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Marketing strategies, perceived risks, and consumer trust in online buying behaviour

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ABSTRACT

Despite the rapid increase in online shopping, the literature is silent in terms of the interrelationship between perceived risk factors, the marketing impacts, and their influence on product and web-vendor consumer trust. This research focuses on holidaymakers' perspectives using Internet bookings for their holidays. The findings reveal the associations between Internet perceived risks and the relatively equal influence of product and e-channel risks in consumers' trust, and that online purchasing intentions are equally influenced by product and e-channel consumer trust. They also illustrate the relationship between marketing strategies and perceived risks, and provide managerial suggestions for further e-purchasing tourism improvement.

1. Introduction

There is a growing need for new knowledge, theories and models of Internet consumer behaviour due to the evolution of electronic commerce as it becomes a vital aspect of customer relations and marketing strategy (Close and Kukar-Kinney, 2010). The online purchasing behaviour needs to be further understood (Herrero and San Martin, 2012) hence, it attracts increasing research attention (Mosteller et al., 2014). As several studies have pinpointed, the key to long-term success for e-retailers is to build consumer trust (Suh and Han, 2003; Pavlou and Fygenson, 2006; Vos et al., 2014), but the latter is negatively influenced by the perceived risks (Hong and Cha, 2013; Kamarulzaman, 2007) associated with both products (Ward and Lee, 2000) and web-vendors (Jiang et al., 2008). Thus, it is important to examine the risk factors affecting trust in Internet shopping, whilst the purchasing intentions of online consumers need to be further investigated.

In tourism, the Internet has considerably altered consumers' behaviour since it gave them the opportunity to directly interact and engage with suppliers and tourist destinations (Buhalis and Law, 2008). Online shopping has changed tourist behaviour since for travel suppliers it represented a new and potentially powerful communication means for product distribution (Law et al., 2004), contributing to the minimisation of the gap between consumers and suppliers (Xiang et al., 2015). Nowadays, tourists use the Internet not only to gather information about tourist products and destinations, but also to buy tourist products, even if this behaviour is less extensive (Law et al., 2010). In 2011 the Internet generated world-wide revenue of more than 340 billion US dollars, establishing it as an important channel for distributing travel and tourism products (Amaro and Durate, 2015). Even if the popularity of Information Technology (IT) has led to extensive research on IT and tourism (Sam Martin and Herrero, 2012), the literature is somehow silent in terms of consumers and their online purchasing intentions (Law et al., 2009; Amaro and Durate, 2015). Thus, further research examining consumer motivations to buy travel and tourism products online is necessary (O'Connor and Murphy, 2004).

The paper focuses on online perceived risks (with reference to travel and tourism products) and synthesises previous research aiming to assess the impact of risks in consumer trust and ultimately in purchasing intentions. In order to achieve this it examines the impact of product (Sparks and Browning, 2011) and web-vendor (Gefen et al., 2003) trust on purchasing intentions (Kim et al., 2008). It also evaluates the effect of product price and quality risks (Sanchez et al., 2006) on consumer trust in products, and in parallel it evaluates web-vendor quality (Ahn et al., 2003; Hong and Yi, 2012) and security (Hong and Yi, 2012) risks with regard to consumers' trust in e-channels. Furthermore, it estimates the effect of marketing strategies (Chikweche and Fletcher, 2010) on risk minimisation associated with both products and web-vendors. The paper contributes to the theoretical domain in two ways.

First it establishes the considerable marketing influence upon the formulation of perceived risks, and the way the latter impact on products and web-vendors. Second, it provides a thorough examination of the way different perceived risks (product price,

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product and web-vendor quality, web-vendor security) are interrelated with each other. From a managerial perspective, the paper also contributes in two ways. First, the study provides substantial evidence for the impact of perceived risks in consumer trust. Finally it enhances our understanding of product and web-vendor consumers' trust in terms of the purchasing intention formulation.

2. Conceptual framework and hypotheses

2.1. Marketing strategies

The literature suggests that appropriate advertising may change the attitudes of consumers towards a specific product (Petty et al., 1983) and decrease the perceptions of product risk (Kopalle and Lehmann, 2006). Even if both direct and indirect marketing can play an important role in consumer decision making, direct marketing initiatives may be more influential in purchase determination than media based methods such as television, radio and print (Brown and Reingen, 1987; Chikweche and Fletcher, 2010). In addition, marketing can significantly influence consumer beliefs about product performance (Nerkar and Roberts, 2004) and finally determine their likelihood to buy (Leenders and Wierenga, 2008). Still, product performance and quality are aspects also connected with branding. The perceived quality of the product is associated with its brand, since consumers evaluate the quality of a product in terms of its brand name (Huang et al., 2004). This creates a causal relationship for many consumers that a recognised brand is usually associated with a high quality product and good performance (or usability), thus, a good brand strengthens the benefits which are expected of a potential purchase (Rubio et al., 2014).

