Online Perceived Risk's Influence on Consumer Purchase Decisions of Households in Nairobi City County, Kenya

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ABSTRACT

The study assessed the influence of online shopping dimensions: convenience, product presentation and perceived risks in regard to the purchase decisions of households in Nairobi City County, Kenya. The study also investigated the effect of data security and internet access as the moderating and intervening variables, respectively. The study was based on positivist philosophy and employed both descriptive and explanatory research designs. It was anchored on the Theory of Reasoned Action, Uses and Gratification Theory and Howard-Sheth Model.

In determining sample sizes, the study adopted the Roscoe's rule of thumb. The study further used a mixed sampling design where cluster sampling was applied to come up with the households of the eight (8) constituencies in Nairobi City County. Simple random sampling was also used to select households from the respective clusters. To identify the respondents, purposeful sampling technique was used to pick the household member who most frequently shopped online. The study employed structured questionnaires with both open-ended and close-ended questions to ensure the researcher's biasness did not interfere with the data collection process. Descriptive statistics, like cross-tabulations, frequency distributions, means and standard deviations were used to summarize and make sense of the data which described all the variables of the study. The Statistical Package for Social Sciences (SPSS) Version 27 was used for data analysis. Inferential statistics were employed to draw conclusions about the entire population by looking only at a sample of the population.

Keywords: Online Shopping; Perceived Risks; Theory of Reasoned Action; Inferential statistics.

INTRODUCTION

The method a consumer uses to buy products and services online is known as online shopping (Otika, 2019). It is carried out on part of a suite of Web applications, which utilize Web 4.0 principles. The term Web 4.0 defines websites that are designed to rely on the participation of mass groups of users rather than centrally controlled content providers, aggregate and remix content from multiple sources, and more intensely network users (Wichmann, 2022). Online shopping can also be defined as any kind of online media that stimulates participation, honest conversation, connecters and sense of community (Adeola, 2020).

On these platforms, many firms have established online presence and continuous conversations with their consumers. They have progressively shifted from dialogues to trilogies as consumers engage with one another and with the firms, in meaningful relationships (Ferri, 2020). In addition, the online shopping scene has an important bearing, having transformed research methods and having allowed brands to communicate better with their consumers and also intensified their association with them (Venturini, 2019).

Due to the growth and diversity of electronic commerce technologies, the number of online retailers has skyrocketed in recent years, posing new business challenges such as payment risk uncertainty and data security. Electronic commerce has grown in popularity and effectiveness as a means of conducting business through commercial websites for both online retailers and their customers, thanks to its remarkable advancements in recent years (Malehmir, 2017). After the first Web browser was developed in 1990, a new method of shopping with numerous advantages, the idea of online shopping was born (Snyder, 2017). The rapid development and

expanding usage of computer technology has made it possible for vendors, merchants, and customers to connect more efficiently online and improve the efficiency of the exchange process. Accordingly, one of the most important worldwide developments in retail sales is online purchasing (Shankar, 2021).

The advertising world too has not been spared from online shopping influence, with advertisers paying publishers and distributors' huge sums of money to embed their messages (Yakob, 2021). Thus, advertisers can now make their own interesting online content that avoids sameness and which consumers are interested to engage in (Saravanakumar, 2017). Consequently, companies are now more careful with advertising; mainly anticipating consumer response and avoiding unanticipated blunders in order to prevent viral consumer repercussions in networking sites (Smith, 2021). Online shopping is also playing a hybrid role in the promotion mix that allows companies to talk to their clients and at the same time, allows consumers to talk to one another (Lindsey-Mullikin, 2017).

The development of online shopping services is stimulated by both retailers and consumers (Srivastava, 2023). On the one hand, consumers gain from online purchasing services since they may save time and buy products whenever they want (Miyatake, 2016). On the other hand, online shopping has spawned a brand-new interactive online platform that allows for the exchange of shopping messages and items with customers (Krishnan, 2022). In order to boost sales, draw clients, and raise product awareness, it also functions as a perfect marketing and communication tool and sales driver (Tripathi, 2019). Online shopping has also influenced household's buying behavior because of its capability to stimulate faster or higher volume purchase of a specific product and also enhance customers' experiences (Jiang, 2021). Essentially, customers can access brands and items that are relevant to their personal experiences through internet buying (Bilgihan, 2016). In addition, it could aid in expressing concepts, influencing opinions, and changing the intended audience's purchasing intentions (Safia, 2019). Overall, because anyone may buy or sell anything virtually, at any time, and from any location, online shopping gives customers worldwide access to an infinite variety of goods and services (Masoud, 2015). In general, the idea of online purchasing has altered how customers interact with one another and use websites to share content with other internet users and digital media (Hershey, 2015). First of all, technology has made it possible for more reasonably priced and extremely successful online marketing of products and services. Additionally, online shopping facilitates the development of company opportunities and system correspondences while providing new means of interacting with and coordinating with potential customers (Bellaaj, 2023). To reach customers, a significant percentage of internet users consistently share their goods, images, recordings, and videos (Salmerón, 2018).

