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ANALYZING THE RELATION BETWEEN PERCEIVED RISK AND CUSTOMER INVOLVEMENT: BASED ON THE BANK FINANCIAL PRODUCTS

Dong-Fei XUE
School of Management, Guangdong University of Technology, Guangzhou, China
223805711@qq.com

Abstract

In recent years, with the vigorous development of the birth of e-commerce, the Internet is increasingly the rise of financial products, it seems a great tendency to subvert the traditional bank financial products. As traditional commercial banks how to deal with the challenges brought about a wave of Internet financial reform, and requires in-depth study of thinking. This paper analyzes the importance of the customer, through the hypothesis of model of the perceived risk by customer involvement, and then made the transition to break the bank in the new financial model development challenges and ideas.

Keywords: E-commerce, Bank financial products, Customer Involvement, Perceived Risk, Financial risk

INTRODUCTION

In recent years, a representative of a new generation of Internet technology such as cloud computing, big data, social network, has penetrated into the financial sector in the form of the Internet financial forms. Third-party payment, loans, P2P, online financing, insurance, mobile payment, etc. new emerge in endlessly, they brought new changes to the traditional financial pattern. Business transformation and upgrading are also indirectly led to a "domino effect" in the field of financial, created by the "Internet finance" is showing the substitution effect of traditional financial pattern. According to the American academy of management research, costs of developing a new customer is to maintain the current customer six times; Per the cost of a lost customer, is at least 10 new customer benefits to make up for. So the role of increasing customer involvement for loyalty is especially important, and how to maintain higher customer engagement, at present has become the core concept of enterprise, besides it also was the focus of the marketing academia and practice circle share. This paper analyzes the importance of the customer, through the hypothesis of model of the perceived risk by customer involvement

LITERATURE REVIEW

Definition of Perceived Risk

Bauer (1960) for the first time the concept of perceived risk on the psychology is introduced into the marketing field, caused the extensive attention of scholars, Bauer explained the phenomenon such as the information in the purchase process, brand loyalty, and trust. Cunningham (1967), made a modified definition of Cox, and has carried on the empirical study, the perceived risk is divided into the following two factors: (1) uncertainty: the subjective probability that whether consumers for certain things happen (2) results: when things happen, caused the risk of the results. Peter and Ryan (1976) defined the perceived risk as a kind of subjective expected losses. Derbaix (1983) suggested that perceived risk is actually in the process of product purchase, consumers could not be expected its purchase of the pros and cons of the results and the resulting consequences resulting from the uncertain feeling. Murray (1991) suggested that perceived risk is uncertain about behavior potential output and consumers may not be satisfactory function. In a special deal, it represents the consumer uncertainty of losses or gains. Stone and Gronhaug (1993) defined perceived risk as: simple expected losses associated with buying. So, they admit individual sense to a series of purchase results, and individuals will these results and subjective losses may be linked together. Basing on the Consumer behavior, perceived risk is mainly focused on the potential negative results. Forsythe and Shi (2003) put forward perceived risk for the network purchase, customer subjective expectations of possible losses. Rosa (2003) argue that the risk is the uncertainty of loss occurred, a result of events or circumstances happen is uncertain. Lund and Rundmo (2012) suggested that risk including the width and the severity of the incident may affect. Academic has a different conclusion for the level of perceived risk. Bauer and Raymond (1960) proposed the introduction of perceived risk into the marketing and to define, but offered no specific dimension. Later, level of perceived risk was studied by most scholars. Jacoby and Kaplan (1972), first of all, made the research the structure of the cognition of risk for the operation, identify the financial, function, physical, psychological and social five risk dimensions. At the same time, points out that financial risk is the value of the consumers to purchase products or services they have received not as suitable as costs; Risk function is after consumers purchasing goods or receiving services, worry about the quality of the products or content is different from their expectations; Physical risks are consumers after shopping or accepting service worried that the risk of physical damage to themselves or others; Psychological risk, is may produced from consumers after shopping or accepting services are worried about impact on self-image or because do not agree with the concept of self ; Social risk is consumer worry, after the shopping or accepting services may not be the relatives and friends to accept risk. The conclusion of Bansal and Voyer (2000) is similar to Murry (1990), also with the financial risk, physical risk, performance risk, psychological risk, social risk and risk of convenience to measure the perceived risk of customers in the purchase process.

