

# Perceived Risk and Online Shopping Ineffectiveness in Retail Industry of Lagos State, Nigeria

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**Abstract:** *The pace and rate of online shopping is slow in Nigeria despite the rising population of Internet users. The traditional shopping of visiting the store is still the Nigerian consumer culture which seems not to give way for online shopping, especially in developed countries. Research appears insufficient on online shopping on developing countries like Nigeria and limited understanding of the underlying factors that affect its acceptance. The objective of the paper was to examine the perceived risk of online shopping in retail industry in Lagos State, Nigeria. The survey was conducted on 240 stratified sample selected students from the Computer Science departments of the state-owned tertiary institutions in Lagos, Nigeria. The instrument used was validated and a reliability co-efficient value of 0.77 was determined. Findings revealed some challenges militating against adoption of online shopping in Nigeria's retail industry. These include consumers distrust, security and fraud risk, perceived risk and low level computer literacy. These challenges have led to the slow adoption of online shopping in Nigeria. The study recommends that online shopping vendors should embark on awareness and re-orientation to break the entrenched traditional shopping habits of Nigerian consumers; governments should sensitize the general public on the importance and benefits of the Internet adoption government, should partner with the local personal computer (PC) manufacturers to make PC ownership affordable; and should make laws such as cyber-crime law that protect online shoppers.*

**Keywords:** *Perceived Risk, Online shopping, Consumers' Distrust, Security Risk, Fraud Risk, Literacy Level.*

## 1. INTRODUCTION:

Market as an agent of socialization in the Nigerian context is gradually revolutionized from the traditional face-to-face shopping to a digitalized approach prompted by the internet. The traditional shopping of visiting the store is fast being displaced by online shopping, especially in developed countries, where many customers shop online. Consumers worldwide shop online 24 hours a day, through online Shopping. Some market sectors, including insurance, computer hardware and software, travel, books, music, video, flowers and automobiles, are experiencing rapid growth in online sales. Online shopping has a lot of connotations which are used interchangeably based on the context and dimension it occurs, like Internet shopping, electronic shopping, and web shopping. Online shopping has been defined by scholars and researchers. On-line shopping is a single, homogenous activity, the selling of goods and services via the World Wide Web (www) [Birkin, Clarke, & Clarke, 2002]. Online shopping is the use of online stores by consumers up until the transactional stage of purchasing and logistics [Monuwe, Dellaert, & Ruyter, 2004]. Web shopping is an e-commerce system used by shoppers in the context of business-to-consumer (B2C) or business-to-business (B2B) [Ling, Chai, & Piew, 2010]. These definitions imply that online shopping requires existence of retailers' websites through which shopping is done in a virtual environment devoid of physical contact between sellers and buyers.

To attract shoppers to, keep them longer on, and make them return to the sites, e-tailers must design and promote a user-friendly websites. Ultimately, the main goal of online shopping is to provide a platform for shoppers to make exchange of goods and services with retailers. Nigeria is witnessing upsurge of e-tailers (online stores), who are trying to promote online buying behavior for some of the above mentioned and other products. These e-tailers attract shoppers into their well-crafted web sites and encourage them to do window shopping, locate products, compare prices, make purchase, drop product in e-shopping cart, make payment and get product delivered at their door steps. Some of these e-tailers in Nigeria include

- www.234world.com offering a range of products including beauty and fragrance, books and magazines, clothing, accessories & shoes, computers, food & drinks, and so forth.

- www.yesidefashionstore.com offering online fashion store for shopping online for shoes, clothing, bags, watches, jewellery, and all fashion accessories.
- www.buyright.biz stocking and offering mostly electronic and electrical appliance products such as inverters, UPS, mobile phones, cameras, camcorders, storage devices, notebooks, and so on.
- www.walaha.com offering online books including a bestseller category.
- www.awoofshop.com offering assorted products, ranging from mobile phones, books, clothing, video games, computers, etc.
- www.taafoo.com offering fashion products such as shirts, trousers, shoes, belts and spectacles both for male and female customers.
- www.glamour.com.ng dealing in perfume, jewellery, sunglasses and beauty products.
- www.jumia.com.ng stocking and selling women's clothing, women shoes, men's clothing, men's shoes, watches & sunglasses, health & beauty products.
- www.egoleshopping.com offering books, confectionaries, electronics & appliances, groceries, health & beauty, music & movies.
- www.konga.com dealing in clothing, phones, computer & electronics, watches, books & stationery, music, movies & games, home & kitchen.
- www.mannastores.com selling babies/kids, electrical, home/kitchen, motors, sports and women products.
- www.onstentationclothing.com specializing in dresses, pant & leggings, shirts, hand bags, shoes and perfume.

