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## **NON-MONETARY PRICE AND CONSUMERS' INTENTION TO BUY ONLINE**

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### **Abstract**

*While online shopping is considered efficient and easy there is also another side of the medal, the consumers feeling of risk, uncertainty and strenuous when they shop online. Consumers shopping online exhibit an odd behavior of abandoning their shopping carts instead of proceeding to checkout. This behavior would be very unlikely to see in a physical store (Close & Kukar-Kinney, 2010). If this problem is not given proper examination and paid attention to, sales profit may decrease quite a bit. Retailers need to study the differences between online consumer behaviors versus in-store consumer behaviors. It is important for the online retail companies to learn about consumer behavior so that they can make changes accordingly to increase productivity. We suggests that the risk and effort related to online shopping can be viewed as an additional cost beyond the price, usually named as the nonmonetary price in the consumer behavior literature. We draw from this theory of nonmonetary price combined with what is known about the intention to purchase from online stores, to build and test a model of customers' web store purchase intentions. Field data from 275 respondents was obtained and analyzed. The results indicate that purchase intention is influenced by the feeling of risk and effort in addition to the perceived value (such as competitive price and easily available products). The most interesting finding is that customers' whom invest a lot of effort in, e.g., comparing stores and identifying deals seems to generate strong purchase intentions, a finding that is the opposite of what we expected to find.*

## **Keywords**

Online shopping, Non-Monetary price, Consumers' Intentions, Purchase Intentions

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## **1. Introduction**

Online shopping is a growing area of technology. Establishing a store on the Internet, allows retailers to expand their market and reach out to consumers who may not otherwise visit the physical store. The convenience of online shopping is the main attraction for the consumers. We all know that compared to traditional shoppers the online shoppers can very easily compare prices across vendors and achieve the best price for a product they are looking for. We also see that many online shoppers use their shopping cart as a type of "wish list". "They frequently utilize the Internet as a tool for 'window shopping' and product comparison" (Kim & Ammeter, 2008, Close & Kukar-Kinney, 2010).

Although online shopping can be very convenient and beneficial there are also some potential problems that can arise. Consumers have been seen to exhibit different buying behaviors when shopping online than when they are shopping in a physical store. This makes it imperative that retailers study the behaviors of consumers and make changes in order to remain profitable and successful. "Given the social, interactive and immediate nature of Net-geners" (Kim & Ammeter, 2008), the online retailers try their best to keep up the consumers' needs by constantly making various improvements and changes to their online stores. Innovations will transform online shopping, as we know it. "The role the store is playing is changing,' says Mr. Ross" (Steel, 2010, p. B6). New technology has allowed websites to add virtual mirrors, shopping guides, and mannequins; however, there is more in store for the future. In the future, "Instead of looking at a static mannequin, consumers can interact with the screen to select outfits for an avatar (Steel, 2010, p. B6).

However, matched to physical stores, online shopping is not only characterized by benefits but also by, e.g., risk, uncertainty, and effort (Chang, Cheung & Lai 2005). For instance, the level of perceived risk may be due to the experience of impersonal communication, and effort may be due to the attempt to identify relevant online stores. In the context of online shopping, risk and effort can be viewed as an additional cost beyond the price, usually named as the nonmonetary price in the consumer behavior literature (Zeithaml 1981). The purpose of the present research is to investigate how nonmonetary price, or more specifically consumers experience of risk and effort, may influence consumers shopping behavior in the context of online shopping.

## **2. Theoretical Framework**

The purpose of this section is to clarify the core constructs in the present research effort, namely consumers' use of online markets, and their perception of nonmonetary price.

### **2.1 Online Markets And Online Shopping**

Online markets concern the entire electronic marketplace, while online shopping is regarded as an activity performed by consumers in these online markets. More precise the online shopping is the consumers' use of available web stores in online markets. Matook & Vessey (2008) describe online markets simply as technology-enabled virtual places for trading. Places that make it possible to exchange information, products, services, and payment between consumers and sellers. In the extension of this, online shopping can be described as activities where consumers buy products or services by use of the Internet as a medium (Pavlou & Flygerson 2006).

