THE IMPACT PERCEIVED RISK ON THE INTENTION TO ONLINE SHOPPING

JASSIM AHMAD AL-GASAWNEH[1], NAWRAS M. NUSAIRAT[2], JAMAL M.M. JOUDEH[3] and ABDUL HAFAZ NGAH[4]

[1, 2, 3] Marketing Department, Applied Science Private University, Amman, Jordan.
[4] Faculty of Business, Economy and Social Development, Universiti Malaysia Terengganu, Kuala Terengganu, Malaysia.
Email: [1]j_algasawneh@asu.edu.jo, [2]n_nserat@asu.edu.jo, [3]jamaljoudeh@asu.edu.jo, [4]hafaz.ngah@umt.edu.my

Abstract

This quantitative study explored the impact of Perceived risk on online shopping intention in Jordan. The data for this study was derived from a survey questionnaire completed by the customers. A total of 340 questionnaires were subjected to the data analysis. The results were analyzed by using partial least squares structural equation modelling. The outcome of the analysis showed that there is a negatively relationship between the Perceived risk and Online shopping intention. Hence, this study provides practical evidence to assist the online seller whether individuals or companies to prepare sufficient marketing strategies about the product and the online shopping procedure to motivate the intention of online shopping.

1. Introduction

Online shopping is a viable preference for consumers as the internet must become an essential tool for communication and business worldwide. The Internet World Stats (2018) reported that there are more than four billion internet users in 2017, and it is a 577 per cent growth as compared to the total population of internet users in the year 2000. In 2017, an estimated 1.66 billion people worldwide purchased goods online; the total number of internet users had triggered \$2.3tn of the sales from the internet, and projections show a growth of up to \$4.48tn by 2021 (Statista, 2018), representing a drastic increase in online shopping (Paynter and Lim, 2001). It showed that the internet had revolutionized the business to online shopping (Bourlakiset al., 2008).

In spite of the momentous growth of online shopping and electronic commerce (e-commerce), this astonishing development has led to some new problems and challenges that the foremost internet users' concern comprises security of payment, data protection, the validity and enforceability of e-contract, insufficient information disclosure, product quality and enforcement of rights (Paynter and Lim, 2001). Compared to the traditional retail form, Lee and Tan (2003) pointed out that when consumers shop online, they tend to perceive higher risks.

Jordan consider one of the developed countries -in technology in the middle east and start to adopt online shopping (Masoud, 2013), in spite of the businesses in Jordan are starting to adopt e-commerce business models and sell their products online, but in comparing the spending of Jordan on E-commerce and online shipping with the neighbors especially in Arab gulf counties,

it seems weak (Aldhmour & Sarayrah, 2016). furthermore, the actual use of online shopping is in the early-stage and still very low and that consumers in Jordan have no willingness to use online shopping or that Jordanian internet users do not do so due to lacking the knowledge with internet shopping(evidence is needed as it seems as a conclusion) . A little is known about consumers' behavior in adopting this new shopping style (Alsoud & Othman, 2018), and tend to perceive the risk about it is unclear too (AL-Shukri, 2019; Al-dweeri et al. 2017; Jordan & Maric, 2018).

Therefore, this study in line with the problem and in the linkage between the problem causes and issues, aims at investigating the impact of perceived risk on online shopping intention in Jordan

2. Literature Review

2.1 Online shopping intention

The emergence of e-commerce has made online purchase the third most popular activity after email and Web surfing (Jamali et al., 2014). According to Close and Kukar-Kinney (2010), online purchase intention originated from purchase intention. Meskaran et al. (2013) defined online purchase intention as the customers' readiness to purchase through the internet. Consumers' willingness to buy a product or service via internet stores is defined as online purchase intention (Li and Zhang, 2002; Salisbury et al., 2001). Close and KukarKinney (2010) also defined online purchase intention as the intention of online shoppers to buy goods and services via the internet or virtual shopping carts. Besides that, Iqbal et al. (2012) defined online purchase intentions as the customers' willingness to use internet services, making an actual purchase of goods and services or comparing the prices of products.

Consumer's purchase intention is vital in forecasting consumer behaviour that it obviously depends on the influencing factors that make the measurement difficult under different circumstances. Besides that, Schlosser et al. (2006) revealed that the existence of privacy and security statements would lead to a higher online purchase intention. The researcher realizes that customer trust in the ability of the company to fulfil their needs and wants is more than just trusting in goodwill to influence consumers' purchasing intentions. Purchase intention is frequently used as a measure to predict the customers' actual buying activities.

