

STUDY OF IMPACT OF PERCEIVED RISK ON ONLINE IMPULSE BUYING TENDENCY IN THE CONSUMER MARKET OF INDIA

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ABSTRACT

The purpose of this paper was to investigate influence of perceived chance (financial chance, product chance, convenience chance and non-delivery chance) on online impulse buying tendency. Web-based survey was conducted for data collection using online questionnaire distributed through stratified random sampling technique from online consumers of India. A total of 200 valid responses were gathered and the data was analyzed by using SPSS software and demographic statistics, correlation and regression tests. The proposed hypotheses were confirmed through data analysis results. Overall perceived chance, financial chance and product chance were found to have a moderately negative association with online impulse buying tendency whereas convenience chance and non-delivery chance had negative but weaker association with online impulse buying tendency.

Keywords: *Online buying tendency, perceived chance, product chance, financial chance, convenience chance, non-delivery chance, online consumer behavior.*

I. INTRODUCTION

The success of ecommerce has paved ways for elaborative research to understand consumer behavior in online context. Marketing philosophers and practitioners are interested in gaining insights to all factors that influence online purchasing and how these shopping patterns are formed. The most influential aspect that encourages consumers to buy their desired products online is convenience, since online stores are operational 24/7 and it is easier to compare products offered by numerous sellers worldwide. As compared to traditional shopping, consumers do not have to face issues like store location and product availability while shopping online. The advantages offered by online shopping are favoring consumers but quite often they encourage impulsiveness in online decision making which is beneficial for vendors. Ecommerce is growing at rapid pace which makes a deeper understanding of impulse purchasing over the internet progressively significant. Impulsive purchasing behavior is generally referred to as a rapid, persuasive and hedonically complex buying behavior that does not involve thoughtful consideration of alternate choices and existing information. Significant research studies have been conducted on factors influencing impulse buying in traditional stores, however, from the perspective of online stores; the research on this important construct has been limited. The phenomenon of online impulse buying behavior has gained popularity in recent times since researchers are actively exploring new dimensions of consumer behavior that affect impulse buying in online context. Consumers are more likely to overspend money while shopping online due to special attributes associated to virtual transactions thus merchants are often able to generate high profits as a result of online impulse buying behavior of their consumers. The tendency to buy impulsively turns out to be a very strong predictor that encourages impulse buying behavior. Impulse buying tendency can be defined

as the extent to which a person is likely to make instantaneous, unintentional and unreflective purchase. Buying impulsive tendency is not only a basic human trait, but it also varies from person to person. There can be several aspects that hinder the impulse buying tendency to turn into actual purchase behavior; one of them is the chance perception by consumer while shopping online. The chance perception in any form including fear of getting personal information getting leaked out, not being able to examine the product physically, not getting physical exposure to the outlet and the chance of not getting exactly same product as displayed on the virtual store might significantly affect the purchasing behavior of online consumers. Although, a comprehensive understanding of how perceived chance influences impulse buying tendency in online context is essential for marketers to gain competitive advantage, literature pertaining to this domain is scarce. The present study attempts to fill out this gap in literature by investigating the relationship between perceived chance and online impulse buying tendency from the perspective of a developing country, India. The current study is of significant importance since it specifically focuses on impulse buying tendency instead of impulse buying behavior and that too in online context, contrary to most of previous studies that have targeted impulse buying behavior in traditional and online shopping. This paper begins with a review of literature on online impulse buying tendency and perceived chance.