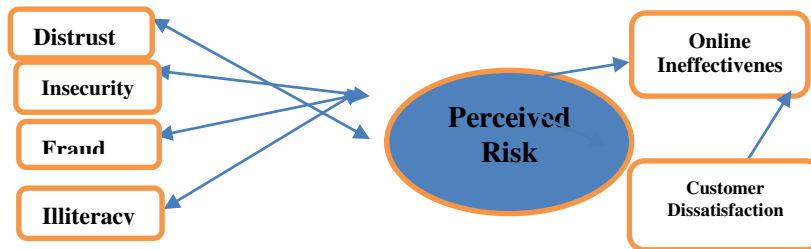
## 2. LITERATURE REVIEW:

The prevalence of improved Internet infrastructure and penetration in the country, assures prospect for more e-tailers presence in Nigeria's cyberspace. However, little or nothing is known about these e-tailers in the country. This is because many of them hardly promote their websites to attract shoppers. Worryingly, with the Nigeria population of 180 million the Nigerian Communication Commission statistics of internet penetration as at June, 2017, increased to 91, 598,757. This implies that internet users in Nigeria has hit 91 million. As observed by Wilson (2016) 64 percent of literate Nigerians are passively involved in e-shopping, 58 percent prefer traditional shopping while 78 percent are optimistic of later engaging in online shopping later if Nigeria can ideally regulate online shopping activities as it operates in developed countries. The low adoption of the Internet to make purchases in retail stores by Nigerian consumers may be attributable to some challenges discussed in this section. The literature is deluged with number of challenges militating against the adoption of the Internet, especially in developing countries [Aminu, 2011; Ezeoha, 2006; Rogers, 1995; Williams, 2002]

These challenges stem from the factor of fraud and security. As users interact with a new technology, they will learn the usefulness as well as the risks associated with the technology. Torkzadeh & Dhillon [2001] defined perceived risk as an assessment of uncertainties or lack of knowledge about the distribution of potential outcomes. In the opinion of De Ruyter, Wetzels, & Kleijnen [2001] perceived risk is a major challenge to the growth of online shopping in Nigeria. They argued that while there are other factors affecting consumers' adoption behavior on the Internet, perceived risk is a barrier to the patronage and purchase on the Internet. Salisbury, Pearson, Pearson, & Miller [2005] also shared this viewpoint, claiming that perceived risk may influence the attitude and behavior of consumers towards the Internet services. In the case of purchasing on the Internet, it is possible that consumers may perceive disclosing their credit card information as risky, and they have no control over this [Abhamid & Khatibi, 2006]. There is the risk that the supplier may not satisfactorily deliver the goods ordered. The goods may be inferior, incorrectly selected, and may never arrive [Tian, 2000]. Uncertainties about how customers' financial information is treated by e-tailers will increase perceived risk associated with online transactions, and reduce their willingness to adopt online shopping.

Similar Studies of observed security and fraud challenges by the prospective and actual shoppers. Security is defined as a set of procedures, techniques, and safeguards designed to protect hardware, software, data, and other system resources from unauthorized access, use, modification, or theft [Davis, Bagozzi, & Warshaw, 1989]. In a recent study, it was reported that the development of online shopping has been slowed by some factors, including online shoppers concern regarding fraud and security. It was indicated that lack of computer security can make hackers to have access to a vendor websites and steal names, addresses and credit card numbers of their customers. Fraud is also noted as a concern, where consumers are fooled by a website designed to look like a legitimate online vendor into giving up their details [Master Card, 2008]. Another study showed that fear of online credit card fraud has been one of the major reasons customers have not done more extensive online buying [Ratnasingham, 1998]. Similarly, Lee & Turban [2005] lamented that consumers cannot physically check the quality of a product or monitor the safety and security of sending sensitive personal and financial information while shopping on the Internet. From the foregoing, security challenge is a real one that should be tackled headlong to encourage more Nigerian adopt online shopping. Online shopping relies heavily on the use of Credit Cards to make payment, and online shopping can be promoted to reduce the amount of cash shoppers carry in this cashless era. According to Ojomuyide [2012] online

shopping is just one way Nigerians can reduce their dependence on cash payments. In Nigeria, many users of electronic platforms such as ATMs, Mobile phone, and Credit cards have lost several millions of naira to e-fraudsters. These perceived risks appear to discourage many Nigeria ready to embrace online shopping. Aminu [2011] observed that a large number of Nigerians are illiterates and even among the few literates, many are computer illiterates and this has significantly affected their attitude to computer and the Internet usage. There is a correlation between a country level of literacy and its Internet penetration.



