

Consumer Perceived Risk Associated With Online Rural Marketing

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Abstract

The growing potentials of rural market in developing countries have attracted the attention of marketing companies. With increasing use of internet and larger access to the mobile phones there is a change in the scenario of rural marketing. Rural consumers are now shifting towards the online shopping. However desired pace of online shopping adoption is not achieved due to certain risk factors associated with the purchase decision of online rural consumers. The study focuses in five important consumer perceived risks factors ,Retrieved from the previous literature review by researcher which influence the online purchase decision among rural consumers. For obtaining the result, researcher has utilized structural equating model to analyze the data of 345 consumers obtained from the survey. The result of the study shows that financial risks, social risk, functional risk, data privacy risk and performance risk significantly influence however psychological risk is insignificant in online purchase decision among rural consumers. The outcome of the study will help to improve the expansion of online marketing from saturated urban market to untapped rural consumers and designing the marketing strategies to the policy makers and marketers. It will provide a base to further studies in online rural marketing.

Key words: Rural marketing, online marketing, perceived risk, rural development

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Introduction

Technology up gradation and development of internet has changed the complete business scenario worldwide. Globalization has introduced a new term global village where geographical distance has reduced and accessed the people towards the product available across the globe. With increase in use of mobile phone and internet facilities rural consumers are now shifting towards the new platform of shopping i.e., online shopping. It has increased the aspiration of rural people and opened a new dimension of the business for the online marketing. Since the increase in purchase potential of rural consumers and saturated urban market online marketing companies are moving towards the rural market to expand their business.

Through Online marketing marketers reach to the larger market and mass communication which is not possible through traditional marketing [1]. However rural marketing reveal opportunities and attracting for the online marketers but it is not easy invasion of the rural market due to their own problems and complications. There is a lower turnover and demand in the rural market makes it unprofitable for the online marketers [2]. Another important issue of the promotion of online marketing is level of awareness among the rural consumers [3,4] (Pandey, 2013, 2014).

Since the larger part of population resides in rural areas and still the rural marketing is untapped which give a big opportunity [5, 6] (Singh and Pandey 2005) for the online marketing in rural India. The increase of internet and smart phones uses there has make access the rural population towards the online marketing. Further researchers identified the role of local and regional language in the promotion of online marketing [7] .Since the shifting of economy towards the rural areas due to government initiative there is increase in purchase power of rural

populations [3] . It help the rural market to enhance the demand and consumers are comparatively more quality and price oriented. However available infrastructures of rural market are not sufficient to fulfill the rural market demand. The online rural marketing has still not expanded as per the potential available due to certain risk associated with purchase decision during online. Consumer perceived risk has a negative impact on online purchase decision [8] .

Rationale of the study

Due to increase in literacy rate, improvement in social flexibility, introduction of internet and communication technology in turn raise in income level has increased the aspiration level of rural consumers now they demand comparatively more quality and variety product with cost effective price. But still the online rural marketing has not expanded as per the potential available. The rural market has their own problems and complication, Rural consumers are comparatively less aware about the new technology and innovation. They have limited resources of finance and information so they are become more conservative. Rural infrastructure is another important constrain for the development of online marketing.

Objective of the study

The objective of the study is to identify the different risk factor associated with the purchase decision in online marketing with aiming to the promotion of online marketing in rural areas. The researcher has tried to explore the different prospects and perception of rural consumers towards the online purchasing.

Literature review:-

Perceived risk: - the basic concept of perceived risk was first time introduced as a subjective and psychological construct to clarify process of information seeking and brand loyalty [9]. It is also proved by many researchers that perceived risk develops from consumer uncertainty especially in the case of Internet shopping [10,11] .

