

## The Influence of Perceived Risks on Intention to Purchase Clothing Online

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### Abstract

This study was an investigation into how perceived risks influence consumers' intention to purchase clothing online. It started with the measurement of the level of perceived product risk, perceived financial risk, perceived privacy risk, and intention to purchase clothing online among Unisel students. It then identified the correlations between the three perceived risks and the intention to purchase clothing online. Finally, the study examined if significant differences exist among Unisel students from various demographic groups in terms of their perceived risks and intention to purchase clothing online. This research was descriptive and quantitative in nature. Primary data was collected using a questionnaire survey from a sample of 150 Unisel students at the Shah Alam campus. SPSS was used to process and analyse the primary data. This study found that the respondents possess a medium level of perceived risks and intention to purchase clothing online. It also concluded that there is a weak significant negative relationship between perceived product risk and intention to purchase clothing online. In addition, this study confirmed that students from various racial backgrounds are significantly different in their perceived financial risk. At the same time, students with different educational attainment are significantly different in terms of perceived financial risk and privacy risk.

**Keywords:** Financial risk, Product risk, Privacy risk, Online purchase intention.

### 1.0 Introduction

Online shopping has become a growing trend in many countries of the world. It is especially obvious in developed nations which possess highly developed internet systems. According to Malaysian Communications and Multimedia Commission (2017), the number of internet users in Malaysia who participated in online shopping is gradually increasing. In year 2016, 48.8 per cent of Malaysian consumers made their purchases via online platforms, as compared to only 35.3 per cent in year 2015.

Kim (2004) defined online shopping as an act of examining, searching for, browsing for, or looking at a product to get more information with the possible intention of purchase on the internet. Cai (2016) viewed online shopping as a broadly defined activity which includes the process of searching for product information online, buying products or services over the internet, and communicating with retailers and other consumers on the web. Online shopping is also known as internet buying, electronic shopping, online purchasing, or internet shopping.

The same as many other good things in the world, online shopping is a double edged sword. Besides its many advantages, online shopping involves various types of risks. Bauer introduced the concept of perceived risk to consumer behavior research in year 1960. He defined perceived risk as information seeking, brand loyalty, opinion leaders, reference groups, and pre-purchase deliberations. Perceived risk is a fundamental concept in consumer behavior. It implies that

consumers experience pre-purchase uncertainty as to the type and degree of expected loss resulting from the purchase and use of a product. Previous researchers have identified the following types of perceived risks in online shopping, some of which are different names for the same type of risk: financial risks, monetary risk, quality risk, product risk, performance risk, functional risk, convenience risk, health risk, time risk, delivery risk, after-sale risk, physical risk, psychological risk, social risk, privacy risk, security risk, website design style and characteristics, and trust in the web site (Jacoby & Kaplan, 1972; Peter & Tarpey, 1975; Shimp & Bearden, 1982; Salisbury et al., 2001; Schiffman & Kanuk, 2004; San Martin & Camarero, 2009; Tsai & Yeh, 2010; Park & John, 2010; Almousa, 2011; Zhang et al., 2012).

Peter and Tarpey (1975) defined product risk as the probability of an item purchased online failing to meet the performance requirements originally intended. As computers or mobile phones might not be able to display product features accurately as they may be in traditional stores, online shoppers may experience a high level of product risk because they are not able to physically examine and test product quality (Alreck & Settle, 2002). Past researches documented a negative influence of perceived product risk on online shopping intention and behaviour (Bhatnagar, et al., 2000; Goldsmith & Goldsmith, 2002; Forsythe & Shi, 2003; Bhatnagar & Ghose, 2004; Jaafar et al., 2012; Masoud, 2013; Dai et al., 2014).