Due to the constantly changing technological environment, it is not clearly known how consumers make the decisions to purchase products (Hoyer, 2020). Therefore, when online sellers try to find the right approach to sell their products and services, it is necessary to understand purchase decisions, in order to reach the desired consumers (Davidaviciene, 2019).

Customers still feel a certain amount of uncertainty while making judgements about what to buy, even with the rise in internet shopping (Oghazi, 2018). This is mostly due to the fact that all products offered by internet retailers are only shown as images with minimal descriptions, which may not accurately represent the products' actual quality or state (Yim, 2017). In order to optimize their earnings, marketers must comprehend the critical elements that impact their consumers' online buying intentions. This is according to a study on Instagram purchasing in Saudi Arabia that examined the impact of consumer trust and purchase decisions (Alotaibi 2019).

In the context of social commerce, the impact of perceived value on purchase intention showed that perceived risk was not divided into several dimensions, such as social, financial, and privacy risk (Gan, 2017). Accordingly, future studies could examine how various risk types affect user behaviour in the setting of social commerce (Chunmei, 2017).

REVIEW OF THE RELATED LITERATURE

Perceived Risks and Consumer Purchase Decisions

Perceived risk is the kind and level of risk that a buyer considers while making a particular purchase (Popli,

2015). It is one of the elements that affects how customers feel about shopping online. It is the possibility of losing out on achieving intended results when shopping online (Bahtar, 2016). Perceived risks have an effect on Chinese consumers' acceptance of online buying, which is according to a study that empirically analyzed the practice in Beijing, China. Customers' trust in making purchases online was diminished by the elevated levels of perceived risk (Clemes, 2018). According to a study that used the mix approach to examine how social media marketing activities affect local brand equity and consumer response, consumers' trust in online buying behaviour improved as perceived risk decreased (Kamalul, 2018).

A Malaysian study on perceived risk variables influencing customers' online purchasing activity found that financial risk had a negative but insignificant impact on consumers' online shopping habit (Wai, 2019). Malaysian consumers' preference to steer clear of any financial danger was not a major consideration while they were shopping online. Customers' online shopping behaviour is influenced by the positive and significant effects of product risk, convenience risk, and return policy risk (Shawon, 2018). Online customer behaviour is negatively impacted by non-delivery risk as well, which makes it necessary to offer convenience while shopping online (Wai, 2019). In some circumstances, internet shopping of clothing and other apparels sold online, indicated that the results of those studies may be applied to scale development research on the perceived risks of online shopping (Bashir, 2021). Researchers may also look into various perceived risk factors associated with particular industries, such as travel or online retail, in order to discover various risk dimensions (Wai, 2019).

Rusfian (2021) asserts that consumer attitudes on internet buying are influenced by trust. In e-commerce, consumers' attitudes on online purchasing were significantly influenced by their level of trust. This is due to the fact that buyers could directly influence vendors' behaviour (Rusfian, 2021). Predicting consumer attitudes towards internet buying is essential. One of the primary reasons customers avoid making transactions online, is a lack of trust in internet businesses (Rasty, 2021). Consequently, one of the key factors influencing consumers' desire to make an online purchase is their level of trust in online merchants (Al-Debei, 2015). Customers in Vietnam are more worried about utilising their credit card credentials than with the quality of the goods, according to a study on the relationship between product risk, perceived happiness, and buyer intentions for online shopping (Tran, 2020). To understand different buying intents, future studies should look into the consumer purchase intentions of other nations (Anastasiadou, 2019).

Objective

To determine whether online perceived risk influences consumer purchase decisions of households in Nairobi City County, Kenya.

Hypothesis

Online Perceived risk has no significant influence on consumer purchase decisions of households in Nairobi City County, Kenya.

