



# Understanding the consumer's online merchant selection process: The roles of product involvement, perceived risk, and trust expectation



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## ABSTRACT

This article provides, through a survey of 295 college students, an empirical analysis of the effects of situational involvement, perceived risk and trust expectation on the consumer's choice of an online merchant. We conceptualized perceived risk as a multi-component construct, and examined the relationships between the individual risk components and the other variables in the model under consideration. First and foremost, the results indicated that consumer's trust expectation in an online merchant is a predictor of the consumer's choice between an e-tailer and an e-marketplace. It was further revealed that situational involvement positively affected all the five types of perceived risk, whereas only product performance risk was positively related to consumer's trust expectation. It may be inferred that the stronger product performance risk perception, the higher trust a consumer expects in an online merchant to engage in a transaction. The findings have important practical implications for developing e-commerce strategies not only for digital storefronts but also for online marketplaces that can help manage consumer's trust expectation and ultimately increase potential sales by mitigating related perceived risks involved in an online purchase. The study concludes by providing some interesting avenues for future research.

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## 1. Introduction

Consumers differ in the way they make purchases. An audiophile may make a bold (yet serious) decision to buy a top-of-the-line home theater system, but may not be interested in replacing his old and dilapidated car. By contrast, an automobile enthusiast may not mind spending tens of thousands of dollars on a new Jaguar convertible, but may care little about his or her outdated component system. In this regard, product involvement, which refers to the extent to which a consumer perceives a product to be important (Zaichkowsky, 1985), can help explain such differences between individuals in terms of their purchase intentions.

Product involvement is an important factor that has considerable influence on consumers' purchase decisions, and has thus attracted considerable attention from consumer behavior researchers. High-involvement consumers tend to actively gather and disseminate information on products or services that they are interested in, whereas low-involvement consumers do not. Product involvement has been found to have considerable influence on other types of consumer responses, such as word-of-mouth

communication (Bloch & Richins, 1983). Thus, product involvement is seen as a key motivator influencing purchase decisions (Richins & Bloch, 1986).

There exist studies that focus on the effects of product involvement and perceived risk on consumer responses that either precede or follow the purchase decision stage; for example, information search and evaluation activity (Browne & Kaldenberg, 1997), information processing (Bian & Moutinho, 2008), and information dissemination (Bloch & Richins, 1983). However, little research has been devoted to examining the role of these factors in the consumer's decision on a merchant. In this regard, this study was motivated by the need to understand how a consumer selects an online merchant to buy from, given product involvement and perceived risk.

How a consumer decides on a merchant in electronic commerce is an important issue to investigate. It can provide useful insights into ways of attracting potential online customers by allowing us to understand what merchants consumers choose and what merchants they avoid. Thus, outcomes of such research would ultimately provide implications for developing strategies for increasing the revenue of a merchant. Once what to buy has been determined, who to buy from becomes the next question that must be answered by a prospective consumer. The decision on a merchant is in large part driven by purchase intention that is

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influenced by numerous factors such as value, brands, trust, among others (Hong & Cho, 2011). Past research on consumer behavior has focused on purchase intention as a primary predictor of a consumer's "buy vs. not buy" decision. However, this research takes a unique approach to conceptualizing the construct by measuring purchase intention as the preference for an e-tailer (or a digital storefront) vs. e-marketplace. In the paper, we posit that a consumer's choice of an online merchant between an e-tailer and an e-marketplace depends indirectly on the amount of risk perceived by a consumer, and directly on the level of trust expected of an online merchant, with regards to a given online purchase. For example, will a consumer seriously considering the purchase of an expensive Gucci bag perceive huge risk associated with online buying, and thus prefer a digital storefront to an online marketplace to mitigate perceived risk? Will a consumer require greater trust in an online merchant when the perceived risk of online buying is high, and thus choose an e-tailer instead of an e-marketplace? Past research has not addressed these research questions, and the present study is one step toward closing that gap.

