

The Perceived Risks Affecting Online Shopping Adoption in Jordan

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ABSTRACT

This article studies online shopping and e-commerce adoption in Jordan due to the significant growth of this industry in Jordan particularly and the rest of the world generally, which is receiving attention globally and has proven to largely contribute to the growth of nations' economies. This article specifically studies the risk that online users perceive from online shopping and how they affect the growth of this industry. This study adopts a quantitative research approach, with a total of 355 questionnaires distributed by the researchers, to determine whether perceived risks of online shopping have an effect on a number of user adoptions. The article studies the two main risks of online shopping, payment risk, and product risk. Payment risks are defined as the financial loss which included risks associated with using credit cards and identity theft. Product risk is described as the loss incurred when a product does not perform as expected or does not match what was shown and described online. The study concludes that perceived payment risk and product risk affect online shopping negatively and has negatively impacted the number of users adopting this phenomenon.

KEYWORDS

Jordan, Online Shopping Adoption, Payment Risks, Perceived Risk, Product Risks

1. INTRODUCTION

1.1. Research Significance

This growing industry is based on a concept that is electronic commerce and online shopping that is linked to the terms "Internet economy" and "digital economy."

These terms and concepts related to the adoption and utilization of the Information and communications technology (ICT) advancements for economic activities. The digital economy is defined as the commercial activities that generate revenue from the Internet or Internet-related products or services (Costa, 2016). On the other hand, some activities, such as building Internet connections for commercial use, are a part of Internet economy, but yet not necessarily categorized under electronic

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commerce. The digital economy is based on digital technologies such as a computer, software, and networking infrastructures.

Electronic commerce has been recognized as one of the most dominant concepts in this digital era, as it has actually transformed the way people conduct business and the way the design their business models and business strategies.

1.2. Business Size

E-commerce is the fastest growing retail market in the world (eMarketer, 2017). In 2015 retail e-commerce sales worldwide amounted to 1.55 trillion US dollars, in 2016, the sales grew to 1.86 trillion US dollars and It's forecasted that the sales in 2017 to be around 2.29 trillion US dollars. According to (eMarketer, 2017) online shopping is one of the most popular online activities worldwide.

Online revenues in Western Europe and Poland raised from 201.33 billion Euros in 2015 to 232.60 billion Euros in 2016 that means 15.6% growth rate (Foundation, E-commerce, 2017). E-commerce will be a mega-trend for businesses in the UAE and the market is expected to be valued at 10 billion US dollars by 2018, according to Frost & Sullivan.

Based on the (Centre for Retail Research, 2017) study, e-commerce or "Online retailing" is expected to hit nearly \$333 billion in sales revenue by the end of 2018 in Europe, an increase of 18% in a single year time driven by massive growth in the number of internet shoppers, and the percentage of internet sales revenues dedicated online purchased products are trends that are expected to continue growing.

Shoppers of the US brought around 360 billion US dollars a year in revenue in 2016 and is expected to increase by 13.6% in 2017 (Statista DMO; Statista, 2017), and based on their purchase power, it was found essential for retailers and consumer behavior specialists to properly analyze and comprehend this population's attitudes toward shopping through the traditional shopping experience in shops, and retailers versus the new, emerging shopping experiences, such as e-commerce.

In the US for example, Americans are adopting a wide range of digital tools and platforms into their purchasing decisions and buying habits, according to a survey administered by Pew Research Center of U.S. adults. The survey found that 79% Americans are online shopping users: 79% have made an online purchase of any type, while 51% have purchased a product or a service using smartphones and 15% have made purchases by following a link from social media sites. The survey was a repetition for a previously conducted study that took place 17 years ago in June 2000, which found at the time that 22% of Americans had made a purchase online showcasing the massive increase in numbers, size and growth rate of this behavior and purchasing habit. (Smith & Anderson, 2016)

Furthermore, it was found that 3.4 billion people in the world access the internet daily on a regular basis (Internet Live Stats, 2017) and that internet has spread to 56% of the Jordanian population (Telecommunication Regulatory Commission TRC, 2016). Which highlights the importance of studying this area in Jordan in particular.

This study intends to better understand the local market in Jordan among this segment and understand the factors affecting online shopping adoption in order to help grow this industry in the lights of the current economic situation which will positively be reflected on the prosperity of the economy and the country as a whole.

The Hashemite Kingdom of Jordan has witnessed an increase in the online shopping websites number such as the leading, Souq.com, Cash Basha, Marka VIP, JAMALON and many others, yet this industry is still to be considered as an emerging business industry in its early stages, requiring more understanding for it to develop, progress and show greater profits.

1.3. Research Gap

As the internet penetration is exponentially increasing in today's world and be it one of the fastest-growing areas where retail businesses are starting to pay attention to considering it as one of the

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