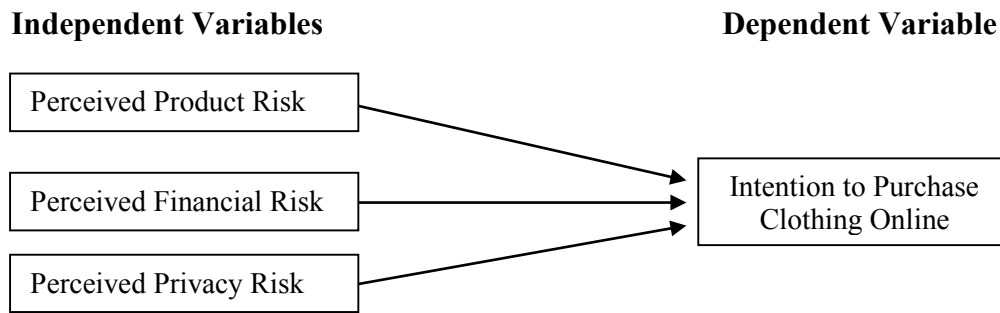
Financial risk is defined as the likelihood of suffering a monetary loss from an online purchase (Horton, 1976; Sweeney et al., 1999). Credit card fraud is a primary financial concern among many online shoppers. Although online shopping technology keeps advancing, many customers might still feel insecure while using their credit cards for online purchase or while disclosing their financial information during the online purchase process (Paul, 1996). Previous studies found that perceived financial risk is negatively associated with online shopping and it strongly predicts online shopping intention (Bhatnagar, et al., 2000; Forsythe & Shi, 2003; Chang et al., 2005; Lu, Hsu & Hsu, 2005; Forsythe et al., 2006; Almousa, 2011; Moshrefjavadi et al., 2012; Egelin & Joseph, 2012; Masoud, 2013; Dai et al., 2014)

Privacy risk refers to the probability of having personal information disclosed as a result of online transactions (Maignan & Lucas, 1997; Garbarino & Strahilevitz, 2004). Many unauthorized people may use our personal information without our agreement and finally lead to the misuse of our information data (Featherman & Pavlou, 2003). Previous studies have revealed that perceived privacy risk negatively affects online shopping (George, 2002; Forsythe & Shi, 2003; Ko et al., 2010; Almousa, 2011; Zhang et al., 2012; Moshrefjavadi et al., 2012; Masoud, 2013).

Based on the work of Pavlou (2003), online purchase intention refers to a consumer's willingness and intention to involve himself/herself in online transactions. Intentions can provide a fairly accurate prediction of future purchase behaviour. However, intentions may poorly predict future purchase behaviour when some unexpected circumstances (such as risks) have caused intentions to change.

Even though many past researches in general have confirmed the negative correlation between perceived risks and online purchase intention, some studies obtained the opposite findings (Forsythe & Shi, 2003; Kanungo & Jain, 2004; Dai et al., 2014). As such, more evidence is needed to support the conclusion that perceived risks negatively and significantly affect online shopping intention.

Therefore, this study was undertaken to specifically explore the correlations between three types of perceived risks (i.e. product risk, financial risk and privacy risk) and Unisel students' intention to purchase clothing online. In the meantime, this study tried to identify if significant differences exist among Unisel students from various demographic groups in terms of their perceived risks and intention to purchase clothing online. The conceptual framework of this study is shown in **Figure 1**.



**Figure 1:** Conceptual Framework

## 2.0 Methodology

This study was descriptive and quantitative in nature. It tried to describe the relationships between perceived risks and intention to purchase clothing online by statistically analysing the numerical data collected through a questionnaire survey. Random sampling technique was utilized to select a sample of 150 respondents from all the students at Unisel’s Shah Alam campus. The respondents’ demographic characteristics are shown in Table 1.

**Table 1:** Respondents’ Profile

Demographic Variables	Frequency	%	
Gender	Male	76	50.7
	Female	74	49.3
Age	18-20	17	11.3
	21-23	95	63.3
	24-26	37	24.7
	Above 26	1	0.7
Race	Malay	101	67.3
	Chinese	18	12.0
	Indian	23	15.3
	Others	8	5.3
Religion	Muslim	102	68.0
	Buddhist	12	8.0
	Christian	12	8.0
	Hindu	16	10.7
	Others	8	5.3
Level of Education	Foundation	8	5.3
	Diploma	19	12.7
	Bachelor Degree	121	80.7
	Master Degree	2	1.3

To measure perceived risks and online purchase intention, responses in the questionnaires were recorded using a 5-point Likert scale ranging from 1=Strongly disagree to 5=Strongly agree. The constructs achieved the desired Cronbach’s alpha coefficients of at least 0.7 and thus were considered reliable. The Statistical Package for Social Sciences (SPSS) was then used to perform descriptive analysis, correlation analysis, T-test, and ANOVA to analyse the collected data in order to answer the research questions.

