

A STUDY OF RISK PERCEPTIONS IN ONLINE SHOPPING

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Abstract

The present study mainly focuses on internet shopping or online shopping. At present more and more people becoming internet users in today's world, there has been great increase in online shopping websites all over the world. The number of people shopping online is also considerably increasing. Few years back, if people require anything, they would simply rush to a mall. Now the scenario is changing. Some people would simply start shopping by sitting on a couch inside their own house. They would simply compare product reviews of several products, reject some and click a deal offering huge discounts through coupons. Through online purchase, people can easily compare goods from multiple brands; this is where online shopping makes a difference. This comparison of product of different retailers at same time for price and quality is good idea and provides great benefit, which just isn't possible while purchasing with the nearby shops. What we are seeing today is only the beginning. Soon it will be hard even to define e-commerce. Internet shopping can be secure if one purchases things from trusted websites. Just be careful while making online transactions. It is necessary that one reads the terms and conditions before doing online shopping. However, the popularity of online shopping has been seen by many as a threat to the existence of traditional shopping. But can we really say that traditional shopping is dying? Therefore there is a need to study whether customers really trust internet shopping or not, what is the buying behavior of internet shoppers and what are their perceptions about risks in internet shopping. This will help to understand the online shopping trends and help traditional outlets as well as e-tailors to come out with appropriate strategies for their success.

Key words: Internet, online purchases, online stores, online shopping, eBay.

Introduction

Online shopping is the process whereby consumers directly buy goods or services from a seller in real-time, without an intermediary service, over the Internet. It is a form of electronic commerce. The sale or purchase transaction is completed electronically and interactively in real-time such as in Amazon.com for new books. However in some cases, an intermediary may be

Present in a sale or purchase transaction such as the transactions on eBay.com. An online shop, e-shop, e-store, internet shop, web shop, web store, online store, or virtual store evokes the physical analogy of buying products or services at a bricks-and-mortar retailer or in a shopping centre. The process is called Business-to-Consumer (B2C) online shopping. This is the type of electronic commerce conducted by companies such as Amazon.com. When a business buys from another business it is called Business-to-Business (B2B) online shopping.

A large percentage of electronic commerce is conducted entirely in electronic form for virtual items such as access to premium content on a website, but mostly electronic commerce involves the transportation of physical items in some way. Online retailers are sometimes known as e-tailors and online retail is sometimes known as e-tail. Almost all big retailers are now electronically present on the World Wide Web. Online marketplaces

such as eBay and Amazon Marketplace have significantly reduced financial and reputational barriers to entry for SMEs wishing to trade online. These marketplaces provide web presence, marketing and payment services and, in the case of Amazon, fulfillment. This allows SMEs to focus on their core competencies e.g. managing supplier relationships. Moreover, SMEs have choices online, as these marketplaces compete with each other (some retailers sell across several marketplaces) and retailers 'own websites. They also compete with paid search providers and others in providing marketing to SMEs.

Customer ratings are a key element of the marketplaces, enabling SMEs to build a reputation at low cost relative to the offline environment. This element of reputation may be achieved quickly (just one piece of feedback generates a rating) and is tied to particular platforms (i.e. ratings are non-transferable).

History of Online Shopping

In 1990, Tim Berners-Lee created the first World Wide Web server and browser in UK. It opened for commercial use in 1991. In 1994 other advances took place, such as online banking and the opening of an online pizza shop by Pizza Hut.¹ During that same year, Netscape introduced SSL encryption of data transferred online, which has become essential for secure online shopping. Also in 1994, the German company Internship introduced its first online shopping system. In 1995, Amazon launched its online shopping site, and in 1996, eBay appeared. Originally, electronic commerce was identified as the facilitation of commercial transactions electronically, using technology such as Electronic Data Interchange (EDI) and Electronic Funds Transfer (EFT). These were both introduced in the late 1970s, allowing businesses to send commercial documents like purchase orders or invoices electronically. The growth and acceptance of credit cards, automated teller machines (ATM) and telephone banking in the 1980s were also forms of electronic commerce. Another form of e-commerce was the airline reservation system typified by Sabre in the USA and Travicom in the UK. From the 1990s onwards, electronic commerce would additionally include enterprise resource planning systems (ERP), data mining and data warehousing.