METHODOLOGY

The study was carried out as a descriptive survey. Using a descriptive design, the researcher's sole objective was to explain the scenario under study. This is a theory-based design methodology that is created by gathering, analysing, and presenting facts. This made it possible for the researcher to explain the how and why of the study. Descriptive design helps others better understand the need for the research (Mayer, 2015). The population of this study was 985,016 (Statistics, 2019) family decision makers based on households in Nairobi. Household types in Nairobi include: one-person households, households made up of a couple without children, households made up of a couple and children, lone-parent households, and households including extended family. In this study, a household is a buying center where any member of a buying center can make a family purchase decision (Senevirathna, 2022). A mixed sampling design was employed in this investigation. Nairobi City County's eight (8) constituencies' homes were identified by cluster sampling. Households were also chosen from each cluster using simple random sampling. Purposeful sampling was utilised to select the household member who shopped online the most in order to find study participants. This was to improve the quality of data, since the person had more encounters with online shopping. Descriptive statistics, including cross-tabulations, frequency

distributions, means, and standard deviation for each of the variables in the study, were used to do this (Sekaran, 2016). Cronbach's Coefficient Alpha, a measure of goodness of fit that contributes to data reliability, was employed. The t and F test was performed at 95% confidence to determine the dimension and the extent to which online shopping dimensions influenced purchase decisions in order to assess the hypotheses stated for the study. Convenience, product presentation, and perceived risks were the independent variables in this study's linear regression models, whereas purchase decisions were the dependent variable.

Discussion of Findings on Online Perceived Risk and Consumer Purchase Decisions

The Theory of Reasoned Action delves into people's perceptions of those around them and those that concern them, allowing social tensions to affect behavioral intentions. Additionally, subjective norms are proposed as having similar origins in a combination of people's perceptions that are important and whether others think they should or should not perform the behavior in question. This study used perceived risk as an online shopping dimension that influenced consumer purchase decisions. The study findings reveal that the quality and appearance of the products purchased are not always as described and in certain instances, faulty items are delivered. In others instances, wrong specifications of products are delivered. The results of the study also show that family members of the online purchasers were wary of the products and as a result thought that online sales were a rip-off and that the buyers were being swindled. The study reveals certain instances where products' deliveries work efficiently, but for only a short period of time. The results of the linear regression showed that R^2 is equal to 50% and R is 22.3%. This is an indication that there is a strong relationship between perceived risk and consumer purchase decisions of households in Nairobi City County, Kenya. Perceived risk reduces willingness as well as chances of purchasing any product or service online by a consumer. Online consumers are afraid of any financial loss they might incur while shopping online. Consumers' perceived risk is associated with the intention to purchase online, which infers that consumers evaluate the risks and often they buy online even if they are aware of the risks involved.

Limitations and Direction for Future Research

Since this study was carried out in Nairobi, some of the results may only be more applicable in a cosmopolitan setting, primarily in Kenya. As a result, it might not be reasonable to assert that the results apply to the whole worldwide internet market. Because of this, care should be taken when extrapolating the findings. Due to data collection taking place at a few specific places within Nairobi City County, the study also has certain limitations regarding sample representation and composition. Additionally, online buying was not taken into account in a particular context in the study. However, in the future, the research findings may help gauge investigations in the context of online purchasing and post-purchase assessment. To increase the reliability of the results, future research should employ a bigger random sample drawn from a more diverse population. It would rather be stirring for future scholars to study online shopping dimensions across global samples by widening the geographic scope and thereby, enrich the customer purchase journey.

RECOMMENDATIONS

This study, therefore, recommends that for a successful online business where consumers make purchase intentions, online marketers have to make their messages and reviews visible so as to influence the subjective norm, which is the perceived social pressure on consumers to perform. Based on the results of the study, online purchase dimensions (convenience, product presentation and perceived risk) can influence consumer purchase decisions but only if there is adequate information on the product, customer reviews and the online sellers to help consumers make informed purchase decisions. Theoretically, this study is valuable because it can update the Theory of Reasoned Action to reflect the current technological landscape. Similarly, the study has demonstrated that the aspects of online shopping convenience, product presentation, and perceived risks—have a significant influence on consumers' final purchasing decisions. According to this study, the dimensions of online buying will eventually be a permanent addition to the theory, and it will be applied to consumer purchasing decisions. Researchers can utilise this data to help marketers and retailers better understand how to exploit the dimensions of online purchasing to sway consumer decisions. Additionally, in this technological age, online retailers must learn how social media platforms may be used to effectively market their goods and connect with their target audiences.

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