Journal of Retailing and Consumer Services 42 (2018) 169–174

Contents lists available at ScienceDirect

Journal of Retailing and Consumer Services

journal homepage: www.elsevier.com/locate/jretconser

A holistic understanding of the prospects of financial loss to enhance shopper's trust to search, recommend, speak positive and frequently visit an online shop

Shahid Bashir[a,*], Saiqa Anwar[a], Zohaib Awan[a], Tariq Waheed Qureshi[a], Abdul Basit Memon[b]

[a] University of Management and Technology, Sialkot, Pakistan
[b] Middlesex University, London, United Kingdom

ARTICLE INFO

Keywords:
Perceived financial risk
Online purchase intention
Trust in web vendors
Online shopping
E-business

ABSTRACT

While studying Internet-based consumer's perspective, there appears to be no direct research on the mediating role of trust in the relationship between perceived financial risk and purchase intention. The existing literature is limited to fewer items of construct to measure perceived financial risk, which means that a comprehensive study is required on this topic. In this regards, this study measured perceived financial risk using 12 different items such as loss of credit card information, error-based purchases, no money-back guarantee, hidden charges, monetary loss, sales fraud, over-charged for product delivery fees, product delivery loss, over-charged online payments, high prices in comparison to traditional stores, low discounts in comparison to traditional stores, and wrong purchases. The study's proposed model is to highlight the role of trust in web vendors in the relationship between online consumers' perceived financial risk and their purchasing intention. To test that proposed model, an online survey based on empirical study was conducted on Malaysian online consumers. From the sample size of 400, the results of this study revealed that perceived financial risk of online consumers does influence their trust in web vendors and online purchase intention. A consumer's intention to purchase online is also influenced by their trust in the web vendor. And there exist a mediating role of trust in web vendors in the relationship between perceived financial risk and online purchase intention. Such results offer evidence that e-business managers should consider their consumer's perceived financial risk while establishing their trust and purchasing intentions.

1. Introduction

Since the start of the 21st century, Internet technology has become universally known. Due to its dynamic growth, worldwide e-businesses have flourished and attracted widespread consumer attention. The technology has attracted much publicity, and it is now a vital source of information and a collaborative instrument for communication that provides mutual payback and prospects for marketers and consumers (Cristian et al., 2011). Some recent scholars (i.e., Harn, 2006) note that the Internet's global popularity is due to the purchasing convenience it offers to consumers. These scholars further confirm that more consumers are shifting from offline to online purchasing because of e-commerce. Nevertheless, in some countries, this mode-switching has generated several concerns. For example, approximately 2000 Internet fraud charges were documented in Malaysia between the last quarter of 2012 and the first quarter of 2013 (PayPal Nielsen report, cited in E27, 2013). This number is high compared to the United States, which has seven times the population but which recorded only 662 Internet fraud charges in all of 2010. Hence, many online consumers in Malaysia have financial concerns about online purchasing.

According to Pavlou (2003), perceived concern or risk is either due to technological hesitancy about the online environment or behavioral ambiguity between seller and purchaser. Due to these categories of uncertainty, a rise in perceived financial risk may negatively influence trust (Olivero and Lunt, 2004). For example, if a consumer worries that his or her credit card information may be hacked by someone over the Internet due to a lack of security, it is possible that trust will decline. Similarly, if a consumer feels that the web vendor might behave in a fraudulent manner (e.g., through sales fraud) by taking advantage of the unfriendly nature of e-business, it is again possible that trust will decline. In short, the more a financial risk is perceived, the lesser the trust and the greater the requirement to control the transaction. Meanwhile, the relevant literature mentions that consumer trust in a web vendor is a basic predictor of purchase intention (Pavlou, 2003;

* Corresponding author.
E-mail address: shahid.bashir@skt.umt.edu.pk (S. Bashir).

https://doi.org/10.1016/j.jretconser.2018.02.004
Received 7 August 2017; Received in revised form 6 January 2018; Accepted 12 February 2018

Table 1
The summarized items of perceived financial risk.