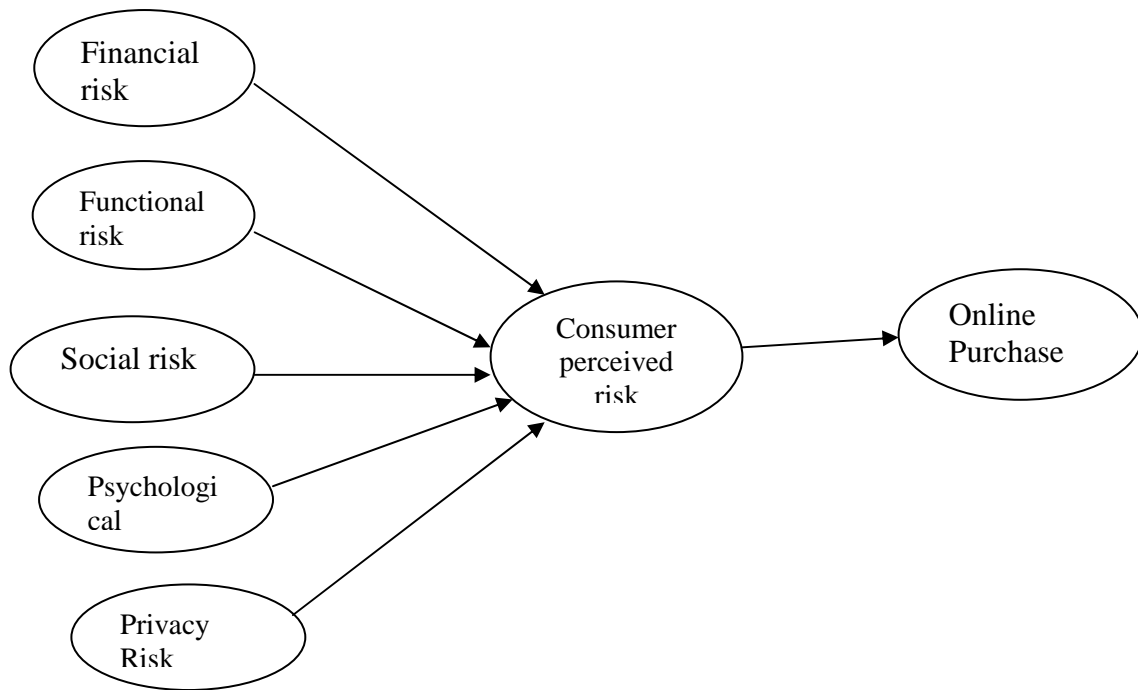


Figure: 1. Conceptual Framework of the Study

Researchers [12] explain that perceived risk is a comprehensive concept and it could not be captured by a single concept. According to Philip Kotler, consumers may perceive functional risk, physical risk, financial risk, social risk, psychological risk, and Time risk in buying and consuming products.

Perceived risk in the online market is slightly different from the traditional market due to the presence of countless vendors, the importance of perceived risk increases. It is likely to become a crucial factor in influencing consumer behavior.[13] Nena Lim (2003) examined the phenomena of consumer perceived risk by conducting a focus group, and the result revealed that there are three sources of consumer perceived risk: these sources are technology, vendor, and product.[14] conducted research on dimensions of consumers' perceived risk in online shopping. The result of the study explains seven factors of perceived risk: they are fraud risk, delivery risk, financial risk, time and process risk, product risk, privacy risk, and information risk. On the basis of a literature review, researchers have identified 6 dimensions of consumer perceived risk associated with online shopping, described below:-

1. **Financial risk:** - Forsythe and Shi (2003) [15] describe financial risk as a potential loss of money. It includes conflict related to misuses of once credit card information and refunds. Financial risk is defined as the probability of monetary loss associated with purchasing a product [16] . Some more common and distinct financial risk includes credit risk, liquidity risk and operational risk [17]. To build a business from ground up it's very expensive. At some point in any company's life, they will need to seek outside several to grow [18] . Many circumstances can impact the financial market. Financial risk is any of the various types of risk associated with financing, including financial transaction that include company loan in risk of the default [19] . Science has evolved around analyzing market and financial risk under the general title of modern portfolio theory [20]. Financial loss of consumer includes defect products, extra expense after purchase and possibility of internet hackers to steal credit card information [15].

2. **Performance Risk:** - [21] Biswas & Burman (2009) examine the mediated effect of consumer perceived risk between consumer search intentions across online and offline shopping medium due to product digitalization. It is also known as financial risk it is defined as the uncertainty and the consequences of a product not functioning at some expected level (Hunk, Shrank & Dubinsky 2004)[22]. A performance risk is the potential data product; service; program or project will not deliver as better as required. This can apply to internal projects, outsourced projects and purchase of product [23]. It is concerned with buyer's mind that the product being considered for purchase will not work efficiently. Performance risk management framework presents a increasing the level of detail of input parameters [24]. It is the rest that the buyer, who owes the money, can legitimately avoid paying because the supplier has failed to do a good job [25] .The product is not as expect or does not match with seller description [26].

3. **Social Risk:** - [27] Jacob and Kaplan (1972) explain static social risk involved is at the time of shopping consumers and immediately thinking about the group where they belongs – the importance of social risk has begin to notice after the work of Seth (1981) [28], who established the social risk can make the consumer doubt whether to

accept their shopping from internet as an innovative medium. In social risk the disappointment in the individual by friends and family in case of a poor product choice, E stores and service choice [29].

5. Psychological risk: - Psychological risk is known as how the purchase decision will affect the opinions of other people hold off the online shopping [30]. Psychological risk reflects and individual disappointment in oneself in case of a poor product choice, e store and service choice. Ha & Stoel (2009)[31] has discussed that women's tend to shop more than the male population in traditional way, but the Internet shopping reflects a slight difference in the gender pattern as male population shop more online shopping provide them convenience and ease.