Need for Online Shopping

Few developments have altered India's lifestyle more quickly and more completely than the Internet. Online access has enabled people from all walks of life to bring entire libraries, entertainment venues, post offices and financial centers to a workplace, to a desktop or to a shirt pocket. The Internet's largest and most meaningful impact may very well be on the way consumers shop for everything from gifts, gadgets and groceries to clothing, cars, and cruises. The ease and selection that the Internet provides to shoppers has changed the face of retailing. More and more, consumers visit a store's Web site to make their choices before traveling to the store itself; and in a rapidly swelling tide, many shoppers are bypassing the store altogether and ordering online directly from the Web sites of their favorite brands and outlets. Companies like Sephora, Sears and Crate & Barrel

have increased the range and quantity of products available at their online stores and are sending online coupons and sale announcements via e-mail directly to their customers.

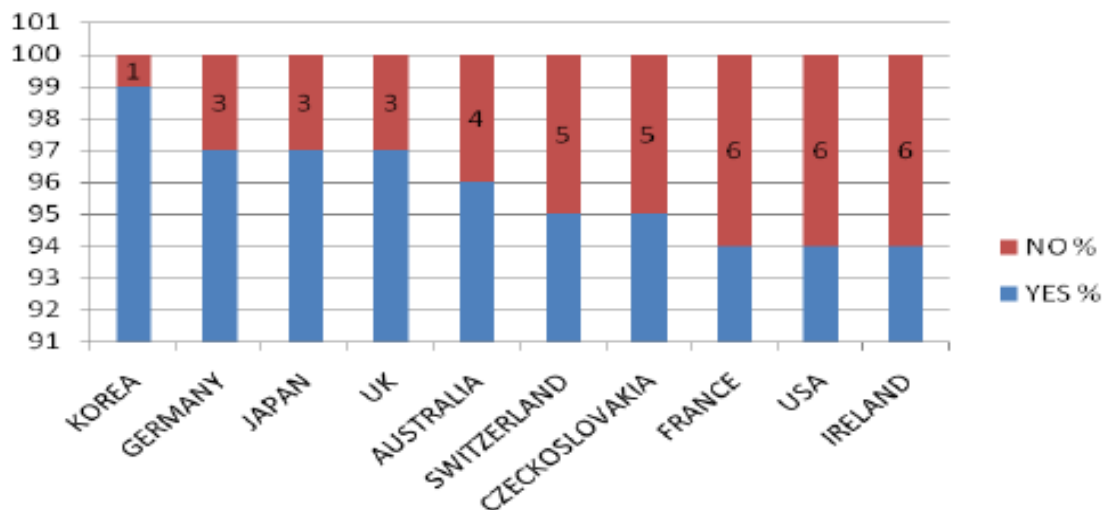
Characteristics of Online Markets

Online markets are dynamic. Online markets are part of the information and communications technology-intensive service sector which has exhibited an acceleration of labour productivity growth in many countries. A qualitative indication of the dynamic character of online markets is given by evidence of the range of experimentation in terms of business models, the rate of growth of successful platforms and the level of ongoing innovation and —disruptive change in areas such as growth of mobile internet and devices and of the social web. The dynamic character of online markets may result in greater risk of failure for some start-ups but spectacular success for others. Normal returns for the market as a whole may therefore correspond to ex post returns that are high for successful firms.

Global Online Shopping Scenario

The rapidly increasing popularity of online shopping is a truly global phenomenon. Online shoppers can be found scattered across the globe, but the world’s most avid Internet shoppers hail from South Korea – 99 percent of Internet users in South Korea have shopped online. German, UK and Japanese consumers come in a close second. US consumers are slightly more recalcitrant, clocking in at number eight. At the other end of the spectrum, the world’s slowest adopters come from Egypt, where 67 percent of the online population have never made a purchase over the Internet, followed by Pakistan (60%) and the Philippines (55%).

Chart showing Top 10 Countries who made purchase online



Source: Trends in Online Shopping, a Global Nielsen Consumer Report, February 2020

Growth of Online Shopping in India

Juxt today released their annual ‘India Online 2021‘ report which puts number of active Indian Internet users at 65 Million as compared to 51 Million last year. The report released by Juxt is based on land survey conducted among 201,839 individuals spread across all 4 regions of the country between Apr-Mid June 2021.