**Figure 1.** Online Shopping Perceived Risk Conceptual Model (Adapted from Ewwiekpaefe & Chiemeké, 2017)

This study is being conducted to figure out the basis for perceived risk to change consumer buying behaviour so that they can buy online. It will be able to highlight areas that can be focused on by online shopping perceived risk to make the transition easier from the traditional to digital and online shopping.

**3. RESEARCH QUESTIONS :**

- i. To what extent does perceived risk discourage online shopping due to consumer distrust compared to traditional shopping?
- ii. How does insecurity influence fraud on online shopping attitude of Nigerian consumers?
- iii. What is the effect of level of computer literacy on online shopping attitude of Nigeria consumers?

**4. METHODOLOGY :**

The design is descriptive survey, data was collected through the use of a specified measuring instrument. This instrument was a completely self-developed and standardized questionnaire tagged “Questionnaire of Nigeria Consumers Online Shopping Perceived Risk” comprised of two sections. The first section was aimed at collection general data from the respondents. The questions were nominally scaled and came with pre-established categories for options. The second section, which was aimed at collecting data directly pertinent to the study has fifteen items. The scale used for measurement was a 3-point Likert Scale, with answers ranging from Very Obvious, Rarely Obvious and Never respectively. Respondents were asked to tick their levels of agreement as pertaining to various criteria, mainly distrust, insecurity, fraud and level of computer literacy. Students from tertiary institutions in Lagos State formed the population for this study. A sample of 240 students was used in the course of this study. A stratified sampling technique was adopted whereby students of the department of Computer Science from Lagos State University (LASU), selected (75 respondents), Federal College of Education (FCE), Akoka selected (80 respondents) and Yaba College of Technology selected (85 respondents). The instrument used was validated by a team of experts in educational sociology, test and measurement and it was adjudged to meet both face and content validity. The reliability of the instrument was carried out through split-half method reliability and a co-efficient value of 0.77 was determined meaning the instrument was suitable for the study.

**5. RESULTS AND ANALYSIS:**

**Table 1: Distribution of sample on the basis of gender and Institutions**

Gender	FCE TECH (AKOKA)	LASU	YABA TECH	
Male	39	42	56	137
Female	41	33	29	103
Total	80	75	85	240

Tables and Charts were used to present the data based on the three formulated research questions in this study.

Research Question 1:

To what extent does perceived risk discourage online shopping due to consumer distrust compared to traditional shopping?

**Table 2:** Showing Frequency and Percentage of Perceived Risk and Online Shopping

S/N	Items	Very Obvious	(%)	Rarely Obvious	(%)	Never	(%)
1.	Prefer traditional shopping to online shopping.	157	65	72	30	11	5
2.	Delivery of sub-standard goods.	72	30	98	41	70	29
3.	Ineffectiveness of the Internet.	62	26	110	46	68	28
4.	Consumers inability to physically check product quality and safety	162	67	52	22	26	11
5.	Customer dissatisfaction.	109	45	62	26	69	29
<b>Total</b>		<b>562</b>	<b>47%</b>	<b>394</b>	<b>33%</b>	<b>244</b>	<b>20%</b>



**Fig 2.** Pie-Chart Showing How Perceived Risk Discourage Online Due To Consumer Distrust.

**Interpretation**

From table 2, it unveils customers distrust as perceived risk that discourages adoption of online in Nigeria. The analysis from the Pie chart above reveals customer distrust as very obvious which was 47%, 33% of the respondents indicated rarely obvious and 20% opinion was never. Despite the growing population in Nigeria most consumer prefer the traditional face-to-face shopping system of which they can see and examine the product physically themselves. Consumer feelings they can avoiding delivery of sub-standard and fake products, since there is no legislation or measure for customers to seek redress.

**Research Question 2:**

How does insecurity influence fraud on online shopping attitude of Nigerian consumers?