In general, there are two types of consumers in online markets, namely potential and repeat customers (Kim & Gupta 2009). Potential customers have identified an online store but not purchased from the store yet. The latter customers' perception of risk, or more generally the nonmonetary price aspect, play a bigger role in the purchase decision than it does for the repeat customers (Kim & Gupta 2009). The challenge for online stores is to transform potential customers to repeat customers, e.g., by minimalizing potential customers' perception of risk and effort when purchasing from the store. Stated differently, it is important that potential customers generate a purchase intention, because it is the purchase intention that may lead to an actual purchase (Morwitz & Schmittlein 1992, Jamil and Mat 2011). The purchase intention is the bridge between potential and repeat customers and can be described as the customers' probability for purchasing a product or a service (Dodds 1991).

### **2.2 The Nonmonetary Price in Online Markets**

As stressed in the introduction, there is a distinction between the monetary and the nonmonetary price when purchasing a product or a service. The monetary price is normally associated with the actual price on the product inclusive, e.g., taxes and shipping costs (Kim & Xu 2007). In contrast to the monetary price, the nonmonetary price is usually seen as constituted of elements like effort, risk and uncertainty (Li & Green 2011), or more generally as transaction and psychological costs (Miltgen 2012). Based on the refereed literature nonmonetary price is in this paper defined as a construct that describes customers' perception of effort and risk in connection with online purchase.

According to Nor & Pearson (2008) and Lai & Wang (2012) trust are found to have a significant positive effect on the intention to use online shopping. Yuliharsi et al. (2011) tested

the impact of trust on the adoption of online shopping and found a significant positive effect of trust on intention to purchase online. Scholars have identified privacy and security concerns as reasons why consumers avoid the Web (Laroche et al. 2005, Xie, Teo and Wan 2006). In fact, security of personal and financial information is a top concern of online shoppers (Miyazaki and Fernandez 2001).

Effort is normally seen as a hinder for shopping online. In order to shop online, the consumer must be relatively familiar with computers and how to navigate the Internet. (Kim & Ammeter, 2008). Broadly, consumers' online purchase process are thought to go through four stages: 1) information search, 2) consideration, 3) evaluation, and 4) purchase decision (Li and Chatterjee 2006). E-shoppers may go through the four stages out of sequence (Li and Chatterjee 2006) for various reasons. For one, a consumer may not need additional product information, skipping directly to the purchase decision. Second, a consumer may change one's mind and revert to information search. Third, a consumer may rethink the purchase and stop at any point. Online shopping are often marketed as effortless, convenient and quick, therefor we would think that spending a lot of time on the online purchase process would affect the intention to buy in a negative way.

### **3. Method And Sampling**

The chosen research design can be described as a correlation design, and we utilized a web-based questionnaire to collect the data. The sample consists of 275 respondents collected by distributing a web-link to the questionnaire through Facebook. The questionnaire referred to online stores for clothes in connection with the introduction of the main measurement instruments. The demographic characteristics show that people from 18 out of 19 County Councils in Norway responded to the questionnaire. There were 84 percent women, and hence, only 16 percent men that answered the questionnaire. Eighty percent of the respondents were between 16 and 34 years.

### **4. Results**

In this section, we present the results from the test of the measurement model, together with the measurement indicators and the references for the respective measurement instruments.

**Table 1: Measurement model**

Indicators	Scale and references	Factor loadings
<b>(1) Purchase intention</b>		
If you have to buy a product, what is the probability that you buy the product from an online store	Likert 7-point with the text: very small, medium and very large.	.76
The probability that you will consider to shop from an online store	Teo & Yeong (2003)	.91
The likelihood that you will purchase something from a web store		.94
<b>(2) Risk</b>		
I would have felt safe with shopping on Internet (reverse)	Likert 7-point with the text: strongly disagree, medium agree and strongly agree.	.67
There is too much risk associated with buying on Internet	Kim & Gupta 2009; Einwiller 2003; Forsythe & Shi 2003; Pavlou 2003	.75
Compared with other ways of shopping, shopping on Internet is much riskier		.72
<b>(3) Effort</b>		
I spend a lot of time surfing the internet before I decide to perform a purchase at an online store	Likert 7-point with the text: strongly disagree, medium agree and strongly agree.	.77
I spend a lot of time on a specific store to search for information about products before I eventually decide to buy from there	Kim & Gupta 2009; Einwiller 2003; Forsythe & Shi 2003; Pavlou 2003	.72
I visit a large number of online stores before I select an online store and buy the product I want		.82
<b>(4) Value</b>		
Competitive price	Likert 7-point with the text: very small benefit, medium benefit and very big benefit.	.33
Good overview of products		.47
Easily available products		.57
Not time consuming		.84
Requires no energy and effort	Teo & Yeong (2003)	.83
<b>(5) Trust</b>		
Generally speaking, I think online stores keep their promises (e.g., Delivery, product quality, color of product)	Likert 7-point with the text: strongly disagree, medium agree and strongly agree.	.70
My typical approach that I trust the online store until it is	Everard & Galletta (2006)	.63