Interesting Findings of the Indian Online 2021 report

- 28% growth in Internet users (From 51 Mln last year to 65 Mln this year)
- Internet reaches 29 million Indian households
- 9 out of 10 _home ‘and _office ‘based online Indians log on to the net _daily ‘
- Net surfing is among top 3 favorite _indoor entertainment ‘for 3 out of 4 of them
- 9 out of 10 of them (86%) use social media sites!
- Home‘is the single largest place of access (58%), and the most preferred place of access (43%).
- 8 out of 10 mobile internet users are _dual ‘users, _only mobile ‘based usage a lowly 3% – 1.8 million users

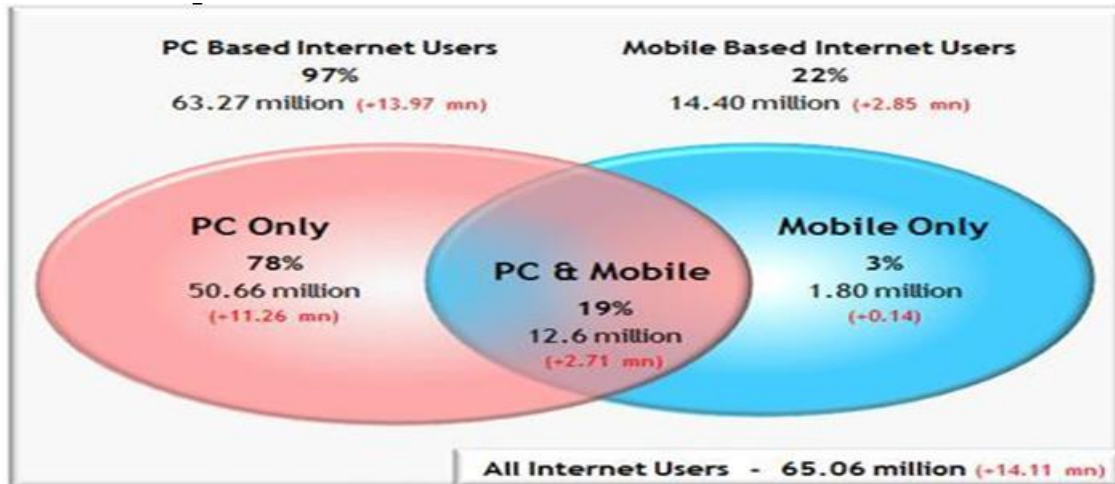
Table showing No. of Internet Users

| INTERNET USERS | 2020 | 2021 | CHANGE FROM LAST YEAR |
|---------------------------------------|-------|-------|-----------------------|
| URBAN | | | |
| Internet using Households (millions) | 15.21 | 18.27 | 3.06 |
| Average Internet Users per Household | 2.6 | 2.7 | 0.08 |
| Internet using Individuals (millions) | 39.56 | 48.96 | 9.4 |
| RURAL | | | |
| Internet using Households (millions) | 8.5 | 10.88 | 2.38 |
| Average Internet Users per Household | 1.34 | 1.48 | 0.14 |
| Internet using Individuals (millions) | 11.39 | 16.1 | 4.71 |
| ALL INDIA | | | |
| Internet using Households (millions) | 23.71 | 29.15 | 5.44 |
| Average Internet Users per Household | 2.15 | 2.23 | 0.08 |
| Internet using Individuals (millions) | 50.95 | 65.06 | 14.11 |

Source: India Online 2021 Report, Juxt

As per the India Online Report by Juxt, In urban areas, there has been 9.40% increase in internet using households (individuals) and 4.71 % increase in internet using households (individuals) in rural areas in year 2021 as compared to year 2020. Overall at all India level, there has been 5.44% increase in internet using households and 28% growth in internet using households (individuals) in year 2021 as compared to year 2020

Chart showing PC-based and Mobile-based Internet users



Source: India Online 2021 Report, Juxt

From the above chart, we can come to know that 78% of the people use PC only, while 3% use mobile only and 19% of people use both PC and Mobile. Thus we can come to know that majority of the people use PC and access internet from them.

Table 1.2: Table showing % of users undertaking online activity

| ONLINE ACTIVITY | % Internet Users | |
|-----------------------------------|------------------|---------------|
| | Undertaking | % Change from |
| Emailing | 95% | (+)1% |
| Search or buy non-travel products | 76% | (+)32% |
| Web Info search (text, images) | 74% | (+) 22% |
| Download music | 69% | (-) 3% |
| Job Search | 62% | (+)6% |
| Social networking | 61% | (+)8% |
| Search or buy travel products | 59% | (+) 25% |
| Instant messaging/chatting | 57% | (+) 1% |
| PC to mobile SMS | 54% | (-) 2 % |
| Pay bills online | 51% | (+) 22% |

