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## Perceived Risks and Online Purchase Intention of Young Professionals in the Fifth District of Cavite

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**Abstract:** The study aimed to determine the participants' intention towards online purchase as affected by demographic profile and perceived risks. The study focused on young professionals in the 5<sup>th</sup> District of Cavite who are white-collar workers and have at least associate's degree with age ranging from 20 to 39 years old. The data were collected with the aid of survey instrument in the form of modified questionnaires. Various analyses which include frequency count, percentage, weighted mean and chi square were used to analyze the gathered data and convert them to significant information. The results show that majority of participants were female and single. Majority of them were engaged in 'Human Resource and Administration' and received a salary of Php10,001 to 15,000 a month. Sex, civil status, occupation and net monthly income have no significant relationship with online purchase intention which indicates that demographic profile of the participants do not affect their intention to buy online. Perceived risks in terms of product, time, financial, delivery and social risk have significant relationship with online purchase intention. Additionally, product risk has the most influence on the purchase intention of the participants in online shopping. The study revealed that despite of the knowledge of the perceived risks, young professionals would still purchase online but shopping would not be frequent.

**Key Words:** online shopping; perceived risks; purchase intention; young professionals

### 1. INTRODUCTION

Over the past few decades, the Internet has developed into a vast global market place for the exchange of goods and services (Javadi, Dolatabadi, Nourbakhsh, Poursaedi & Asadollahi, 2012).

The Internet has changed the way consumers buy goods and services throughout the world. Traditionally, consumers would actually visit

a conventional retail outlet, look for the required product, compare the alternative products available in the outlet, ask the sellers for his or her recommendations and then, would finally purchase it by paying at the counter. However this position has changed drastically with the emergence of 'online shopping' throughout the world (Sen, 2014).

Moreover, many organizations have started to use the Internet as a platform for selling their products as it allows them to cut the marketing costs,



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thereby reducing the price of their products being sold. This has become a global phenomenon, and it allows the organization to stay ahead of others in the highly competitive markets (Sen, 2014).

Despite the significant growth and the optimistic future growth of online shopping, negative aspects are also becoming more frequently associated with this alternative shopping method. Consumers perceive a higher level of risk when purchasing on the Internet compared with traditional retail formats (Lee & Tan, 2003).

In an online environment, in contrast to a physical one, greater risk and less trust are expected due to the fact that there is a major difficulty in evaluating a product or service as there are no visual or tangible indications about the quality of the product nor face-to-face interaction with sales staff (Laroche, Yang, McDougall & Bergeron 2005). Time, convenience, or effort may be wasted when a product purchased is repaired or replaced (Ko, Jung, Kim & Shim, 2004). The chances of potential financial loss concern the potential expenses of returning the product or the likelihood of any additional hidden cost such as shipping and handling occurring. Consumers fear that delivery will be delayed due to various circumstances; the delivery company may not deliver within the time frame agreed with customers, or consumers fear that the goods may be damaged when handled and transported, or no proper packaging and handling during transportation (Claudia, 2012). Consumers also perceive that a product purchased may result in disapproval by their family or friends (Li & Zhang, 2002).

Therefore, it is assumed that people may feel a certain degree of risk when purchasing a product through the Internet.

### *1.1 Objectives of the Study*

The study aimed to determine the perceived risks and online purchase intention of young professionals in the fifth district of Cavite.

Specifically, the study aimed to determine:

1. the demographic profile of the participants in terms of sex, civil status, occupation and net monthly income;
2. the level of perceived risks of the participants in terms of product, time, financial, delivery and

social risk;

3. the level of online purchase intention of the participants;
4. the relationship of the demographic profile on online purchase intention in terms of:
  - 4.1 Sex to online purchase intention;
  - 4.2 Civil status to online purchase intention;
  - 4.3 Occupation to online purchase intention; and
  - 4.4 Net monthly income to online purchase intention
5. the relationship of perceived risks on online purchase intention in terms of:
  - 5.1 Product risk to online purchase intention;
  - 5.2 Time risk to online purchase intention;
  - 5.3 Financial risk to online purchase intention;
  - 5.4 Delivery risk to online purchase intention; and
  - 5.5 Social risk to online purchase intention
6. the perceived risk which greatly influences the participants' online purchase intention.

### *1.2 Scope and Delimitation of the Study*

This research was delimited to the extent of the fifth district of Cavite namely Carmona, Silang, and General Mariano Alvarez.

This particular study focused on selected young professionals in the fifth district of Cavite who are white-collar workers with ages ranging from 20 to 39 years old. Participants must have completed at least an associate's degree and performs job duties in an office setting that usually earn a salary.