This research followed (Kamalul, 2018) to determine and measure the online shopping intention through the probability of purchase products online, probability of recommending online shopping to others and probability to make another online purchase if the products prove to be useful

2.2 Perceived risk

Although the Internet offers consumers a number of benefits, there are some uncertainties involved with any online purchase process (Masoud, 2013). The importance of perceived risk in online shopping continues to be identified (Jordan & Maric, 2018). Perceived risk can be viewed as a major factor affecting the online shopping (Chiu, Wang, Fang & Huang, 2014),

but it has been also recognized as one of the key motivators in consumer behaviour (Hong, 2015).

Perceived risk theory tries to help marketers to realize the world through consumer-based thought (Chen, 2010), where they can use risk analysis in marketing decisions (Mitchell, 1999). Perceived risk is an influential tool to explain consumers' behaviour because consumers are more often forced to avoid mistakes than to maximize efficacy in purchasing (Mitchell, 1999).

It can also be seen as "the extent to which using the Internet to make purchases is perceived as risky in terms of credit card fraud, the privacy of information and general uncertainty about the Internet environment" (Martin, Mortimer & Andrews, 2015). Consumer behavior involves some risk in any of consumer's action, which leads to consequences that he or she views with some uncertainty, it will result in estimated outcomes, but some of them will not likely to be desirable (Jordan & Maric, 2018)

Therefore, they develop ways to reduce the risk perceived when participating in a transaction by searching for information that enables them to act with some confidence under uncertainty (Jordan, 2018). Perceived risk can be seen as the amount of money at stake in a purchase, and the consumer's subjective feelings of certainty about the favorableness of purchase consequences, focusing on loss and uncertainty (Framarz & henry, 2016).

Based on Jordan & Maric (2018); Yan and Gordon (2015); this study would be conceptualized based on the above mentioned findings, using price, time loss, product quality, lack of good feel, after-sale service and price value psychological health, and privacy information, because these variables are vastly recognized as consumer's perceived risk variables that hinder online purchase intentions and these perceptions had been mostly studied by experts in this field; included in this research.

H1: perceived risk has negatively impact on Online shopping intention

Suggestion: Conceptual Framework

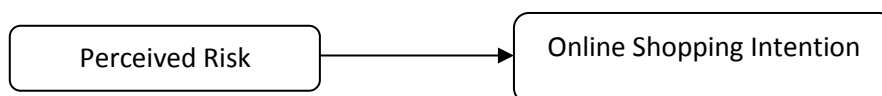**Fig.1. the conceptual model of the research**

Fig.1 shows the model of the study with the (perceived risk) has an effect on customer online shopping intention (AL-Shukri, 2019); (Jordan & Maric, 2018).

3. Methodology

The current research is descriptive in its nature. Descriptive research can be defined as describe something some phenomena or any specific condition. Descriptive researches are those represents that represents the existing situation and making a decision. The key idea of the descriptive research is to verify the developed hypothesis that reflects the existing situation. In order to gather the data for understanding the condition about online shopping it was decided that the sample could be formed by individuals who are customers over the age 18(22)-years-old, the reason is individuals above this age are well-know with purchasing of products and are also empowered in their decisions for selecting the right items and methods between many available choices. The way of data collection was a structured questionnaire. The survey instrument contains two sections. Sections 1 include different personal and demographic variables. This section will obtain the respondents' information about gender, age, education, status. Section 2 includes the variables that are important in the current study. This variable includes perceived risk contained (8) items adopted from (Jordan & Marič, 2018), online shopping intention contained (3) items adopted from (Kamalul, 2018), the questionnaire items used five Likert scales. Tow step conducted to ensure from the questioner validation and reliability which the first step was by sending the questionnaire to --academic experts who are university professors, the second step was testing the internal consistency through extracted the Cronbach alpha for all parts of the study: the variables were (perceived risk 0.71; and the online shipping intention 0, 83) from the two steps that conducted, the instrument was valid and reliable. Sample size should be based on the power of analysis, which is the minimum number of samples based on the model complexity. Based on Green's (1991) table, with 2 predictors from the research framework, at medium effect size as suggested by Gefen et al. (2011), the minimum sample size is 74. In line with (hair, 2010) to get the accurate result the sample need to be more than 100. For that, the current study distributed 360 questionnaires to the online user customers in the capital of Jordan Amman because it has a large number of the customer. (How do you know that the customer is an online user?) – To confirm that: you can ask respondents: - Do you use online shopping usually?
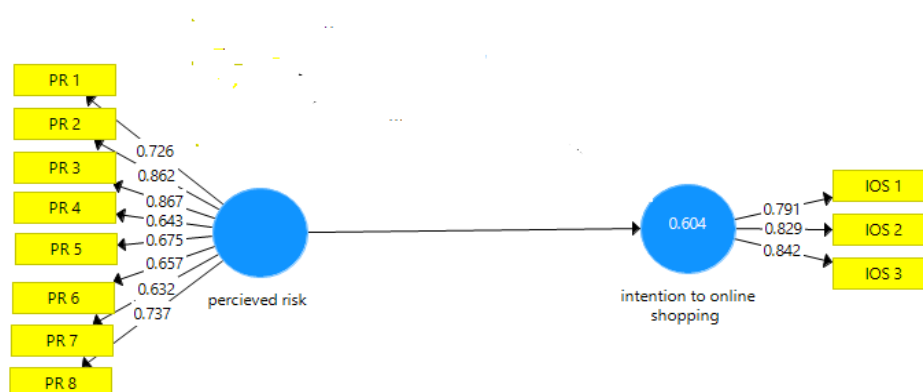
4. Result