In online shopping, with the passage of time the variety of marketing channels is increasing, as is the complexity of consumers' purchasing behaviour (Coughlan et al., 2001). Consumers tend to switch between e-channels when buying products mainly because of the considerably increased financial, security and performance risks the Internet presents in comparison with offline shopping (Lee, 2009). Thus, they tend to buy the products and use the web-vendors that offer high quality and low risk (Chiu et al., 2011). As a result, e-retailers adjust their marketing strategies and focus on the minimisation of product and web-vendor risks (Chikweche and Fletcher, 2010; Chiu et al., 2011). Still, little is known about the impact of marketing strategies on perceived risks with respect to products and online channels. These discoveries led to the creation of the following hypotheses:

H1. Product marketing strategies have a negative impact upon product price risks.

H2. Product marketing strategies have a negative impact upon product quality risks.

H3. Web-vendor marketing strategies have a negative impact upon web-vendor quality risks.

H4. Web-vendor marketing strategies have a negative impact upon web-vendor security risks.

2.2. Product risks

One of the key elements in buying behaviour is risk (Kumar and Grisaffe, 2004; Pires et al., 2004) which is defined as an attribute of an alternative decision reflecting the variance of its possible outcomes (Gefen et al., 2002). As Dholakia (2001) suggests, perceived risk is somehow involved in all purchase decisions, especially in those where the outcome is uncertain. In online shopping, the consumers who prefer Internet transactions to traditional purchasing are the ones who have low-risk avoidance profiles (Juan, 1999). Thus, whenever consumers alternate, postpone, or cancel their purchase, it is an important indication that they perceive the existence of risk (Hong and Yi, 2012).

Online consumers perceive more risks than those shopping in stores for three reasons: (i) they cannot examine the product before they receive it, (ii) they are concerned about after-sales service, and (iii) they may not fully understand the language used in e-sales (Hong and Yi, 2012). In online purchasing it is impossible for the consumers to evaluate the product quality, because no actual contact for further clarifications with a salesperson is possible (Gutierrez et al., 2010), whilst the e-buyers can not examine the product in person before they receive it (Hong and Yi 2012). As a result, perceived risks have been found to significantly affect the purchasing decisions of online consumers (Antony et al., 2006). This justifies the rationale that in numerous cases online consumers decide to make their purchase only after walking into a store and touching, feeling, or even trying out the product (Kim et al., 2008). When this is not possible because of the product characteristics (i.e. intangibility in tourism industry products), online consumers try to gather as much information as they can before purchasing, whilst they also engage in customer-to-customer (C2C) communication, especially with respect to price and quality (Bjork and Kauppinen-Raisanen, 2012). Moreover, e-commerce itself has intangible qualities, leaving consumers uncertain that a chosen product will both fit their needs and meet their expectations (Weathers et al., 2007). As a consequence, the perceived product risks are greater when the provided product information is limited and consumers have a low level of self-confidence in their brand evaluation (Bhatnagar and Ghose, 2004).

The product elements that crucially determine the consumers' purchasing decisions are price and quality (Sanchez et al., 2006). In terms of price, as the monetary value of the product increases, the perceived risks involved in purchasing the product also increase (Dowling, 1999). The financial risk deals with “the likelihood of suffering a financial loss due to any hidden costs, maintenance costs or replacement cost due to the lack of warrantee and a faulty product” (Kiang et al., 2011). In parallel, the qualitative aspects of a product place value on its final performance, where expectations are compared to the result (Sanchez et al., 2006). Quality is connected with performance risk, and concerns the potential failure of a product to meet the expected quality/performance requirements (Kiang et al., 2011). Hence, the following hypotheses have been formulated:

H5. Product price risks have a negative impact upon product consumer trust

H6. Product quality risks have a negative impact upon product consumer trust

The price–quality schema (according to Lichtenstein et al. (1993, p.236), this is “the generalised belief across product categories that the level of the price cue is related positively to the quality level of the product”) indicates that consumers use price for the evaluation of overall product excellence or superiority (Zeithaml, 1988). Thus, price–quality schema does not focus on actual product quality, but on the consumer's belief in the relationship between quality and price (Lichtenstein and Burton, 1989). As also indicated by Kim and Jang (2013) many consumers perceive that price and quality are highly correlated. The consumers develop these beliefs through their own consumption experiences (Smith and Natesan, 1999), and are likely to pursue high priced products in an effort to achieve better quality (Hauck and Stanforth, 2007). As a result, the correlation of price and quality plays an important role in consumer decision making,