The purpose of this paper is to understand the process by which a consumer chooses an online merchant by exploring the effects of product involvement, perceived risk, and consumer's trust expectation. This research will consider one category of product involvement known as 'situational involvement' that encompasses a heightened level of product importance for a specific purchase situation. We will examine this concept in greater detail subsequently in Theoretical Background. To accomplish the research purpose, we have conducted an empirical study to examine the relationships among situational product involvement, various types of perceived risk, trust expectation, and the intention to buy from an e-tailer (i.e. the preference for an e-tailer over an e-marketplace). We introduced in this paper a new construct called 'trust expectation' which refers to the extent to which a consumer expects a potential merchant to be trustworthy with regards to a given online purchase; this construct will be described in detail subsequently in Sections 3.1 and 4.2. In our research model, trust expectation is conceptualized both as an antecedent to the intention to buy from an e-tailer and as a consequent of situational involvement and of perceived risks. The rest of this paper is organized as follows: Section 2 provides a literature review, focusing on the concepts relevant to the study, and Section 3 discusses the research model and hypotheses. Section 4 presents an empirical analysis, and Section 5 discusses implications, and some avenues for future research. The present research contributes to the existing body of knowledge by helping understand the factors influencing a consumer's online merchant selection decision in the context of electronic commerce, and by suggesting strategies that enable a digital storefront and an e-marketplace to adequately manage consumer's trust expectation and ultimately increase potential sales.

## 2. Theoretical background

### 2.1. Product involvement

Despite some differences, previous studies' definitions of product involvement have generally focused on the relevance of a product. Product involvement has been defined as a consumer's perception of the relevance or importance of a product class, based on his or her inherent needs, values, and interests (De Wulf, Odekerken-Schröder, & Iacobucci, 2001; Zaichkowsky, 1985), and it reflects the internal motivational state of the consumer, encompassing some arousal, interest, or drive induced by the product class (Bloch, 1981). Besides a psychological state, involvement is also an attribute of a product. The level of product involvement can be determined by product category. For example, clothing is generally considered a high involvement product since consumers

often buy a clothing item for its symbolic meaning, image reinforcement or psychological satisfaction (Solomon, 1986), whereas coffee is regarded as a low involvement product because its consumption is less subject to the influence of peers (Radder & Huang, 2008).

Product involvement has been dichotomized into enduring involvement and situational involvement, based on whether it concerns long- or short-term perceptions of the importance of a product. Enduring involvement refers to the ongoing concern about a product involved in the purchase situation (Richins & Bloch, 1986), and is often influenced by the consumer's previous experience with the product, and the value of the product (Houston & Rothschild, 1978). On the other hand, Bloch and Richins (1983) defined situational involvement as the temporary perception of the product's importance, based on the consumer's desire to attain specific benefits expected from the purchase and use of the product. Thus, situational involvement may motivate the consumer to avoid negative consequences associated with the purchase of a product. When a consumer buys a high-involvement product, he or she examines the social and psychological environment surrounding the purchase and consumption, and focuses on objective considerations, such as the performance and price of the product (Dholakia, 2001). Bloch and Richins (1983) suggested that situational involvement results from perceived risk.

Product involvement can have considerable influence on consumers' cognitive and behavioral responses to marketing stimuli (Dholakia, 2001; Laaksonen, 1994). First, product involvement is positively related to information search and evaluation activity. Highly involved consumers go through extended decision-making processes, involving a series of sequential stages focusing on searching for information and evaluating alternatives (Browne & Kaldenberg, 1997). A consumer involved with a product is likely to be motivated to process more information about the product, and take extra precautions in making purchase decisions, investing more time and effort (Bian & Moutinho, 2008). In addition to processing more information, involved consumers may disseminate product-related information through word-of-mouth communication (Bloch & Richins, 1983). For example, a highly involved smartphone enthusiast (an early adopter) may actively provide written descriptions of personal experience with a new smartphone model on his or her blog.

### 2.2. Perceived risk

Perceived risk has been recognized as one of the key motivators in consumer behavior. Bauer (1960) stated that consumer behavior involves some risk, in that any action of a consumer leads to consequences that he or she views with some uncertainty. According to Bauer, consumers develop ways to reduce the risk perceived when participating in a transaction, by searching for information that enables them to act with some confidence under uncertainty. Cox (1967) suggested that perceived risk is a function of (1) the amount of money at stake in a purchase, and (2) the consumer's subjective feelings of certainty about the favorableness of purchase consequences, highlighting the notions of loss and uncertainty.

E-commerce is more likely to introduce uncertainty, and hence perceived risk, than traditional commerce (Chiu, Wang, Fang, & Huang, 2012; Tan & Thoen, 2000). Online transactions occur under anonymous, impersonal situations involving no face-to-face contact, and consumers have no opportunity to examine products before their purchase. This mode of transaction can lead to the perception of uncertainty concerning the consequences of the purchase on the part of the consumer. Some studies have paid attention to the role of online merchants as a source of perceived risk in transactions. According to Pavlou and Gefen (2004), sellers have the potential to engage in opportunistic behaviors, including not delivering the right product at the right time as promised, and outright

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