**Table 3:** Showing Frequency and Percentage of Insecurity influence and Fraud on Online Shopping Attitude of Nigerian Consumers

S/N	Items	Very Frequent	(%)	Rarely	(%)	Never	(%)
1.	Fear of online credit card fraud.	162	68	72	30	6	2
2.	Consumer financial loss	182	76	30	12	28	12
3.	Difficulty for shoppers to get redress in case of fraud.	178	73	52	23	10	4
4.	Non-existence of the sufficient control of regulation for online fraud	141	59	68	28	31	13
5.	Hacking of consumer data for Fraudulent purposes	109	45	92	38	39	17
<b>Total</b>		<b>772</b>	<b>64%</b>	<b>314</b>	<b>26%</b>	<b>114</b>	<b>10%</b>



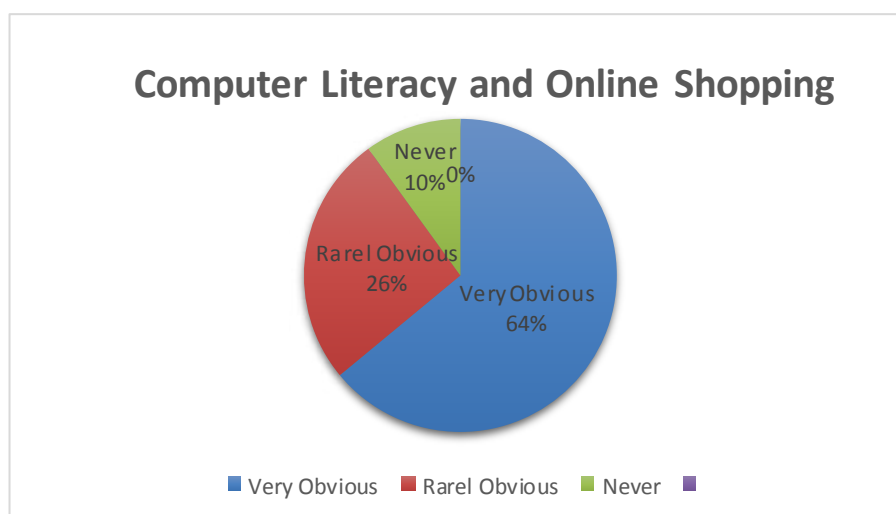
**Figure 3:** Pie-Chart Showing Effect of Insecurity and Fraud on Online Shopping Attitude of Nigerian Consumers Interpretation

From table 3, the analysis shows cases of online fraud, credit scam, hacking of customer personal information, consumer financial losses, lack of measure for consumers to seek redress against fraud and insecurity. This indices constitute fraud and insecurity to online shopping in Nigeria. Thus, chart above revealed that 51% of respondents opined its very obvious, 41% felt its rarely obvious while 8% felts it never occurs.

What is the effect of level of computer literacy on the online shopping attitude of Nigeria consumers?

**Table 4:** Showing Frequency and Percentage of Level of Computer Literacy and The Online Shopping Attitude of Nigeria Consumers

S/N/	Items	Very Frequently	(%)	Rarely	(%)	Never	(%)
1.	Perceived risk is a major challenge to the growth of online shopping.	124	52	72	30	44	18
2.	Low ownership of personal.	111	46	81	34	48	20
3.	Low income hinders possession of personal Computer	158	66	72	30	10	4
4.	Level of computer literacy affects online shopping.	121	50	73	30	48	20
5.	Computer illiteracy affects online shopping.	98	41	79	33	63	26
<b>Total</b>		<b>612</b>	<b>51%</b>	<b>377</b>	<b>41%</b>	<b>213</b>	<b>8%</b>



**Figure 4:** Pie-Chart Showing the Effect of Level of Computer Literacy On The Online Shopping Attitude Of Nigeria Consumers

## Interpretation

In table 4, the chart showed that 64% of the total respondents were of the opinion that level of computer literacy affects online shopping, 26% felt it rarely obvious while 10% never accepted that level of computer literacy affects Nigeria consumer online shopping attitude. The implication is that despite the low level literacy among Nigerian, even among the literate Nigeria the level of computer literacy is low coupled with low level of computer ownership. This constrains adversely affects the adoption of online shopping in Nigeria.

## 6. DISCUSSION OF FINDINGS:

The findings of this research was supported by Lee & colleagues (2001) asserting that there are two main categories concerning perceived risks that come up while online shopping. The first is that concerned with the product or service bought. This may include loss of function, time, money, opportunity and product risk. The second risk is associated with the online transactions. This includes security, privacy and nonrepudiation. Among these, the influence of risk of losing money, risk regarding product, and apprehension for privacy and security is more significant (Senecal 2000; Borchers 2001; Bhatnagar et al. 2002). In Nigeria, online shopping is not compatible with the retailers' culture of selling through physical stores and consumers' entrenched behavior of physically visiting the stores, touching, feeling and comparing products before actual purchase is made. This perceived risks are peculiar to online shopping challenges faced by consumers in Nigeria. As online shopping is a fairly new medium and people do not have a lot of experience with it, shopping online is a challenge faced by Nigeria consumers.