Out of the 360 questionnaires distributed to the selected respondents, 320 were returned, 18 were excluded due to incompletion. Hence, the total amount of usable questionnaires in this study was 302.

4.1 CFA Model for Research Model

A total of 18 items were employed in the measurement of 3 first-order constructs in (PR, CM, and IOS). They are as follows: PR included 8 items, CM included 5 items and IOS included 3 items. In the evaluation of the measurement model of the research model, the study employed the confirmatory factor analysis. Figure1 highlights the measurement model.

Figure 1(2) the measurement model.

4.2 Reliability and Convergent Validity

The confirmatory factor analysis for the measurements models as shown in table 2

Table 2: The Result of Cronbach's Alpha and Convergent Validity for the CFA Model on the Research Model

Construct	Items	Factor loading	CR	AVE
PR	PR 1	0.726	0.900	0.533
	PR 2	0.862		
	PR 3	0.867		
	PR 4	0.643		
	PR 5	0.675		
	PR 6	0.657		
	PR 7	0.632		
	PR 8	0.737		
IOS	IOS 1	0.791	0.861	0.674
	IOS 2	0.829		
	IOS 3	0.842		

Table 3.2 displays the evaluation outcomes of the standardized factor loadings of model items. As can be observed, the standardized factor loadings were all greater than 0.6 (the loadings range from 0.631 to 0. 867). As can be seen in**Error! Reference source not found.**, the values of AVE for all constructs ranged from 0.514 to 0.674. These values were all greater the cut-off value of 0.5 as proposed in (Hair et al, 2010). Furthermore, the values of composite reliability for all constructs were ranged from 0.0.821 to 0.900, and these obtained values all surpassed the proposed value of 0.7 for all constructs as in (Hair et al, 2010).

4.3 Discriminant validity

The current study obtained HTMT for the model constructs (Henseler, 2015).

Table 3: The HTMT for constructs

	PR	IOS
PR		
IOS	0.701	

As shown in table 3, all the HTMT values of the constructs in the CFA model were below 0.90, ranged from 0.701 to 0.732. Therefore, it confirms that each latent construct measurement was totally discriminating to each other (Henseler et al., 2015). Upon examining convergent validity and discriminant validity of the measurement model, it can be concluded that the measurement scale to assess the constructs and their relative items in CFA model was reliable and valid.

4.4 Hypothesized Direct Effects of the Constructs in the Structural Model

The hypothesis test and relationship in this section as shown in figure 3 and table 4
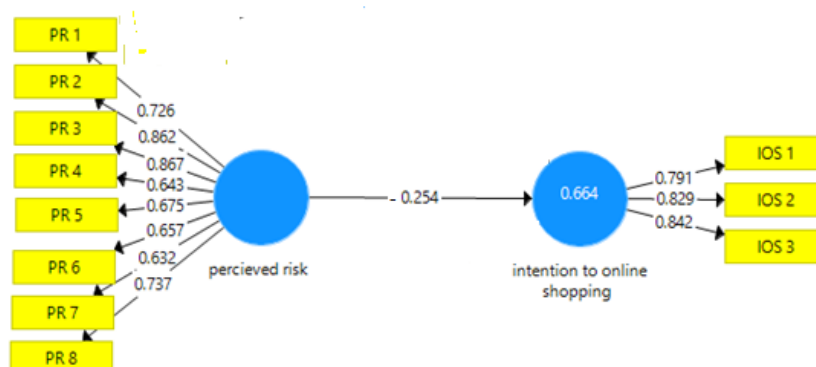
Figure 2: PLS algorithm including

Table 4: Hypothesized Direct Effects Structural Model

Path	S, B	S. D	R^2	Q^2	F^2	VIF	T-value	P-Values
PR > IOS	-0.254	0.104	0.664	0.321	0.172	1.221	2.442	0.045