This study focused merely on evaluating the factors that can influence the online purchase intention of young professionals. This includes the demographic profile such as sex, civil status, occupation and net monthly income; and perceived risks. Though there were several perceived risks associated with online shopping only those five risks enumerated from the study of Masoud (2013) were assessed in this study. These are product, time, financial, delivery and social risk.

### *1.3 Operational Definition of Terms*

Terminologies are described in accordance



to their use in the study.

**Perceived risks.** Perceived risk is defined as the potential loss in pursuing a desired outcome while engaged in online shopping; it is a combination of uncertainty with the possibility of serious of outcome (Ko et al., 2004).

*Product risk.* The perception that a product purchased may fail to function as originally expected (Kim, Ferrin & Rao, 2008).

*Time risk.* Potential loss of time associated with making a bad purchasing decision by wasting time researching, shopping, or have to replace the unexpected goods.

*Financial risk.* The potential monetary outlay associated with the initial purchase price as well as the subsequent maintenance cost of the product, and the potential financial loss due to fraud.

*Delivery risk.* Potential loss of delivery associated with goods lost, goods damaged and sent to the wrong place after shopping.

*Social risk.* Potential loss of status in one's social group as a result of adopting a product or service, looking foolish or unpopular.

**Purchase intention.** The willingness of a customer to buy a certain product or service.

**Online shopping.** The act of purchasing products or services over the Internet.

**Young professionals.** In this study, young professionals are white-collar workers with the age of 20 up to 39 years old. They completed an associate's, bachelor's, master's or professional degree and those who perform job duties in an office setting or highly skilled and formally trained professionals that usually earn a salary.

## 2. METHODOLOGY

Descriptive-correlational research design was used in the study since it aims primarily to investigate the relationship between the factors under investigation such as the demographics, perceived risks, and online purchase intention.

Descriptive research design was employed to describe the profile of the participants, level of perceived risks and level of online purchase intention. Correlational approach was also utilized since it determined the relationship among demographics, perceived risks and online purchase intention. Moreover, it also determined what factor greatly influenced purchase intention of young professionals towards online shopping in the fifth district of Cavite.

### 2.1 Sampling Technique

The sample size was determined through Godden (2004) formula for infinite population with 5% margin of error and 95% confidence level. By operationalizing the said formula, a sample size of 385 participants was calculated.

$$n = \frac{Z^2 \times P(1 - P)}{M^2}$$

where:

- n = Sample Size for infinite population
- Z = Z value (1.96 at 95% confidence level)
- P = population proportion (expressed as decimal 0.5, assumed to be 50%)
- M = Margin of Error at 5% (0.05)

Multi-stage sampling was utilized. Purposive sampling was used since there was a clear characteristic of the target participants, limited to young professionals. Proportionate sampling was done to get the desired number of participants per municipalities. Simple random sampling was employed to determine the number of sample companies within the municipality of Carmona and Silang and convenience sampling was employed to get the desired number of participants per company.

Table 1. Distribution of participants in the fifth district of Cavite

Municipality	Number of Companies	Percentage %	Sample Population
Carmona	134	67	258
Silang	62	31	119
GMA	3	2	8
<b>Total</b>	<b>199</b>	<b>100</b>	<b>385</b>



## 2.2 Research Instrument

A modified questionnaire from the study of Masoud (2013) and a self – made questionnaire constructed from different existing studies and literature were used to gather pivotal information for the study.

The research instrument was questionnaire consisting of three parts. The first part focused on the participants’ demographic profile; these include questions relating to sex, civil status, occupation and net monthly income. The second part focused on perceived risks with succeeding sub-factors including product, time, financial, delivery and social risk which is modified from the work of Masoud (2013). The last part was a self-made questionnaire which focused on online purchase intention of the young professionals.

A pilot testing was conducted at the City of Biñan, Laguna with 30 selected young professionals employed in that city as participants. The validity and reliability of the questionnaire was defined using Statistical Package for the Social Sciences (SPSS) Program which revealed an Alpha Cronbach value of 0.877 which postulated that the survey instrument was reliable.

## 2.3 Statistical Treatment of Data

The study used frequency count, percentage, weighted mean, and Chi-square to assess the data of the study.

To determine the demographic profile of the participants in terms of age, sex, civil status, occupation and income, frequency count and percentage were used.

Weighted mean was used to identify the level of perceived risks, and online purchase intention of the participants.

Using SPSS version 22, chi-square was used to determine the relationship of demographic profile in terms of age, sex, civil status, occupation, and income on online purchase intention. It was also used to determine the relationship of perceived risks in terms of product, time, financial, delivery and social risk on online purchase intention. Furthermore, cross tabulation was employed to determine the perceived risk that greatly influences participant’s online purchase intention.