II. LITERATURE REVIEW

Online impulse buying tendency

Rook and Fisher identified impulse buying tendency to be a basic characteristic of consumers. This phenomenon has been comprehensively defined as “a consumer’s tendency to buy spontaneously, unreflectively, immediately, and kinetically”. Impulse buying tendency is a strong predictor of actual purchase behavior and as this tendency increases, the likelihood of consumers indulging into impulse buying behavior also increases. The motivation behind consideration of impulse buying tendency instead of impulse buying behavior for the purpose of this research is that tendency to buy impulsively is a representation of how different consumers think and act distinctly in an identifiable manner. The reaction in response to a sudden impulse to buy is very strong by some people while others don’t react at all. Those with a high inclination towards sudden impulse have openness towards unanticipated purchasing ideas and quite often find instant delight and emotional attraction towards the product. Although, this makes it pretty simple to understand that consumers with high level of impulse buying tendency will positively respond to buying impulses, this relationship is not straight forward since several factors might restrain this tendency to turn into actual behavior. In other words, even the consumers with high impulse buying tendency might not be showing impulse buying behavior all the times due to numerous factors like time pressure, economic feasibility and social influence. There is a positive association of impulse buying tendency with lack of control, stress reaction and absorption. Cultural values are observed to have a significant influence over buying impulsive tendency since this tendency has a stringer linkage with impulse behavior in individualistic culture as compared to collectivistic culture. Impulse buying tendency is found to have a strong correlation with age and availability of pocket money. Impulse buying exists over the internet as well; however the tendency to buy impulsively might be somewhat different in online context as compared to conventional stores due to special traits accompanying online shopping. For example, chance perception about the product is very different while shopping online than traditional shopping. Prior studies on impulse buying tendency have primarily focused on factors that are positively associated with buying impulsive tendency, developed countries and offline context. In the present study, focus is on factors that might hinder tendency to buy impulsively online from the perspective of a developing country in an attempt to contribute towards consumer behavior literature.

Perceived Chance

Perceived chance can be explained as consumer's consciousness of insecurity and contradictory consequences as a result of buying a product or service. Peter and Tarpey defined it as "The probability that the purchase of the product will result in the displeasure of the consumer". There are more chances and suspicions associated with online shopping than offline context. There are different components of chance perception but for the purpose of current study financial chance, product chance, convenience chance and non-delivery chance have been considered as dimensions of chance perception for a comprehensive understanding. The perceived chance is found to negatively influence consumer's online shopping intentions whereas lower level of chance perception leads to preference of online shopping. It is hypothesized that overall perceived chance has a negative relationship with online impulse buying tendency.

Financial Chance

The probability of suffering monetary loss as a result of purchasing a product or service is termed as financial chance. Online consumers are concerned about their credit card information getting leaked out. They might get over charged by the vendors. Financial chance also refers to probability of not getting the lowest possible price for the selected product from a particular online store. Previous studies have identified a negative relationship between financial chance and intention to purchase online. It is therefore hypothesized that perceiving financial chance has a negative linkage with online impulse buying tendency.

Product Chance

Peter and Tarpey explained product chance as the likelihood that the chosen product will fail to meet the formerly anticipated requirements. Online consumers might be doubtful about whether or not they will be delivered exactly the same product as displayed on the online store or it might not come up to their expectations. Higher the intangibility of the product, greater will be the chance perception. Frequency of online shopping is significantly influenced by perceived product chance. For certain product categories, the level of insecurity negatively affects the buyer's intention to make a purchase decision online. The review of literature suggests that a negative relationship between product chance and online impulse buying tendency can be hypothesized.

Convenience Chance

The potential loss of time while searching, comparing and buying products online is described as convenience or time chance. Convenience chance can be referred to as loss of time taken by the website pages to download which can be irritating for online consumers and it is also explained as difficulty in operating the website that might be caused due to an online store which is difficult to navigate or provides ambiguous information about the products. Although, perceived convenience chance does not have a stronger influence over online purchase behavior as compared to other dimensions of perceived chance such as financial and product chance, still it has a considerable impact over adoption to e-commerce. It can be hypothesized that perceived convenience chance has a negative relationship with online tendency to buy impulsively.

Non-delivery chance

The probability of not getting the product after completing online transaction and making payment to the online store is described as non-delivery chance. Consumers quite often find uncertainty while dealing with relatively new online merchants while making payments due to chance that vendors will not deliver the product to them. Few studies in the domain of online consumer behavior have found a significant and negative influence of non-delivery chance over online buying behavior. Based on previous findings, it is hypothesized that perceiving non-delivery chance has a negative influence over online impulse buying tendency.

III. METHODOLOGY

Conceptual Framework

The proposed conceptual framework for present study comprises of four independent and one dependent variable. The four independent variables are dimensions of perceived chance which are financial chance, product chance, convenience chance and non-delivery chance. All these dimensions add up to give a combined effect of overall perceived chance. The only dependent variable in the framework is online impulse buying tendency (Figure 1).

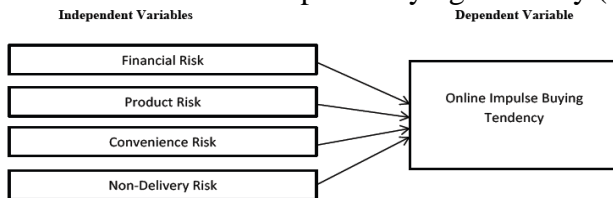


Figure 1: Conceptual Framework.