As can be observed in Table 4 The values of R^2 for IOS was 0.664, This indicates, for example, 66.4 percent of variations in IOS is explained by its predictors, through showed that the R² values satisfy the requirement for the 0.19 cut off value as recommended by (Chin, 1998) The values of Q2 for IOS was 0.321 far greater than zero which refers to predictive relevance of the model as suggested by (Chin, 2010), the model exhibits an acceptable fit and high predictive relevance. While the VIF value was 1.221which was less than 5, (Hair, 2014). Further in the prediction IOS, the p-value of PR was 0.045. Further, the path coefficient (S, B) values for (PR to IOS) was -0.254, and this denotes that is the H1 negative significant. Upon all of the above statics result leading to support H1.

5. Conclusion and future work

The current study investigated the effect of perceived risk on online shopping and they found that the perceived risk had a negatively impact on online shopping. Where the current research result agreed with their results and perceptions. As well, this study contributes by using the perceived risk theory (PRT) from (Dai B, 2014), and e technology acceptance model (TAM) from (Davis, 1989). Theories to increase the online intention shopping through reduce the perceived risk. Within the limitation of this research the (is) in the sample were the customers in Amman in various types of work and positions. The future research may be select a particular unit of analysis such as the university teachers in over all of Jordan because they have higher level of education and knowledge, or re do conducting a study in different countries, the second limitation was the variables used in this study that included the impact of perceived risk and intention to online shopping , while the future research may examine other variables such as the intention with actual use with a moderator or mediator for instance uncertainty avoidance or experience or brand image.

Reference

- Aldhmour, F., & Sarayrah, I. (2016). An Investigation of Factors Influencing Consumers' intention To Use Online Shopping: An Empirical Study in South of Jordan. The Journal of Internet Banking and Commerce, 21(2).

- AL-Shukri, H. K. H. (2019). Factors Influencing Online Shopping Intention: A study among online shoppers in Oman. INTERNATIONAL JOURNAL OF ACADEMIC RESEARCH IN BUSINESS AND SOCIAL SCIENCES, 9(3).

- Alsoud, M. A. S., & bin Lebai Othman, I. (2018). The Determinant of Online Shopping Intention in Jordan: A Review and Suggestions for Future Research. International Journal of Academic Research in Business and Social Sciences, 8(8).

- Ansari, S., Ansari, G., Ghori, M. U., & Kazi, A. G. (2019). Impact of Brand Awareness and Social Media Content Marketing on Consumer Purchase Decision. Journal of Public Value and Administration Insights, 2(2), 5-10.

- Ashoer, M., & Said, S. (2016). The impact of perceived risk on consumer purchase intention in Indonesia; a social commerce study. In Proceeding of the International Conference on Accounting, Management, Economics and Social Sciences.

- Brennan, I. (2008). Brand placement in novels: A test of the generation effect. International Journal of Advertising, 27(4), 495-509.

- Cameron, G. T., & Curtin, P. A. (1995). Tracing sources of information pollution: A survey and experimental test of print media's labelling policy for feature advertising. Journalism & Mass Communication Quarterly, 72(1), 178-189.

- Carte, T. A., & Russell, C. J. (2003). In pursuit of moderation: nine common errors and their solutions. MIS quarterly, 479-501.

- Chen, L. S. L. (2010). The impact of perceived risk, intangibility and consumer characteristics on online game playing. Computers in Human Behavior, 26(6), 1607-1613.

- Chen, Y., Yan, X., Fan, W., & Gordon, M. (2015). The joint moderating role of trust propensity and gender on consumers' online shopping behaviour. Computers in Human Behavior, 43, 272-283.

❖ Chin, W. W. (1998). Commentary: Issues and opinion on structural equation modelling.

❖ Chin, W. W. (2010). How to write up and report PLS analyses In V. Vinzi, W.W. Chin, J. Henseler, & H. Wang (Eds.), Handbook of partial least squares (pp.655-690). New York: Springer

❖ Chiu, C. M., Wang, E. T., Fang, Y. H., & Huang, H. Y. (2014). Understanding customers' repeat purchase intentions in B2C e-commerce: the roles of utilitarian value, hedonic value and perceived risk. Information Systems Journal, 24(1), 85-114.

❖ Dai B., Forsythe S., Kwon W.-S. (2014). the impact of online shopping experience on risk perceptions and online purchase intentions: does product category matter? J. Electr. Commerce Res. 15:13. Available

❖ Davis, F. D. (1989). Perceived usefulness, perceived ease of use, and user acceptance of information technology. MIS quarterly, 319-340.