6. Privacy Risk: - Uncertainty plays an important role in individual decision making [32] when consumer has a condition of privacy risk [33] examines the role of privacy protection concerns and privacy policy visibility in online shopping decision. In their experiment they found that online consumers value privacy concern and ready to pay a premium for a privacy protection. In 1999 Sheehan and Hoy also reveals that consumer avoid website that requires personal data for registration, leading some people to falsify in complete details. Potential loss of control over person information, such as when you information is used without your knowledge or permission [34]. The privacy risk program helps parents, teachers, schools and districts make sense of the privacy risk face with our privacy ratings that flag areas of concern [35]. Any information that can be used to distinguish or trace an individual maintained by agency including any information that can be used to distinguish is called private risk [36]. Personal information be stolen, resold or leak out [37].

Research Methodology

The studies suggests that Consumer perceived risk highly influences the online purchase decision among consumers and information play important role in reducing the time taken to purchase decision. The construct and observable items are derived from previous literature review are used in research framework development and modified accordingly to better fit the research topic. A final set of 23 (out of 27) items

in six construct (Table 2) used for research framework development and sample data collection, by developing the structured questionnaire.

Table 1. Path coefficient

Path	Coefficient	t -test	P- test	Tolerance	VIF	Result
Financial-> perceived Risk	.244	4.041	.000	.754	1.326	supported
Privacy & security-> perceived Risk	.191	3.285	.001	.809	1.236	supported
Functional ->perceived risk	.204	3.513	.001	.816	1.225	supported
Psychological ->Perceived Risk	.105	1.073	.006	.753	0.532	Not supported
Social Risk->	.170	3.074	.001	.805	1.227	supported
Perceived risk-> online purchase decision	-183	-3.537	.000	.930	1.075	supported

Source: Author's own source from survey

Analysis and Discussion

Outcome of the study shows that Financial risk ($\beta=.244$, $t=4.041$, $p=.000$) is one of the important risk identified in online purchase decision. In rural areas consumers have limited resource of finance and they are more conscious to the price of the product before the purchase decision. They evaluate the cost of product with respect to utility and value of the product. They mostly compare the price and quality of product with similar alternative & when satisfied intent to purchase. In online purchase consumer doesn't able to observe product physically they relies on virtual images. Some time consumer has fear to wrong transaction and misuse of credit card information. So the financial risk plays a critical role in online purchase decision.

Performance of the product ($\beta=.204$, $t =3.513$, $p=.001$) is the second most important risk considered after the financial risk. In online purchase consumers are unable to inspect or check the product physically before delivery. So consumers fear about the performance of the product and they have to rely mostly in online reviews. Rural consumers are mostly not aware about the different aspects of online marketing.

They are comparatively conservative in nature due to availability of less resources and information about the product.

Outcome of the study suggests that privacy factor ($\beta=.191$, $t =3.285$, $p=.001$) during the online purchase decision is important. Consumers are reluctant to online purchase and payment due to the privacy issue, they have fear to misuse of their personal and financial details. The rural consumers are less informed about the online marketing they are also less aware about the technical knowhow hence reluctant to use the new technology. However there is larger base of young consumers who are technically more advance and informative. Hence privacy issue is the key concern which can influence the online purchase decision.

Managerial Implications:

Based on proper literature review and broad analysis, these studies identify following managerial Implications. First it gives ideas to the forms and marketers to adopt adequate risk reduction policies for shopping so that consumer feels safe while buying. Second, they should follow fast delivery of products and feedback policy to reduce the time lag which indirectly increases the time risk. Third, financial risk and Information security policy consideration, payment and information security must paid attention. Marketers must use a better platform that would improve safety and privacy to motivate people to buy online. Encourage a person to use other payment methods that does not disclose their credit and debit card information's like COD, Also by giving them EMI option on debit card will motivate people to buy online products. Fourth Marketers should minimize Performance risk or Product risk by giving more information about the product, use 3D image to illustrate the product features, providing sizing charts, material component, providing product comparison, By giving product videos explaining product features. Finally, consumers were worried about the delivery of their product, They fear that the product may be damaged while handling and transporting or receiving a fault items that does not match to its specification, For this online seller should deal with best and most trusted shipping services providers to avoid damage during the delivery.

Conclusion

Online marketing has larger potential in India especially when the internet facility is available in remote areas. Introduction of 4G services and android mobile and applications has increased the online services Indian rural market have high potential with larger consumer base which is still not served by the online marketing. Urban areas are saturated for the online market now there is need of identifying the problems of rural market and prepare strategies for the expansion of online marketing. Lower expansions of online services in rural areas are due to the perceived risk towards the online purchase decision. Availability of reliable and sufficient information is one of the important factors which can reduce the consumers risk perception about the online marketing. So there need of increase the awareness among the potential online consumers.

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