Instrument and Measurement

For the purpose of data collection, an online questionnaire with 25 questions was prepared using scales for measuring selected variables adapted from reliable and validated sources. Three questions were related to demographic information like age, gender and qualification. One question was intentionally added to ensure that respondents had prior online shopping experience. 21 questions were adapted from established scales to measure independent and dependent variables.

Consumer-generated Advertising

It is advertising on consumer generated media. This term is generally used to refer to sponsored content on blogs, wikis, forums, social networking web sites and individual web sites. This sponsored content is also known as sponsored posts, paid posts or sponsored reviews. The content includes links that point to the home page or specific product pages of the website of the sponsor. Examples include Diet Coke and Mentos videos, the I've Got a Crush on Obama video, and Star Wars fan films. Companies that have employed consumer-generated ads include Subaru North America, McDonalds, Rose Parade, and Toyota North America. The practice of consumer-generated marketing has been in use for several years with the emergence of communal forms of information sharing including weblogs, online message boards, podcasts, interactive broadband TV, and other new media that has been adopted by consumers at the grass roots level to establish community forums for discussing their customer experiences. Consumer-generated marketing is not the same as viral marketing or word of mouth advertising, however, the result of it achieves a high level of publicity within high relevance communities. These communities are extremely critical to the success of a brand, and normally follow the 80/20 rule, where 20% of the brand's customers account for 80% of its sales. The very act of reaching out to consumers to invite them in as co-collaborators and co-creatives, is a fundamental component of the marketing campaign. The construct naturally lends itself to other consumer-marketing activities, like "communal branding" and "communal research."

IV. DECODING DIGITAL CONSUMERS IN INDIA

This is the first of two publications on the impact of digital technologies on consumer behavior in two of the world's largest and fastest-growing consumer markets India and China. Each piece goes behind the simple headline trends-massive growth in online activity and rapidly spreading e-commerce, for example to examine in detail how different types of digital consumers actually behave online, what drives this behavior, how the behavior shapes consumption, and what these factors mean for companies that want to engage digital consumers.

Even though widespread internet usage is still a relatively recent phenomenon in India, most observers agree that it is changing everything social relationships, shopping habits, even societal norms. Often overlooked, however, are India's extraordinary diversity and the fact that no technology, no matter how powerful or pervasive, will affect each of the country's 1 billion consumers of whom 50% will soon be online in the same way. A recent study by BCG's Center for Customer Insight examined the changing behavior of Indian consumers across more than 50 product categories through questionnaires and interviews with more than 10,000 consumers in 30 locations nationwide. As part of this research, BCG arranged to track the online activity of a subset of 35 consumers, chosen for their diversity in terms of age, location (including both urban and rural residents), income, and gender. For five weeks we monitored all of their online doings, including their spending, online and offline, across multiple categories. We supplemented these observations with in-depth interviews to gain insights into the role of the internet in each consumer's life and to fully understand the decisions each made at various points-and in various product categories-along the pathway to purchase. Our goal was to delve beneath the typical research data-consumers' memories of their online actions-to capture exactly what individuals did, where and when they did it, and the reasons why. The results paint a much more detailed and nuanced portrait of digital's impact on Indian consumers than has been available to date. They provide insights that challenge conventional views about online behavior and shed light on some blind spots. The findings also point to new ways that companies should think about their marketing strategies and business models (both online and offline) to address the changes taking place.

V. SOCIAL MEDIA MARKETING

Social media will become an effective tool in the hands of discerning advertisers. Facebook in its promotional posts and offers last year, allow marketing within the mobile environment, which is where the majority of users access Facebook. Promoted posts provide businesses with the ability to push a post out to not only fans, but 'likers' of fans, increasing the reach dramatically. Offers allow businesses to present advertised offers which spread virally as people "accept" the offer acting as brand advocates for your brand by pushing this to their friends. This is really only the tip of the iceberg. Social media is projected to ramp up its revenue generating activities.

