s credit card and add them to their mailing list. Most of the time, customer did not notice that their privacy information in credit card has been used (Jagtap, 2013).

2.4 Financial Issue

High financial risk is a situation where there is a huge concern about the safety of customers’ financial information online (Sorce et al., 2005). Hart et al., (2000) claim that online shopping environment has lack of human interaction compare to traditional method of shopping experience. As a result, many internet thieves occur today to steal credit card information. There are many types of credit card such as MasterCard, Discover, American express and Visa (Collier, 2013). When only few users used credit, it raises ethical issues (Dennis et al., 2002). Credit card fraud is one of the financial issues faced by buyer in online shopping. Fraud is identified as unethical activities which involve service, goods and money (Tan, 1999). The problem of credit card issue is growing over the world.
Dhok (2010), stated that most Great Britain and Germany people is online shopper, and credit card are the main choices for them to do transaction (Srivastava et al., 2008). As the growth of online space in retail activity is increase, many business starts to moving online (Wilson, 2012). Nowadays, credit card become the most acceptable payment style for online shopper in developing country and developed country (Khan et al., 2014). Because of online transaction has increase, the chance for attacker to transaction scam also increases (Khan et al., 2014).

Credit card scam known as criminal dishonestly (Delamaire et al., 2009). There are many debates focus on credit-card number being stolen (DelVecchio et al., 2002). Credit card scam may occur in many ways, such as home loans, personal loan and from retail store (Delamaire et al., 2009). Many of online buyer concern about the possibility of their card number being stolen by hacker and cracker (Smith & Rupp, 2003). Dai et al (2014), identify that financial risk has give negative impact on shopper intention in online shopping. About 75 percent online shoppers report about their worried of issues regarding their personal and credit card detail that they have to gave just to complete online transaction (Dai et al., 2014).

Actually, there is many ways where the hacker and cracker can trace customer information (Smith & Rupp, 2003). In process of online payment, some important information data in credit card such as secure number, the number written on credit card and expired date of credit card are necessary to make the payment (Dhok, 2012). Credit card hacker and cracker just need to know the detail of the card to make fraudulent transaction. Usually, the card holder or customer does not aware that somebody has stolen his or her credit card information (Dhok, 2012). In most of credit card fraud cases, DelVecchio et al (2002) argued when credit card information being stolen online, the consumer does not just facing financial looses. This will create panic and customer will be worried and then experience psychological lost (DelVecchio et al., 2002).

Some researcher might argue that financial risk is more risky for online and some also argued that financial risk is more dangerous in traditional stores. Many authors have different thoughts between accepting the tangible credit card and intangible credit card. According to Smith and Rupp (2003) mention in his journal, transaction using credit card in online store is consider as safe transaction to customer. It is because, many people would accidently leaving their credit card on sales counter after payment. By doing shopping online this problem might be handle safely (Smith & Rupp, 2003). In contrast, Miller (2008) says that between accepting the physical credit cards and virtual credit card in retail. The virtual credit card is much more risky.

2.5 Product Experience

Shopping experience is a special kind of familiarity, influenced by reason, motivations and prediction of the activity (Demangeot & Broderick, 2006). Consumer experience on online shopping tend to increase, it is because of the intention of online shopping is higher (Mohammed, 2014). Some author claims that the product experience is valuable and most of author claim that many customer feel dissatisfied with their product experience. Product experience is very importance and valued by consumer more than the product marketing information itself because it is memorable, was remembered by customers and can be easily understood by the customer (Demangeot & Broderick, 2006). But, the rapid growth of technology in direct marketing today causes of product risk occurs in e-stores (Tan, 1999).

Even though, internet become the most acceptable platform to do shopping and most of the consumer argued internet shopping is convenient. The shopping experience in e-shopping cannot replace traditional retail environment (Janda & Fair, 2004). The degree of arousal and pleasure experience that the consumer will feel will be different (Menon & Kahn, 2002). Hence, purchaser will feel scared if the product that they order online will be different from what they see in email (Janda & Fair, 2004). If the product that they received is not the same, they may
experience the frustration (Cho et al., 2006). In fact, the research done by (Cho et al., 2006) found that 36% of online customer reported being dissatisfied with online shopping.