### 3.0 Results and Discussion

Descriptive statistics was used to measure the respondents' level of perceived risks and intention to purchase clothing online. The mean and standard deviation for each variable were calculated and presented in Table 2. It was found that the respondents have a moderate level of perceived risks and a moderate level of intention to purchase clothing online.

**Table 2:** Results of Descriptive Analysis

Variables	Items	Mean	Std. Deviation
Perceived product risk	1	4.05	.809
	2	4.34	.643
	3	3.97	.819
	4	4.01	.803
	5	4.49	.599
	6	3.95	.834
	7	3.99	.859
Perceived financial risk	1	3.34	1.035
	2	3.85	.831
	3	3.97	.781
	4	3.92	.923
	5	3.91	.854
	6	3.6	.890
Perceived privacy risk	1	3.79	.838
	2	4.05	.758
	3	4.04	.694
	4	3.91	.794
	5	3.81	.854
	6	3.85	.839
Intention to purchase clothing online	1	3.64	.861
	2	3.35	.859
	3	3.27	.866
	4	3.34	.933
	5	3.37	.901

The results of correlation analysis are presented in Table 3. This study found that there is a weak significant negative relationship between perceived product risk and intention to purchase clothing online ( $r = -0.185$ ,  $p < 0.05$ ). However, no significant correlation was found between perceived financial risk, perceived privacy risk and the intention to purchase clothing online.

**Table 3:** Results of Correlation Analysis

Variable	1	2	3	4
1. Perceived Product Risk	-			
2. Perceived Financial Risk	.299	-		
3. Perceived Privacy Risk	.310	.386	-	
4. Intention to Purchase Clothing Online	-.185*	-.128	-.090	-

Notes: \*  $p < 0.05$

Independent sample T-test and one-way ANOVA were performed to identify if respondents from various demographic background have different levels of perceived risks and online clothing purchase intention. The results are presented in Table 4. In term of perceived financial risk, there is a significant difference among respondents from different racial and educational background ( $p < 0.05$ ). Among them, respondents from races other than Malay, Indian and Chinese and respondents who are currently pursuing their bachelor degree are the most alarmed with financial risk. In term of perceived privacy risk, there is a significant difference among respondents of different educational attainment ( $p < 0.05$ ), with respondents with a master degree concern the most about the privacy risk.

**Table 4:** Comparison of Perceived Risks among Demographic Groups

Variable	Groups	N	Mean	Std. Deviation	
Perceived Financial Risk	Races	Malay	101	22.95	3.318
		Chinese	18	21.67	3.630
		Indian	23	21.22	3.233
		Others	8	24.00	1.309
Perceived Financial Risk	Levels of Education	Foundation	8	21.38	1.847
		Diploma	19	20.32	3.888
		Bachelor degree	121	23.06	3.174
		Master degree	2	20.50	2.121
Perceived Privacy Risk	Levels of Education	Foundation	8	22.88	4.051
		Diploma	19	21.26	3.142
		Bachelor degree	121	23.83	3.142
		Master degree	2	24.50	.707

#### 4.0 Conclusions and Recommendations

The data analysis showed that the respondents possessed a moderate level of perceived risks (i.e. product risk, financial risk and privacy risk) and intention to purchase clothing online. The present study also concluded that there is a weak significant negative relationship between perceived product risk and intention to purchase clothing online. However, no significant correlation was detected between perceived financial risk, perceived privacy risk, and intention to purchase clothing online. In addition, the present research made a conclusion that students from different races are significantly different in term of their perceived financial risk, and students with different levels of education are significantly different in terms of their perceived financial risk and privacy risk.

The present research is a modest effort to shed light on the understanding of perceived risks as predictors of online purchase intention. From the theoretical perspective, it attempts to enrich the literature as previous conclusions about the correlation between perceived risks and online purchase intention were diverse. In light of the present research findings, scholars are encouraged to increase the sample size, include respondents in the rural areas, and include various secondary and tertiary institutions of learning in their future studies. These will help to comprehensively understand how the young generations perceive online purchase risks and their intention to purchase over the internet. Meanwhile, it is recommended that the

policymakers should constantly educate online purchasers and retailers so as to increase their awareness of various elements of fraud in online transactions.

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