Pinterest has seen massive growth and drives more traffic to business websites than YouTube, LinkedIn and Google + combined. It's been a quiet achiever when it comes to businesses, as businesses discover ways they can harness this opportunity. For ecommerce sites, the opportunity is obvious as posting images of products, listing prices and including a URL to the site works well. For other businesses, it's about thinking strategically with regards to imagery that could help support the brand e.g. home builders showing interior shots of their homes, restaurants posting food images and so on. Conclusion With the increased adoption and fission of the Internet, World Wide Web is becoming gradually a standard advertisement platform. The Web is offering business advertisement world with more rich media tools, interactive services, and global reach. The need is to understand the target consumers and then strategize wisely in order to gain maximum out of this new medium. The actual impact of advertising is hard to track and quantify for both mass media and the Internet, although interactive technology presents new possibilities for the entire advertising industry. In the case of mass media, there are companies that measure the size of the audience per commercial message, for instance Nielson TV and radio ratings, and efforts are underway to further evaluate the economic impacts of advertising by correlating advertising and an increase in sales. But broadcast advertising is fundamentally inefficient because of its redundancy. It sends messages regardless of whether people are interested, receptive, or relevant to the product. In comparison, selecting an audience and verifying the

number of people who received a message is relatively easy on the Internet. However, the advertiser still does not know whether the receiver actually read the message or not. Refined measures and methods are being proposed for the Internet. Proctor & Gamble, for example, limits payment for its ads on the Yahoo! Search engine to the number of people who actually request more information by clicking on their advertisement rather than paying based on the number of Yahoo! customers to whom its advertisement is presented on their search pages. This is in contrast with the traditional method of measuring viewer-ship, and payment—based on "eyeballs," equivalent to the number of connections to Yahoo!. As more and more sellers begin to doubt the effectiveness of broadcast advertising on the Internet that simply flashes banner advertisements, have to rely on different revenue sources. As a result, there will be reduced outlets for broadcast-based advertising in the future. An alternative is targeted advertising.

VI. DISCUSSIONS

The present study was one of the rare efforts to highlight an important attribute of consumer behavior that is online impulse buying tendency from the context of developing economies. Although lack of prior literature in the similar domain makes it difficult to compare results of this research with previous findings, it can be linked to some previous researches on online consumer behavior with respect to chance perception. Few researches on online consumer behavior have identified a negative and strong influence of chance perception on intention of online purchasing. However, this study has identified a moderate negative association between chance perception and online impulse buying tendency. More research work needs to be carried out in developing and developed countries for a comprehensive understanding of how chance perception affects online consumer behavior and more specifically their tendency to buy impulsively.

VII. CONCLUSION

The paper is among few attempts to study online impulse buying tendency from the perspective of a developing country. Prior literature lacks a comprehensive investigation of the relationship between perceived chance and online impulse buying tendency in Indians consumer market. The present study has contributed to existing body of knowledge by focusing on impulse buying tendency only in online context. The phenomenon of online shopping has gained popularity in India in recent times. Being a developing economy with low literacy rate, there are lots of reservations linked with online consumer behavior in India and one of them is chance perception. The present study has identified few important factors like financial chance and product chance that have a relatively stronger influence over online impulsive tendency of consumers in India. Marketers should try to convince and build trust among their consumers that they will be getting exactly the same product as displayed on their online stores and it will come up their expectations as well. This can be done by adding testimonials, reviews and comments from previous buyers related to online store and product quality. Also navigation on website and comparing prices for the products should be made feasible for consumers so that their chance perception can be minimized. Online consumers in India are generally reluctant to give out their credit card information to online merchants; therefore online vendors should offer different payments options such as cash on delivery so that their perception of online fraud due to credit card misuse can be minimized. Some online shopping websites in India are already offering multiple payment options to their clients. Although, non-delivery chance is found to have least influence over online impulse buying tendency, online vendors should focus timely delivery to ensure competitive advantage. Impulse buying tendency is more likely to turn into impulse buying behavior which is beneficial for merchants so efforts should be made to minimize the chances associated with online transactions.

VIII. LIMITATIONS AND DIRECTIONS FOR FUTURE RESEARCH

The findings of the present study suggest that there is almost 50% reduction in online impulse buying tendency due to chance perception. Future studies should investigate those mysterious factors that cause the other 50% variation. The study is limited to India only with sample size of 200 respondents due to time and budget constraints, similar research can be repeated in other cultures with a greater sample size to get more generalized outcomes. The present study has considered limited dimensions for perceived chance, future studies might consider adding other dimensions of perceived chance along with existing ones for better and comprehensive analysis of influence of perceived chance on online impulse buying tendency. The study is not industry specific, further studies in a particular industry might produce more precise outcomes.

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