

Chapter 5

Risk Management, Trust and Repeat Online Shopping Intentions: A South African Perspective

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ABSTRACT

E-commerce is a growing phenomenon in Africa. One area of e-commerce that is growing at a very fast rate is online retailing. This is despite concerns that individuals often have in relation to online shopping being associated with more risk than traditional retailing. This chapter looks at practices of online retailers that help in mitigating online shopping risk and the influence of these on customers' levels of trust as well as on their intentions to re-purchase from specific online stores. The findings show that provision of adequate online product information and online store security has positive influence on customers' level of trust in an online store. The findings also show that trust in an online store has significant influence on customers' intentions to repurchase from a store. The findings have wide implications on successful management of online store outlets and these have been highlighted in the chapter.

INTRODUCTION

The Internet has revolutionised the business and communications worlds like no other innovations before it. It is the force behind the current information age which is characterised by ability of individuals and business to freely share information and have ready access to knowledge. According to Sernau (2014) the information age signalled a shift from traditional industry that was brought by the industrial revolution, to an economy based on information manipulation. Hanson and Kalyanam (2012) pointed out that the internet provides great potential for productivity increases in business. It is for this reason that countries in Africa just as many others in the around the world are investing in efforts aimed at bringing their nations to the forefront of the information era.

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Among other impacts, the internet has made it possible for companies to conduct their commercial transactions electronically, a concept that is widely referred to as e-commerce. E-commerce encompasses electronic buying and selling of products as well as facilitation of the same (Zaker & Ansari, 2013). According to E-marketer (2014) global business-to-consumer e-commerce sales were estimated at US\$1.25 trillion. While over half (59.4 percent) of e-commerce sales in 2013 were attributable to countries in Western Europe and North America with the Middle East and Africa region contributing only 2.16 percent, e-commerce sales are noted to be growing at a very fast pace in all the regions of the world. Forecast show that total sales in the Middle East and Africa region are expected to grow from US\$27 billion in 2013 to US\$51.4 billion in 2017, a jump of around 90 percent over a five year period (E-marketer (2014). On the African continent, South Africa is considered the biggest e-commerce market (BizCommunt, 2013). Compounding the increase in online sales globally is the influence of the internet on offline sales. Results of a global survey by the marketing and technology agency DigitasLBi (2014) showed that as many as 88 percent of consumers with internet access use it to ROPO which stands for research online, purchase offline. Clearly, there are benefits associated with having an online retail presence.

While there has been a continuous rise in retail online sales worldwide and in many individual countries, the fact that many online retailers fail to meet their sales and profit goals is widely acknowledged in literature (Shaker, 2013; Hausman & Siekpe, 2009). This problem is of interest to researchers and online retailers as they aim to understand factors that may explain customers' reluctance to shop at some online stores and not others. This chapter aims at contributing to this understanding by looking at issues of risk and trust in online shopping.

Researchers including D'Alessandro, Girardi, and Tiangsoongnarn, (2012) as well as Jøsang and Presti (2004) identify risk and trust as two important facets of decision making through which individuals view things and choose to act. In the context of online shopping, Ko et al. (2004) defined risk as "the potential for loss in pursuing a desired outcome while engaged in online shopping" p. 20. Trust in an online store can on other hand be defined as "an attitude of confident expectation in an online situation of risk that one's vulnerabilities will not be exploited" (Corritore, Kracher, & Wiedenbeck, 2003, p. 740). A review of literature shows that studies that look at risk and trust issues at individual customer and online business level often focus on the influence of these on adoption of online shopping. This chapter takes a different perspective in that the focus is on online shoppers only. The objectives of the chapter are to (i) examine global, regional and country trends in online sales (ii) understand some environmental conditions that have an influence on a country's level of online retail business (iii) examine online customers' levels of perceived risk associated with online shopping (iv) identify risk management practices that influence trust in online stores and (v) examine the influence of trust in online store on repeat shopping intentions.

The chapter has been organised such that the next section provides an analysis of international and local trends in online sales. This is followed by the section looking at the state of facilitating environmental conditions to online shopping in South Africa and beyond. Thereafter the chapter provides a review of literature on trust and risk in relation to online shopping followed by presentation of details relating to an investigation done in order to empirically examine levels of perceived online shopping risk as well as relationships between online stores risk mitigating practices, trust in online stores and customers' online store repeat purchase intentions. The chapter ends by providing directions for future research before concluding.

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