## 3. RESULTS AND DISCUSSION

### Demographic Profile of the Participants

From 385 participants, 53% were female and 60% were single. Twenty percent were engaged in ‘Human Resource and Administration’. Majority of the participants (56%) received a salary of Php10,001 to 15,000 a month. Findings revealed that young professionals of these characteristics were mostly online shoppers.

### Level of Perceived Risks of the Participants

Among the perceived risk, only social risk is perceived to be a low risk. This indicates that young professionals’ perception of the risk of looking foolish or becoming unpopular, that is status loss, is minimal.

However, the perception that a product purchased may fail to function as originally expected; potential loss of time, financial loss and perception that delivery associated with goods will be damaged and sent to the wrong place were considered by the participants as high risk.

Table 2. Level of perceived risks of the participants

Perceived Risk	Mean	Standard Deviation	Descriptive Interpretation
Product Risk	3.14	.622	High
Time Risk	2.54	.740	High
Financial Risk	2.71	.683	High
Time Risk	2.86	.641	High
Social Risk	2.46	.688	Low

### Online Purchase Intention of Young Professionals

The findings of the study revealed that despite of the knowledge of the perceived risks such as product, time, financial, delivery and social risk, young professionals were interested and will still definitely purchase online but the online shopping would not be frequent.

This indicates that the perception that a product purchased may fail to function as originally expected; potential loss of time, financial loss, looking foolish or becoming unpopular and the perception





that delivery associated with goods will be damaged, and sent to the wrong place would still result to less frequent online purchase.

Table 3. Level of online purchase intention of young professionals

Online Purchase Intention	Mean	Standard Deviation	Descriptive Interpretation
I am interested in shopping online.	2.80	.797	High
I will consider online shopping.	2.83	.759	High
I will use online shopping.	2.68	.780	High
I will definitely shop online.	2.61	.835	High
I will frequently do online shopping.	2.39	.819	Low

### Relationship of Demographic Profile to Online Purchase Intention

Overall, the findings of the study revealed that participant's sex, civil status, occupation and net monthly income have no significant relationship to online purchase intention. It asserts that demographic profile of young professional do not affect their purchase intention towards online shopping (Table 4).

Table 4. Relationship between demographic profile and online purchase intention

Demographic Profile	Computed Value	Tabular Value	Remarks
Sex	2.742	7.815	No Significant Relationship
Civil Status	2.883	12.592	No Significant Relationship
Occupation	20.427	32.671	No Significant Relationship
Net Monthly Income	7.009	21.026	No Significant Relationship

### Relationship of Perceived Risks to Online Purchase Intention

Overall, perceived risks have significant relationship with online purchase intention. All sub-factors of perceived risks such as product, time, financial, delivery and social risk provided statistically significant relationship to online purchase intention. It indicates that the perception that a product purchased online may fail to function as originally expected; potential loss of time, loss of status, financial loss and perception that delivery associated with goods will be damaged and sent to the wrong place significantly affect online purchase intention of young professionals.

Table 5. Relationship between perceived risks and online purchase intention

Perceived Risk	Computed Value	Tabular Value	Remarks
Product Risk	40.505	16.919	Has Significant Relationship
Time Risk	104.653	16.919	Has Significant Relationship
Financial Risk	103.567	16.919	Has Significant Relationship
Delivery Risk	51.919	16.919	Has Significant Relationship
Social Risk	29.787	16.919	Has Significant Relationship

### Perceived Risks That Greatly Influenced Online Purchase Intention

Among the perceived risks, product risk was the most influential factor on participants' online purchase intention. This indicates that the perception that the product purchased online may fail to function as originally expected strongly influences the intention of the participants to purchase online. The study of Forsythe and Shi (2003) supported the finding of the study where product risk is reported as the most influential factor for not shopping online. The notion that the product purchased online would fail to function as expected downscales online purchase intention.



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#### 4. CONCLUSIONS

Results reveal that online purchase intention is independent of the participants' sex, civil status, occupation, and monthly income. Further, the intention to shop online is affected by the perceived product, time, financial, delivery, and social risks.

Moreover, the result of the study clearly shows that despite the presence of perceived risks, the participants still intend to shop online, though less frequent, which is something online marketers can capitalize on.

#### 5. RECOMMENDATIONS

Due to the limitations of this research, it is recommended that replication of this study be conducted to include broader age range and be conducted to other setting by drawing more participants from different regions in the country.

Also, study on factors which hinder online purchase intention be conducted. Researchers may consider the inclusion of more dimensions of perceived risk and other factors which influence online purchase intention.

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