Factors affecting online shopping behavior of consumers in Pakistan

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Abstract

Online shopping trend is very popular now days. This process requires a medium for buying goods and services that is internet. There are many factors that can influence consumer’s online buying behavior. These factors may vary from individual to individual. Financial risk, product risk, Convenience, Non-delivery risk and return policies are key factors discussed in this study. Risk of losing money and financial details has depressing effect on online shopping behavior. Product and convenience risk are essential and considerable risk issues for not shopping online.

Key words: Online shopping, Consumer behavior, Pakistan

Introduction

The new method of electronic commerce is the “s-commerce”. S-commerce is called social commerce. Social commerce contains social media or online media. It maintains the social collaboration and customer’s involvement which helps online purchasing and vending of the products and the services(Shen and Eder 2012). The online shopping behavior is also called the “online buying behavior”. This is the process of buying goods and services through a medium which is an internet. This is the modern way to shop than a traditional way. It consists of some steps(Liang and Lai 2000). These are the some steps which are used for online shopping than the traditional way.

- Search for the need-based information
- Evaluating alternatives
- Choose one that best fits criteria
- Transaction is processed(Li and Zhang 2002)

The social commerce contains customer’s assessments and evaluations. It also includes customer’s recommendations and the referrals as well as various collective shopping tools, opportunities, communities and optimization of the social media with advertising(Qiu and Benbasat 2009). At the present time, a lot of individuals have created their personal accounts in social-media platforms such as Facebook, Twitter, LinkedIn, Google+ and many others for the purpose of social communication. These social networking sites are used as a source of information by consumers or customers. The consumers use social networking sites for the purpose of information about corporations, brands, products, services and many others(Zhou, Zhang et al. 2013). The earlier studies disclose that consumer and customer knowledge, involvements and understandings are positively and clearly related with the brand attitude, choice and equity(Berry 2000). The earlier studies show that customer’s knowledge about online shopping have a vital influence on brands choice and consumers attitude. Social networking sites offer divers standards, principles and ethics for improved brand equity as well as word-of-mouth communications, business framework information sharing and engendering consumer’s social care(Ballantine and Stephenson 2011). The earlier studies and researches scrutinized a lot of factors that effects on online shopping and consumer’s behavior and attitude. The risks are the factors such as financial, product, convenience and non-delivery risks(Chen 2009). To meet our research’s desired objectives, first, there is a
literature review on online shopping and its factors which effects on consumer’s attitude. These are followed by a summary of the methodological approach. Then result of study is reported.

Literature Review

Online shopping & stores:

Online stores have many advantages over physical stores. They are appropriate and time saving and no more wandering and waiting in long lines is required. They are available anytime and anywhere. These stores offer consumers with free and rich product information and services. They have many online tools to help consumers match and make purchase choices among several products and services (Moshrefjavadi, Dolatabadi et al. 2012).

Financial Risk:

Risk creates valuable part in the decision of online purchasing. The main point is about insecurity which leads the high negative perspective in web purchasing (Barnes, Bauer et al. 2007). The decision of online shopping comprises many risks. The risk creates many problems only when the result of online shopping is not sure (Pollatsek and Tversky 1970). Financial risk occurs at very first stage of online shopping after order placing. Before purchasing and post purchasing also includes the prescribed risks (Zeithaml, Bitner et al. 2006). The risk depends upon the purchasing type. Each product contains separate risks (Guseman 1981). These risks include no standard of products and no warranties etc. (Cunningham, Gerlach et al. 2005). The financial risk between the online customers is that it reluctance the use of credit or debit card information over the internet which creates a lot of problems. So by seeing this factor the online customers avoid to e-commerce (Hoffman, Novak et al. 1999). In short there are different views of different authors about the concept of financial risks but it is a bitter truth that it contains such associations with online risk.

Product Risks:

The products risk also called the performance risk. The performance risks can be defined as, the chances of the failure of products to meet its user’s requirements. This is only the way why consumers do not shop online (Peter and Tarpey Sr 1975). Product risks include many categories of product failure among users. These categories include physically examination of a product as well as product attributes (Alreck and Settle 2002). This risk also includes the financial damage of a product as well as loss of goods from initial stage to final stage. The main reason to think is that it may be fraud activities which contain money loss (Crespo, del Bosque et al. 2009). The main reason also is that it may not be a quality product or brand product which does not perform as it expected. Some products do not have any after sale services. This is the high issue in web purchasing (Bhatnagar, Misra et al. 2000).

Convenience Risks:

There is a much absence of trust in the judgment of online shopping. There are a number of pressures and threats which exist in the type of web based purchasing. These numbers of threats include many factors such as privacy policy or about identity etc. The main point which is positive or has a main strength about product is that time management concept is included in this type of shopping decision. But it may be negative sometimes when transaction process is occurred. It may be a delay in online shopping for receiving a product (Forsythe, Liu et al. 2006).

Non Delivery Risks:

There is also a loss of delivery of goods to wrong people at wrong place. The other factor is that a firm or organization does not meet their promise of time period. It delays. During the shipping process the products may be harmed. Its packing may not be proper as it should (Claudia 2012).

Return Policy Risks:

The simplest way to sale the goods electronically is just to assure about “Money Back Guarantee”. It is the way which ensure consumers if they are not satisfied with the product, they can back their products at any time without any hesitation. This method has positively or negatively impact on customer’s choice. Positive in this sense if they are not satisfied the can back it. And negative in this sense if they want to back the products it may take a long time to complete the whole process (Rajeshwary and Sayed).
Conceptual model:

The following model was used to examine the online buying/shopping behavior of Pakistani consumers. The model examines the relationship between financial risk, product risk, convenience risk, non-delivery risk and return policy towards online buying/shopping.