proven that I should not trust them (e.g., Incorrect product description)		
I trust the online store to do its best to make me happy (e.g., Customer service)		.88
I experience less risk within an online store if I trust it (e.g., Is confident that the staff does an excellent job of making me happy)		.39

## 5. Structural Model

We used Structural equation modeling (SEM) with the tool Mplus to analyze the proposed research model. In addition to the nonmonetary price, two control variables were included (see Figure 1). Both value and trust have been central variables in research on intention to purchase from online stores (Teo & Yeong 2003; Everard & Galletta 2006), so they were both included in addition to nonmonetary price variables. Figure 1 summarizes the results from the test of the structural model. The effect of the explanatory variables in the research model is represented by the path coefficients followed by an asterisk to indicate whether the coefficient is significant. Three out of four path coefficients in the model had significant t-values (i.e., value > 1.96) and their range is from weak (0.20) to the medium magnitude (-0.43). Fitting the model to the sample data resulted in a Chi-Square/df ratio of 2.50, a CFI (comparative fit index) value of .91, and a RMSEA (root-mean-square error of approximation) of .075. The model explains 44% of the variance in customers' intentions to purchase from an online store.

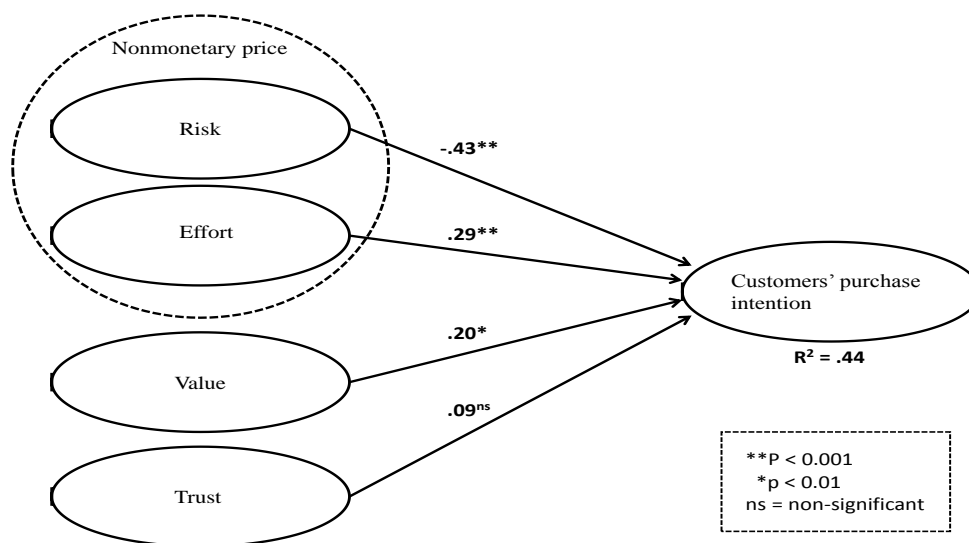


Figure 1: Research Model

## 6. Discussion And Conclusion

Nonmonetary price influence customers' purchase intention, but somewhat differently than expected, since risk and effort, had dissimilar effects on customers' purchase intention. The potential customers' perception of risk when considering online stores where the strongest antecedents. The perceived risk seems to have a negative effect on customers' purchase intention and explained 19 percent of the variation in the intention. This finding is equal to that of Kim & Gupta (2009). The other aspect of nonmonetary price, namely effort, had the opposite effect than where expected. Effort explained 13 percent of the variation in the intentions and seemed to have a positive effect on customers' purchase intention. This means that potential customers that invest a lot of effort in, e.g., comparing stores and identifying deals seems to generate strong intentions to purchase from online stores. Maybe the customers feel trapped in a way, and feel that they have wasted time if the effort does not lead to purchase. We consider this finding very interesting and suggest further investigation into this aspect of the online shopping.

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