Source: India Online 2011 Report, Juxt

Email is still the most popular activity on the internet; however, online search of products has picked up significantly making shopping the 2nd most popular activity online. This sure will be music for the hordes of ecommerce sites that have sprung up in recent times. Usage of Social Networking sites has also witnessed significant growth with 86% of all users visiting them! While activities like downloading screensavers / wallpapers, online trading in shares and watching videos showed the most decline in usage. Contrary to the expectation, usage of _local language content gained only marginally (+2%) to reach 29% Overall, it can be concluded that internet scene is rising in India significantly. Imagine, a time when we will have over 500 million internet users

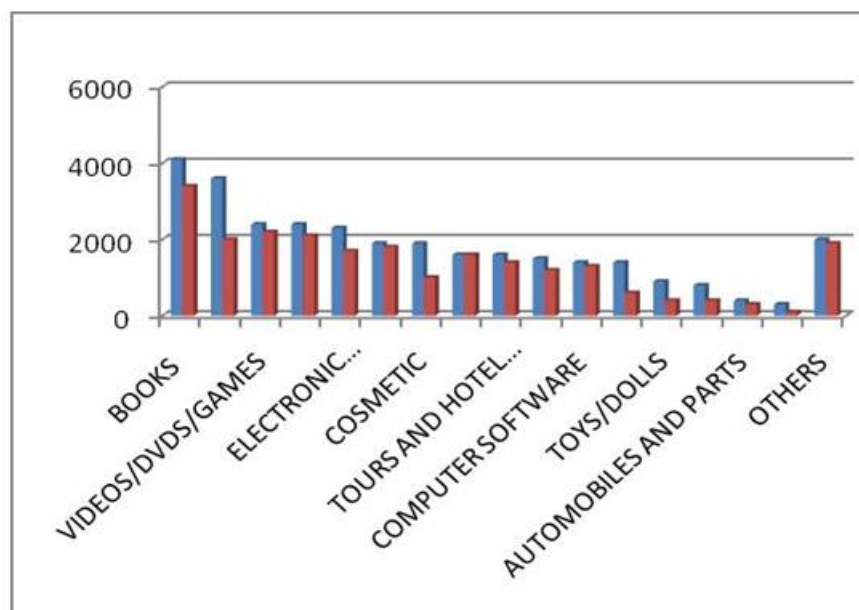
Categories of Products in Internet shopping

Consumers across the globe are increasingly swapping crowded stores for one-click

convenience, as online shopping becomes a safe and popular option. According to a recent global survey conducted by The Nielsen Company, over 85 percent of the world's online population has used the Internet to make a purchase, up 40 percent from two years ago, and more than half of Internet users are regular online shoppers, making online purchases at least once a month.

The Nielsen survey, the largest survey of its kind on the topic of Internet shopping habits, was conducted from October to November 2017 and polled 26,312 Internet users in 48 markets from Europe, Asia Pacific, North America and the Middle East.

Chart showing categories of products purchased online



Source: Trends in Online Shopping, a Global Nielsen Consumer Report, February 2020

When The Nielsen Company conducted its first survey into online shopping habits two years ago, only 10 percent of the world's online population (627 million) had made a purchase over the Internet. Within two years, this number has surged by approximately 40 percent – to a staggering 875 million. Internet consumers continue to be a well-read lot, thanks to the early adoption of online commerce by large booksellers, but the diversification of the online shopping environment has resulted in significant growth in other categories. Books are still the most popular purchases online, followed by Clothing/Accessories/Shoes, Videos / DVDs / Games, Airline Tickets and Electronic Equipment. Other significant growth categories were cosmetics/nutrition supplies and groceries, which jumped nine and eight percentage points respectively.

Drivers of Internet Shopping

Online stores are usually available 24 hours a day, and many consumers have Internet access both at work and at home. Other establishments such as internet cafes and schools

provide access as well. A visit to a conventional retail store requires travel and must take place during business hours. In the event of a problem with the item it is not what the consumer ordered, or it is not what they expected consumers are concerned with the ease with which they can return an item for the correct one or for a refund. Consumers may need to contact the retailer, visit the post office and pay return shipping, and then wait for a replacement or refund. Some online companies have more generous return policies to compensate for the traditional advantage of physical stores. For example, the online shoe retailer Zappos.com includes labels for free return shipping, and does not charge a restocking fee, even for returns which are not the result of merchant error.

Problems in Internet Shopping

Given the lack of ability to inspect merchandise before purchase, consumers are at higher risk of fraud on the part of the merchant than in a physical store. Merchants also risk fraudulent purchases using stolen credit cards or fraudulent repudiation of the online purchase. With a warehouse instead of a retail storefront, merchants face less risk from physical theft.