In mobile internet shopping, Cox and rich (1968) cited in (Tan, 1999) argued that customer scared if the product could not meet their expectation is the reason why customer not choose to shops by using mobile phone. Javadi et al., (2000), stated that consumer prefer to buy the goods which does not need physical inspection. It is because the customers do not have opportunity to examine the product before they purchase it (Tan, 1999) and they cannot return the product after the purchased (Cho et al., 2006). Many customers scared that their purchase decision might be wrong because it is not possible that the customer will regret in future with the purchase decision that they made (Cho et al., 2006). The risk such as purchase wrong product might influence the buyer decision making process when shops online (Ko et al., 2004). Many people use internet tools just to view the product specification and compare the prices but would not buy the product which they do not touch and see (Lennon et al., 2008). For example, when customer wanted to buy clothes online, they would not be able to touch the quality of the fabrics. Hence, the goods were not as what was displayed on screen (Dennis et al., 2002). For them, to purchase the goods, they prefer the product in brick and mortar environment where they can experience it with much more pleasure and reliable (Dennis et al., 2002).

Internet also providing service to the customer and it is playing important role especially in service delivery. Some of researcher trying to identify the issue that e-shopper might face from e-retailer on service delivery. So far the researcher successful identify that service delivery on online store also consist of failure (Holloway & Beatty, 2003). The service problem in e-shopping is, e-retailers took so many times to delivery products to the customer house. Mostly the delivery time for retailer to deliver the product is just in between 2 days and 30 minutes (Lin et al., 2011).

3. **Recommendation**

Hazel (1996) that cited in (Hart et al., 2000) stated that internet offered a supporting platform in existing marketing activity. Due to increase number of issue, many retailers can reduce perceived risk by using several marketing strategies such as store image, brand loyalty and word-of-mouth (Tsiakis, 2012). This factor can be use to let the people starts buying the product (Javadi et al., 2012).

Customer will consider the risk that they should take before they purchase a product or goods from online retailers (Javadi et al., 2012). Through product experience, customer has lack of trust on product that they might get after purchase. Company that offer online shopping want to reduce this problem. The company have to build more trust because according to Lennon et al., (2008) the trust concern on internet is needed, especially credit card attractive and financial transaction (Lennon et al., 2008). Trust is known as believing in something that is true and was a control method to monitor performance which was treated as risk and it control problem in marketing discipline (Karayanni, 2003). Even though many company provide security promises, customer still distrust with credit card payment system through online (Fernie, 2000). The company can use SSL protocol which is more familiar with customer. SSL protocol is “Secure Sockets Layer” (Dong & Chen, 2012) which can help company to solve financial issue and it is also motivating people trust on online shopping (Javadi et al., 2012).

In other hand, when the customer facing product issue, the customer maybe face problem that the product would not satisfy their needs. Therefore, author such as (Javadi et al., 2012) suggest e-retailers should provide the insurance for e-buyer. Other than that, some of the retail also can provide contact details and company address (Huseynov & Yildirim, 2014) and detail product information to reduce the anxiety of customer feeling (Huang et al., 2004). Besides, e-retailers also can provide the website which is user friendly for all customers. By doing this, online retailers can persuade consumer to spend more time on the website to comparing the product price and product specifications (Huang et al., 2004).
4. **Findings and Limitation**

In the research found that, there are two different things that have been identify in most of the journal. It is perceived benefit and perceived risk. Perceived benefit means what did the customer's are hoping to gain from online shopping. Whereas, perceived risks means potential lost that the customer might experience from shopping online (Forsythe et al., 2006) such as financial risk, product risk and privacy risk (Dai et al., 2014). Lennon et al (2008) found that internet shopping cannot replace the traditional mode of shopping because lack of human interaction which people cannot socialize. So, there will be no face-to-face transaction and communication.

There are limitations of online shopping. First, is regarding on experience by the customer. When the customers want to purchase goods on internet such as food, clothes and home-furnish product, the customer that have experience had positive attitudes compare to customer do not have any experience on internet at all (Lennon et al., 2008). Second, skill is one of the factors that become a limitation for the customer to shops online. Such as, the consumers that have skill on internet shopping or know how to do transaction in online shopping are tend to shops online with pleasure. Compare to consumers that do not have skill to use technology to shops online will have problem and maybe will not attracted to purchase good in e-retail (Mohammed, 2014).

5. **Conclusion**

In conclusion, there is many problem or issue that consumer face when they buy online, especially on financial risk, product experience risk and privacy risk. The reason why the consumers do not want to shop online is actually is because consumer feeling scared of product scam, financial scam and information data being stolen. Although shopping online is convenient, save time, save cost and helpful, this opinion cannot apply to most of the customer because online is still consider as shopping in virtual world which lack of face-to-face interaction. Marketing strategy such as creating user friendly website, spread word-of-mouth, providing insurance maybe can increase the number of people to shops online and handle perceived risk factor. Besides, the e-retailer also needs focus on consumer trust level.

**Reference**