Bao, Zhou & Su (2003) further opined that one of the cultural dimensions, risk aversion, was a great factor in determining the decision made by consumers. Trust, being an indicator of the perceived risk level of customers towards online shopping has great impact on risk aversion, which, in turn has major impact on online shopping behavior. In fact, perceived risk greatly explains consumer buying behavior. Online security as revealed by this research appear to be one of the fundamental challenge facing online shopping in Nigeria. Flavián and Guinalfú (2006) security online is observed as the belief of the consumer that his financial data will be protected and not made available, it will not be stored and it will not be used by unauthorized people. As further corroborated by Smith (1996) there are four factors of online security and privacy, unauthorized use of personal information by a secondary party; improper access of any information that is digitally stored; collection of personal information of any individual and errors in the personal information that has already been collected. The issue pertinent to this study is that despite the increasing Nigerian population of 180 million coupled with the Nigerian Communication Commission statistics of internet penetration as at June, 2017, increased to 91, 598,757, internet users in Nigeria has hit 91 million. As observed by Wilson (2016) 64 percent of literate Nigerian are passively involved in e-shopping, 58 percent prefer traditional shopping while 78 percent are optimistic of later engaging in online shopping later if Nigeria can ideally regulate online shopping activities as it operates in developed countries.

## 7. CONCLUSION:

The consumer's perception on online shopping varies from individual to individual and the perception is limited to a certain extent with the availability of the proper connectivity and the exposure to the online shopping. The perception of the consumer also has similarities and difference based on their personal characteristics. Nigeria population of 180 million based the Nigerian Communication Commission statistics of internet penetration indicated as at June, 2017, increased to 91, 598,757. This implies that internet users in Nigeria has hit 91 million. However, only 64 percent of literate Nigerian are passively involved in e-shopping. This research attributed this slow adoption of online shopping to perceived risk such as insecurity, fraud, consumers distrust and computer literacy level as impediments for the slow adoption of online shopping in Nigeria. Worthy of note is the high rate of online shopping in developed countries is attributed to solving cultural, infrastructural barriers and operating an ideal online shopping regulatory system that builds consumers confidence and satisfaction. These problems plague the Nigerian online shopping system, solving these problems facilitates an ideal online shopping system.

## 8. RECOMMENDATIONS:

- Breaking the yolk of cultural barrier requires a massive, multimedia advertising campaign that positions online shopping as an efficient and effective alternative to the traditional shopping, and which demonstrates the various benefits of online shopping can help change the current entrenched brick and mortar (physical) shopping habits of many Nigerians.
- Nigerian governments, at all levels, should sensitize Nigerians on the importance and benefits of adopting the Internet in all facets of our life and not only as a tool of shopping. The ongoing campaign aimed at encouraging Nigerians to adopt e-payment and carry less cash is a step in the right direction.
- As part of initiatives to achieve a higher penetration rate of the Internet government, through partnership with the local manufacturers of PC, should make PC ownership affordable to all and sundry.

- Though the costs of Internet connections have reduced substantially, further slash in the acquisition costs and service charges by the Internet Service Providers (ISP) and telecoms companies should be encouraged through appropriate incentives by government to the providers.
- As a way of reducing costs of doing business in Nigeria and further achieving reduction in the price of the Internet service, federal government should improve the current epileptic electricity supply in the country.
- To address the fraud and security challenge, e-tailers should develop a comprehensive privacy policy for their customers on the disclosure of personal information in order to reduce their concerns for security matter. The policy should clearly state that the information collected would be kept confidential and not shared or passed on to another party without their consent. They should also provide a guarantee for shoppers to remove their personal information from the e-tailer's database.
- To reduce the perceived risks by, and assure and reassure the shoppers, e-tailers should be sincere and honest enough to provide on time delivery while delivering the exact products shoppers have ordered and paid for.
- To further allay the shoppers' fear and apprehension, federal government should immediately set in motion the process that will lead to the promulgation of relevant laws (cybercrime and other laws) that will protect the various users of the Internet in the country, especially the consumers.

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