Author(s)	Items											
	Credit card number loss	Low discount in comparison to traditional stores	High price in comparison to traditional stores	Product delivery loss	Over-charged fee on online buying	Over-charged fee for product delivery	Sales fraud	Monetary loss	Hidden fee charges	No money back guarantee	Error-based purchase	Wrong purchase
Fram and Grady (1997)	√											
Bhatnagar et al. (2000)	√											
Lee et al. (2001)	√											
Corbitt et al. (2003)			√									
Naiyi (2004)		√			√	√		√				
Hassan et al. (2006)	√								√			
Forsythe et al. (2006)	√			√						√	√	√
Dabhade (2008)	√			√							√	√
Akram (2008)	√		√						√			
Suresh and Shashikala (2011)	√								√	√		
Hong and Cha (2013)			√				√	√				

Hong and Cha, 2013). Therefore, the relationship between perceived financial risk and purchase intention can be direct, and it can be mediated by trust in the web vendor.

Nevertheless, there appears to be no direct research on the mediating role of trust in the relationship between perceived financial risk and purchase intention. To our knowledge, the only existing study was conducted by Hong and Cha (2013), in which they denied the existence of such a mediating role. However, their study was limited to only three items of construct to measure perceived financial risk (i.e., high price in comparison to traditional stores, sales fraud, and monetary loss). Other studies suggest that perceived financial risk can be measured in various other items, such as credit card number loss (Fram and Grady, 1997; Bhatnagar et al., 2000; Lee et al., 2001; Forsythe et al., 2006; Akram, 2008; Dabhade, 2008; Suresh and Shashikala, 2011); hidden charges (Hassan et al., 2006; Akram, 2008; Suresh and Shashikala, 2011); product delivery loss (Forsythe et al., 2006; Dabhade, 2008); no money-back guarantee (Forsythe et al., 2006; Suresh and Shashikala, 2011); wrong purchases (Hassan et al., 2006; Dabhade, 2008); smaller discounts in comparison to traditional retail stores; and excessive fees for product delivery (Naiyi, 2004). Thus, a more comprehensive study is required to develop a framework highlighting the role of trust as a mediating variable in the relationship between an online consumer's perceived financial risk and their purchase intention. This study can be essential for many emerging countries, as the potential for online purchasing in their local environment has yet to be fully realized and there are great opportunities for growth.

The literature relevant to perceived financial risk will be discussed in the following section of this paper. After that, hypotheses will be proposed, followed by an explanation of the research methodology. Subsequently, the outcomes of this empirical study will be analyzed and discussed. Finally, both the theoretical and applied ramifications will be presented.

2. Literature review

2.1. *Perceived financial risk in online buying*

During a transaction, the consumer's risk of losing money is primarily associated with financial risk (Lee et al., 2001). In contrast to in-store purchasing, financial risk is more common in Internet purchasing (Suresh and Shashikala, 2011). This is perhaps due to increasing consumer concerns about credit-card fraud. Consumers often feel some hesitation and give preference to engaging themselves primarily as website visitors as opposed to providing their credit-card information on the Internet (Forsythe et al., 2006).

The researchers (i.e., Naiyi, 2004; Forsythe et al., 2006; Hassan et al., 2006; Akram, 2008; Dabhade, 2008; Suresh and Shashikala, 2011; Hong and Cha, 2013) associate financial risk with several other factors such as high product pricing, mistakenly buying the wrong product, credit cards being over-charged, and the lack of a money-back guarantee. Such financial risk factors can be assigned to several related concerns. For example, a consumer might feel that a web vendor is charging a hidden fee. Such feelings of risk can be higher when placing service-based orders on the Internet (e.g., online tutor services, online vending consultancy services, etc.). The consumer makes an order as per the listed price but, as the service process continues further, the web supplier might claim many other charges through online warnings such as the “delivery process will be jammed until the client makes an extra payment”. In several cases, the web vendor already knows the buyer's credit card information, so they can withdraw payments from the customer's account directly. Consequently, the customer might have to deal with an emotional blackmail situation, which can ultimately lead him/her to become less interested in purchasing online in the future.

Many consumers feel that online retail stores give smaller discounts compared to those offered at traditional retail stores (Naiyi, 2004). Moreover, unlike online retail stores, consumers in traditional retail