This study aims to examine the influence of Factors affecting online shopping behavior of consumers in Pakistan. For the purpose of data collection questionnaire method was used and distributed among customers of six major online shopping stores. Questionnaire was consisting of 26 items. Questionnaire was divided into six parts, attributes of online shopping (Q 1-11), Financial Risk (Q 12-14), Product risk (Q 15 -17), Convenience (Q 18-21), Non-delivery risk (Q 22-23) and Return policy (Q 24-26). In questionnaire, five point likert scale was used, ranging from “strongly agree” (1) to “strongly disagree” (5). 75 questionnaires were sent but only 60 were received back out of which 50 questionnaires were useable.

Following variables are considered:

**Independent variables:**

- Financial Risk
- Product Risk
- Convenience
- Non delivery Risk
- Return policy

**Dependent variable:**

- Online shopping behavior

Reliability of the instrument is tested by Cronbach’s Alpha (co-efficient) that shows the value .833.

**Data analysis and Results:**

A series of regressions were applied to analyze the relations between the predictors (independent variables) and the dependent variables. The hypotheses and results are as follows:

**Hypothesis 1:** Financial risk particulars will have negative effect on attitude toward online shopping.

**Hypothesis 2:** The product risk will have negative result towards online shopping behavior.

**Hypothesis 3:** Convenience toward user friendly online shopping websites and good services better help the
customers for shopping, will have positive impact towards behavior of online shopping

**Hypothesis 4:** Risk of non-delivery of order will have depress the attitude towards shopping online.

**Hypothesis 5:** Product return policy will have encouraging effect on attitude towards shopping online.

Influence of financial risks on online shopping behavior was significant at the 0.05 level. Thus **H1**, is completely supported

**Table 1.** Regressions of determinants of attitude toward online shopping (2 items, $\alpha = 0.720$)

<table>
<thead>
<tr>
<th>Predictor</th>
<th>items</th>
<th>$\alpha$</th>
<th>B</th>
<th>t-value</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Risk</td>
<td>3</td>
<td>0.829</td>
<td>-0.179</td>
<td>-2.214</td>
<td>0.033**</td>
</tr>
</tbody>
</table>

Notes: ** Denotes significance at the 0.05 level

Influence of product risks on online shopping behavior was not significant at the 0.05 level. Thus **H2**, is not supported (See Table 2).

**Table 2.** Regressions of determinants of attitude toward online shopping (2 items, $\alpha = 0.720$)

<table>
<thead>
<tr>
<th>Predictor</th>
<th>items</th>
<th>$\alpha$</th>
<th>B</th>
<th>t-value</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product Risk</td>
<td>3</td>
<td>0.837</td>
<td>-0.078</td>
<td>-0.714</td>
<td>0.479**</td>
</tr>
</tbody>
</table>

Notes: ** Denotes significance at the 0.05 level

Influence of convenience risks on online shopping behavior was not significant at the 0.05 level. Thus **H3**, is not supported (See Table 3).

**Table 3.** Regressions of determinants of attitude toward online shopping (2 items, $\alpha = 0.720$)

<table>
<thead>
<tr>
<th>Predictor</th>
<th>items</th>
<th>$\alpha$</th>
<th>B</th>
<th>t-value</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Convenience Risk</td>
<td>4</td>
<td>0.837</td>
<td>-0.078</td>
<td>-0.714</td>
<td>0.479**</td>
</tr>
</tbody>
</table>

Notes: ** Denotes significance at the 0.05 level

Influence of non-delivery risks on online shopping behavior was significant at the 0.05 level. Thus **H4**, is completely supported (See Table 4).

**Table 4.** Regressions of determinants of attitude toward online shopping (2 items, $\alpha = 0.720$)

<table>
<thead>
<tr>
<th>Predictor</th>
<th>items</th>
<th>$\alpha$</th>
<th>B</th>
<th>t-value</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-delivery Risk</td>
<td>2</td>
<td>0.721</td>
<td>-0.179</td>
<td>0.211</td>
<td>0.013**</td>
</tr>
</tbody>
</table>

Notes: ** Denotes significance at the 0.05 level

Influence of Return policy on online shopping behavior was not significant at the 0.05 level. Thus **H5**, is not supported (See Table 5).
Table 5. Regressions of determinants of attitude toward online shopping (2 items, $\alpha = 0.720$)

<table>
<thead>
<tr>
<th>Predictor</th>
<th>Items</th>
<th>$\alpha$</th>
<th>B</th>
<th>t-value</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return Policy</td>
<td>4</td>
<td>0.887</td>
<td>-0.178</td>
<td>-1.514</td>
<td>0.569**</td>
</tr>
</tbody>
</table>

Notes: ** Denotes significance at the 0.05 level

Conclusion

The results of the test prove that H1 and H4 are significantly supported. Thus, risk of losing money and financial details has depressing effect on online shopping behavior. Along with the risk of non-delivery of order will have negative influence on attitude towards shopping online. Financial risk is a key factor for not shopping online. The possibility of non-delivery of order or product decreases the level of behavior of online shopping attitude. It showed that the non-delivery risk is a major factor that is affecting attitude and therefore behavior towards shopping online. Outcome of testing the hypotheses H2 and H3 specified that effect of product risks and convenience risk on attitude toward online shopping is not significant. Product and convenience risk are essential and considerable risk issues for not shopping online. The probable reason of this irrelevance in Pakistani context comes into sight to be the lack of interest and unwillingness of the respondent towards online means. Results of hypotheses H5 indicated that infrastructural variables and return policy were not considerable at the 0.05 level and are not prolong.

References


Rajeshwary, G. and M. S. Sayed. "TRUST AND RISK IN ONLINE SHOPPING."

