

Chapter 2.13

Perceived Risk, the Internet Shopping Experience, and Online Purchasing Behavior: A New Zealand Perspective

Bill Doolin

Auckland University of Technology, New Zealand

Stuart Dillon

University of Waikato Management School, New Zealand

Fiona Thompson

University of Waikato Management School, New Zealand

James L. Corner

University of Waikato Management School, New Zealand

ABSTRACT

This paper develops a research model of the importance of consumers' perceived risk and the Internet shopping experience in the online purchasing behavior of Internet users. The model was tested using a survey of some 700 New Zealand Internet users. Both the perceived risk and perceived benefits of Internet shopping were found to be significantly associated with the amount and frequency of online purchases made. Loss of social interaction in Internet shopping was associated with reduced online spending. The results of the study suggest that Internet retailing Web sites

should include features that enhance customer service and reduce perceived risk.

INTRODUCTION

Business-to-consumer (B2C) electronic commerce involves the use of the Internet and World Wide Web to market and sell products and services to individual consumers. These technologies offer consumers an additional channel for information, service, and purchasing, as well as potentially increased choice, convenience, competition among retailers, and cost savings.

B2C electronic commerce is increasing annually in the United States, traditionally the top region for electronic commerce revenue, as well as Europe, Japan, and the Asia/Pacific region (George, 2002; IDC, 2002a). Increasing numbers of new buyers, as well as existing buyers who are moving a larger proportion of their spending online, are contributing to this trend (IDC, 2002b). The relatively small percentage of total retail sales contributed by online sales suggests plenty of scope for increasing the amount of shopping performed using this mode (Ward & Lee, 2000).

Nevertheless, making a success of online retailing has proven more difficult than initially predicted. Internet retailers need to understand online consumer purchasing behavior in order to design and support effective retail Web sites that match the preferences of their target market (Vijayarathy & Jones, 2000).

A number of prior studies have attempted to identify various factors that either encourage Internet users to engage in B2C transactions or create resistance to such activity. Many of these studies were undertaken in the mid to late 1990s and were surveys of students or relied on secondary data generated in other surveys, such as the periodic GVU (Georgia Institute of Technology "Graphics, Visualization and Usability") Survey of Internet Usage. As adoption of the Internet continues and demographic differences in the Internet user population diminish, there is a need to update and extend these studies. Experience with and education about the Internet are growing, and this might reasonably be expected to be reflected in changing user behavior online, including in Internet shopping.

Jarvenpaa & Todd (1997) describe both a technology-centered approach to understanding consumer acceptance of Internet shopping (that focuses on technological factors encouraging or inhibiting adoption of this innovation) and a consumer-centered approach. The consumer-centered approach focuses on the perceptions, attitudes,

and beliefs of consumers in relation to online shopping. This study extends prior consumer-centered research by examining the association of consumer perceptions of risk and the Internet shopping experience with online purchasing behavior. Much of this prior research has examined attitudes or intentions toward Internet shopping and utilized secondary data or student samples. In contrast, this study is intended to provide data on the actual online shopping behavior of actual Internet users. Further, it addresses the general lack of research on this aspect of Internet commerce in New Zealand and provides an initial analysis of its similarities and differences with Internet shopping in other countries.

The main objective of the study was to discover whether consumers' perceived risk of Internet shopping and the Internet shopping experience were associated with online purchasing behavior. The intention was to provide empirical evidence of this to inform the design and operation of Internet retailing, in line with the need to develop Web site functionality that matches consumer requirements (rather than vice versa). The subject of the study was the online purchasing behavior of individual New Zealand Internet users. By sampling actual Internet users, we were able to exclude factors affecting access to and use of the Internet and focus on those factors relevant to online purchasing itself.

The study contributes to the general body of empirical evidence about Internet shopping behavior, as well as provides a picture of Internet shopping behavior in New Zealand, a small but developed economy. As in May 2002, over 50% of the New Zealand population was online (Nua, 2002). In addition, by the end of 2003, 25% of regular Internet users in New Zealand had made an online purchase that year. In the past two years, Internet purchasing has increased by 32% (Watkin, 2004). New Zealanders have a track record of relatively rapid adoption and high utilization of consumer electronic technologies, including the concept of electronic transactions inherent

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