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A Study on Consumers Perceived Risk in Online Shopping in Madurai City

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Abstract

Utilizing the internet as a marketing platform has become increasingly popular among companies, presenting an unconventional avenue for reaching consumers. Perceived risk serves as a crucial indicator in comprehending consumer behavior, as individuals are often more driven to evade potential losses than to maximize successful purchases. This underscores the significance of understanding consumers' perceived risk, particularly for managerial decision-making. Online shopping, characterized by its convenience and the expansive product offerings at one's fingertips, has become a prevalent method of commerce. Mobile commerce (m-commerce) extends this convenience, referring to purchases made through an online retailer's mobile-optimized site or app. Additionally, when businesses engage in online transactions with other businesses, it falls under the category of business-to-business (B2B) online shopping. This study, conducted in Madurai City, involves the collection of 50 samples to examine consumers' perceived risk in online shopping. The primary objectives include identifying various categories of perceived risks, analyzing the diverse risks associated with online shopping, and understanding consumers' risk perceptions in this context. The analysis of perceived risk contributes to enhancing marketing efficiency, underscoring the pivotal importance of studying consumers' perceived risk in the realm of online shopping.

Keywords: Online Shopping, Perceived Risk, Marketing Efficiency, Purchasing Decision, Financial Risk

Introduction

In an era marked by heightened global interconnectedness, marketers are presented with unprecedented opportunities. The rapid integration of the world economies has prompted businesses to embrace the internet as a cost-effective avenue for conducting marketing activities. Amid this digital transformation, online shopping has emerged as a dynamic and expanding facet of technology. Establishing an online store empowers retailers to broaden their market, connecting with consumers who might not frequent physical stores. This paradigm shift, referred to as business-to-consumer (B2C) online shopping, involves consumers directly purchasing goods and services from sellers over the internet using web browsers.

Statement of the Problem

In our modern world, the relentless pace of life has led people to turn to online shopping for its convenience. India, positioned as the third-largest internet user globally, boasts over 121 million internet users, with a significant portion opting for online purchases. As online shopping gains popularity, it becomes imperative to delve into consumers' perceived risks, especially in the context of Madurai City. Recognizing consumers' perceived risks in online shopping is crucial within the marketing landscape.

Objectives of the Study

- Identify various types of consumers' perceived risks in online shopping.
- Analyze the diverse risks associated with online shopping.
- Understand consumers' risk perception towards online shopping.
- Gain insights into consumers' behaviour in the realm of online shopping.

Significance of the Study

This study holds managerial significance by illuminating the importance of understanding consumers' risk perception and associated risks in the realm of internet shopping. For marketers, awareness of risk perception attributes is pivotal, as consumers' perceived risk levels play a decisive role in internet purchasing. This analysis enhances marketing efficiency, underscoring the crucial importance of studying consumers' perceived risks in online shopping.

Research Methodology

Research methodology serves as a systematic approach to solving research problems. In this study, the research design, data sources, and statistical tools are outlined.

Sample Design

The study utilizes a sample design, a defined plan for extracting a sample from a given population.

Sample Method

Convenience sampling is employed to draw a sample, with a total sample size of 50 participants.

Area of the Study

The study focuses on online shopping customers in Madurai City.

Sources of Data

Primary data, collected through a Likert scale questionnaire, provide firsthand information. Secondary data are derived from journals, magazines, academic books, and internet sources.

Statistical Tools Used

The study employs percentage analysis, ranking methods, and a five-point Likert scale for comprehensive analysis.

Limitations of the Study

- The study's exclusion of certain variables related to internet perceived risk.
- The small sample size and localized respondents may limit the study's representativeness.
- The study's time constraints restrict a more comprehensive examination.
- The time period for the study is limited to conduct a comprehensive study.

Data Analysis and Interpretation

Table 1 Reasons for Online Shopping

Reason	No. of Respondents	Percentage
Door step delivery	5	10
Low price	7	14
Time saving	14	28
Wide variety of brand choice	2	4
Getting latest product	12	24
Convenience	10	20
Total	50	100

Source: Primary Data

Interpretation

The table indicates that the primary motivator for online shopping is time-saving, with 28% of customers preferring it for this reason. Following closely, 24% opt for online shopping to access the latest products, while 14% cite low prices as a driving factor.

Ranking Method

Table 2 Ranking on the Basis of the Grand Mean Score of Different Perceived Risk

Risk	Mean	Rank
Financial Risk	12.06	1
Product Risk	11.38	3
Time/Convenience Risk	12.04	2
Delivery Risk	11.22	4

Source: Primary Data

Interpretation

Financial risk emerges as the most significant concern for online shoppers, with a grand mean score of 12.06, ranking first. Time/convenience risk follows closely as the second most important, while product risk is the third. Delivery risk is perceived as the least significant problem.

Online Shopping Experience

Table 3 Ranking on the Basis of the Grand Mean Score of Different Perceived Risk

No. of respondents		Percentage	Cumulative
Highly satisfied	21	42	42
Satisfied	11	22	64
Average	8	16	80
Dissatisfied	5	10	90
Highly dissatisfied	5	10	100
Total	50	100	

Source: Primary Data

Interpretation

The table illustrates that 42% of users are highly satisfied with their online shopping experience. However, 10% express dissatisfaction, indicating room for improvement.

Table 4 Showing the Overall Delivery Risk

Valid	Receiving Wrong Products	Good Arriving Damaged	Non Delivery	Send to the Wrong Place	Total	%
Strongly Agree	2	1	5	1	9	4.5
Agree	7	8	8	5	28	14
Neutral	20	5	21	19	65	32.5
Disagree	10	23	10	14	57	28.5
Strongly Disagree	11	13	6	11	41	20.5
Total	50	50	50	50	200	100

Source: Primary Data

Interpretation

32.5% of respondents are neutral about delivery risks, while 28.5% disagree. This suggests that, overall, delivery risk is relatively low in the context of online shopping.

Findings of the Study

- The primary motivators for online shopping are time-saving and access to the latest products.
- Financial risk is identified as the most significant concern, followed by time/convenience risk, while delivery risk is perceived as the least critical.
- 42% of users express high satisfaction with their online shopping experience.
- Overall, delivery risk appears to be low, with the majority of respondents expressing neutral or disagreeing views.

Suggestions

- Ensure the supply of quality products online.
- Provide after-sale services, such as guarantees and warranties.
- Timely delivery is crucial for customer satisfaction.
- Provide accurate and continuous product information.
- Enhance security measures for credit card information.
- Focus on delivering good services to build a positive online shopping experience.
- Consider implementing a money-back guarantee for faulty products.

Conclusion

This study emphasizes the perceived risks in online shopping, highlighting the importance of addressing financial and time/convenience risks. It concludes that young consumers are more susceptible to online marketing, and products catering to standardized and trendy preferences are in high demand. The identified dimensions of consumers' perceived risk-financial, product, time/convenience, and delivery-underscore the complex landscape of online shopping. While financial risk emerges as a primary concern, the study emphasizes the need for targeted strategies to mitigate these risks and enhance the overall online shopping experience.

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