❖ Fornell, C. and Larcker, D.F. (1981) 'Evaluating structural equation models with unobservable variables and measurement error', Journal of Marketing Research, Vol. 18, No. 1, pp.39–50.

❖ Framarz, B., Mohamed, A., Krish, K., & Henry, W. (2016). A Meta-Analytical Approach toward the development of a Comprehensive Measurement Scale for Consumers' Perceived Risks from Innovative Offerings. Advances in Management, 9(7), 1.

❖ Gefen, D., Rigdon, E. E., & Straub, D. (2011). Editor's comments: an update and extension to SEM guidelines for administrative and social science research. Mis Quarterly, iii-xiv.

❖ Green, S. B. (1991). How many subjects does it take to do a regression analysis? Multivariate behavioural research, 26(3), 499-510.

❖ Hair, J. F., Black, W. C., Babin, B. J., & Anderson, R. E. (2010). Multivariate data analysis (7th ed.). Upper Saddle River, NJ: Pearson Prentice Hall

❖ Hair, J. F., Hult, G. T. M., Ringle, C., & Sarstedt, M. (2014). A primer on partial least squares structural equation modelling (PLS-SEM). Washington, DC: Sage Publications

❖ Henseler, J., Ringle, C. M., and Sarstedt, M. (2015). A New Criterion for Assessing Discriminant Validity in Variance-based Structural Equation Modeling., Journal of the Academy of Marketing.

❖ Hong, I. B., & Cha, H. S. (2013). The mediating role of consumer trust in an online merchant in predicting purchase intention. International Journal of Information Management, 33(6), 927-939.

❖ Jordan, G., Leskovar, R., & Marič, M. (2018). Impact of fear of identity theft and perceived risk on online purchase intention. Organizacija, 51(2), 146-155.

❖ Kamalul Ariffin, S., Mohan, T., & Goh, Y. N. (2018). Influence of consumers' perceived risk on consumers' online purchase intention. Journal of Research in Interactive Marketing, 12(3), 309-327.

❖ Martin, J., Mortimer, G., & Andrews, L. (2015). Re-examining online customer experience to include purchase frequency and perceived risk. Journal of retailing and consumer services, 25, 81-95.

❖ Masoud, E. Y. (2013). The effect of perceived risk on online shopping in Jordan. European Journal of Business and Management, 5(6), 76-87.

❖ Mehrabian, A., & Russell, J. A. (1974). An approach to environmental psychology. the MIT Press.

❖ Milhinhos, P. R. V. (2015). The impact of content marketing on attitudes and purchase intentions of online shoppers: the case videos & tutorials and user-generated content (Doctoral dissertation).

❖ Mitchell, V. W. (1999). Consumer perceived risk: conceptualisations and models. European Journal of Marketing, 33(1/2), 163-195.

❖ Sharifi fard, S., Tamam, E., Hj Hassan, M. S., Waheed, M., & Zaremohzzabieh, Z. (2016). Factors affecting Malaysian university students' purchase intention in social networking sites. Cogent Business & Management, 3(1), 1182612.

❖ Wang, X., & Yang, J. (2014). The joint effect of advertorial and print Ad. China Soft Sci, 5, 100-109.

❖ Xiao, L., Guo, F., Yu, F., & Liu, S. (2019). The Effects of Online Shopping Context Cues on Consumers' Purchase Intention for Cross-Border E-Commerce Sustainability. Sustainability, 11(10), 2777.

❖ Sharifi fard, S., Tamam, E., Hj Hassan, M. S., Waheed, M., & Zaremohzzabieh, Z. (2016). Factors affecting Malaysian university students' purchase intention in social networking sites. Cogent Business & Management, 3(1), 1182612.

اقترح

1- استخدام conceptual model ترقيم الصفحات 2- online3- تعديل عمر أفراد العينة لأن العمر 18 في الأردن قد لا يكون ممكن ليشتري فهو غالبا لا يعمل إلا بعد 22 سنة على الأغلب. 4- قد يكون من المحددات ان العينة غير ممثلة لفئة المستهلكين الذين يقوموا بالشراء عبر الإنترنت theory لل purchase intentions) مثل TRA. (Theory of reasoned action وأخيراً قد يلزم

Which implements a behavior regarding the personal attitude and his normative belief(Coleman et al., 2011)

وفي الختام : قمت بوضع خط تحت بعض الكلمات أو الحروف كتعديل لغوي مقترح.

جهودك مشكورة ومميزة ، وإلى الأمام

خالد عمر

إسمي الرسمي: خالد محمد عمر (Khalid mohammad omar) – k.omar@ptuk.edu.ps)