Secure Sockets Layer (SSL) encryption has generally solved the problem of credit card numbers being intercepted in transit between the consumer and the merchant. Identity theft is still a concern for consumers when hackers break into a merchant's web site and steal names, addresses and credit card numbers. A number of high-profile break-ins in the 2000s have prompted some U.S. states to require disclosure to consumers when this happens. Computer security has thus become a major concern for merchants and e-commerce service providers, who deploy countermeasures such as firewalls and anti-virus software to protect their networks.

Payment options in Online Shopping

Online shoppers commonly use a credit card to make payments, however some systems enable users to create accounts and pay by alternative means, such as:

- Billing to mobile phones and landlines
- Cash on delivery (C.O.D., offered by very few online stores)
- Cheque
- Debit card
- Direct debit in some countries
- Electronic money of various types
- Gift cards
- Postal money order
- Wire transfer/delivery on payment

Some sites will not accept international credit cards, some require both the purchaser's billing address and shipping address to be in the same country which site does its business, and still other sites allow customers from anywhere to send gifts anywhere. The financial part of a transaction might be processed in real time (for example, letting the consumer

know their credit card was declined before they log off), or might be done later as part of the fulfillment process.

Trends in Online Shopping

Online Shopping in India is in its nascent stages. However, more and more people are gaining confidence about purchasing products online. Consequently, online shopping trends are improving and promise a bright future. The internet has been around in India since quite some time now. However, e-commerce has picked up only recently. Shopping online is slowly growing up in India too. However, due to the relatively slow penetration of the internet in many part of the country, online shopping is limited to only major metros in India. Let us inquire about online shopping trends in this part of the world.

Ecommerce can be thought of as an activity wherein the customer uses the internet to order a product or service. In most circumstances, the transaction may happen online also. Online shopping places a heavy demand on the use of the internet. One major hurdle that online shopping faces is the security of transactions, since it is necessary for shoppers to submit their financial details on the web too. Currently, only a limited number of merchants are doing business online due to the problems related to technology. The major hurdles faced are low penetration of computers in India, lesser amount of credit or debit card holders, and many adverse taxation rules. Also, many internet users are reluctant to reveal their financial information online, which hampers the growth of the online business.

Challenges in Online Shopping

After the social media revolution, is e-commerce the next big thing in India? Online retailers have registered an average 18 per cent growth this year, but are they prepared to handle the influx of online shoppers? The year 2022 may come as a year of surprises to cynics of the industry who believe that online shopping cannot become an Indian reality. The argument that is often given is that buying behavior of Indian consumers is non-virtual.

The first report that showed data contrary to this argument was the Internet data released by IMRB and IAMAI. The report claimed that the number of Internet users has touched the 100-million mark and is likely to grow exponentially. The number of active Internet users has reached inflection point. But has this growth also translated into growth of online shoppers? Latest figures say so. A recent pan-India report released by comScore Inc reveals that online shopping in India has touched a growth rate of 18 per cent and is only likely to grow further. The report found that nearly 60 per cent of netizens in India visited a retail site in November 2011, with the number of online shoppers increasing by 18 per cent in the past year⁴.

Conclusion

People use the Internet to shop online for mobile phones, laptops and other consumer goods. If the Internet is anything to go by, India's technological and economic growth has

moved into the top gear. With more India's online shopping registering a phenomenal 100 per cent annual growth, many retail chains and consumer durable companies are joining the Web bandwagon to tap the e-shopping market. The online shopping industry in India is fast catching on, not just in the larger metros but also in the smaller cities. At present the market is estimated at Rs.46,000 crore and is growing at 100 per cent per year. Google, India have more than 100 million Internet users, out of which around half opt for online purchases and the number is growing every year. With such a large market size, companies, right from retail shops to consumer goods, are entering the Web space to attract potential customers. Even traditional retailers like Shoppers Stop, Westside and Pantaloons are looking at the online shopping space for growth. the Associated Chambers of Commerce and Industry of India (Assocham), the size of the online retail industry is expected to touch Rs.7, 000 crore by 2015, up from Rs.2, 000 crore now, at an annual growth rate of 35 per cent. Portals offering daily deals and discount offers with good delivery services attract the largest number of online shoppers. The companies that provide daily deals or discount offers are doing brisk business. People are looking for value shopping that saves their money as well as time. The customer behavior is changing dramatically. People are not only using the Web to book air tickets and movie tickets but also do not hesitate in placing orders for mobiles, laptops and other consumer electronics and home appliances. Category-wise lifestyle products, such as cosmetics, jewellery, watches, fashion products and fitness equipment contribute over 45 per cent to eBay's sales in India. Thus it can be concluded that online shopping holds a great future ahead.

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