Model of Perceived risk

The Perceived Return Model

Although much of the conceptual background for the perceived return model lies in attitude research focusing on product attributes or benefits, the perceived return model was couched solely in terms of positive expected utility. For comparative purposes. This model was formulated identically to the perceived risk model, except for emphasis on expected gains instead of expected losses. Thus, the perceived return model can be depicted as:

$$OPRej = f\sum_{i=1}^{n}(PG_{ij} * IG_{ij})$$

where OPR =overall perceived return for brand j

PG=probability of gain i from purchase of band j

IG=importance of gain i from purchase of brand i

n= return facets

The Net Perceived Return Model

In essence, Lewin's vector hypothesis of consumer behavior states that the net valence is the arithmetic difference between positive valences and negative valences and if this remainder is positive, the purchase will tend to be made and vice versa. Based on this logic, the net perceived return model is formulated as:

$$NPR_{ej} = f(OPR_{ej} - OPR_{j}) = f\sum_{i=1}^{n}[(PG_{ij} * IG_{ij}) - (PL_{ij} * IL_{ij})]$$

where NPR = net perceived return for brand j

PG = probability of gain i from purchase of brand j

IG= importance of gain i from purchase of brand j

PL= probability of loss i from purchase of brand j

IL = importance of loss i from purchase of brand j

n =utility facets

This model is a combination of the perceived risk and perceived return models. Its purpose is to test the maximization of net utility hypothesis. Conceptually, since this model takes into account (explicitly) both positive and negative expectations, it is intuitively the superior model.

Definition of Customer Involvement

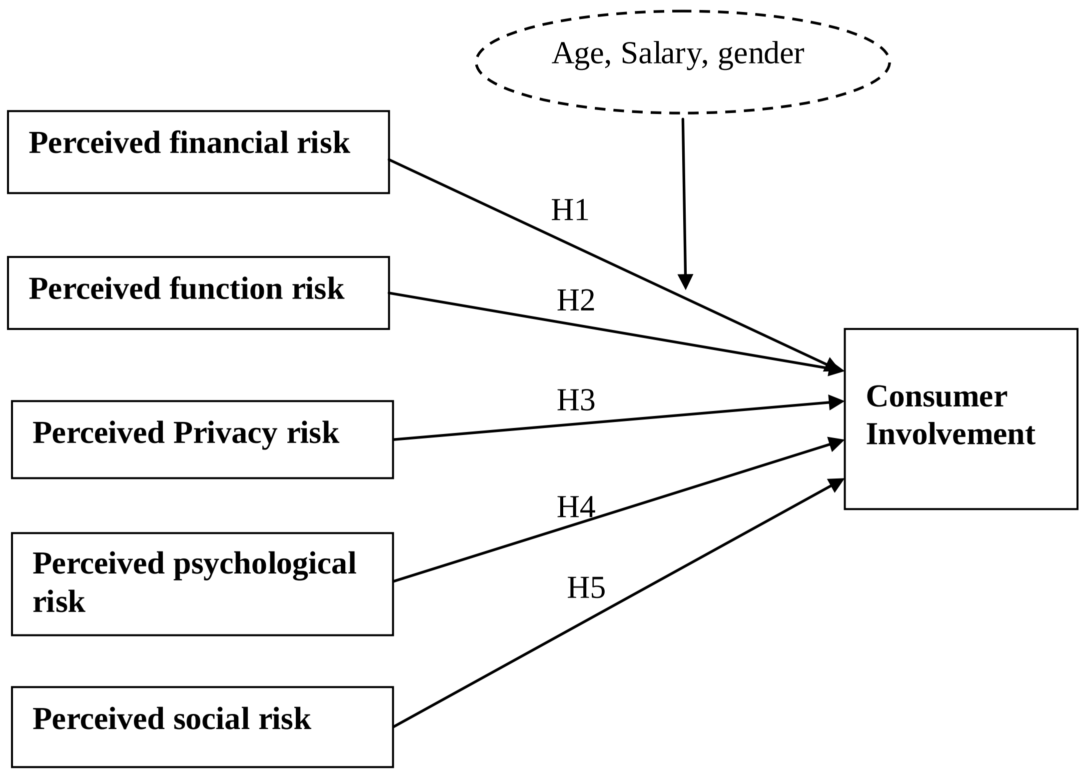
Early the definition of customers involvement place particular emphasis on behavior, such as Zeithmal buyers (1981) put forward the customer involvement is at the same time in the service of production and consumption , involved in the process of design and delivery of services; Cermak, File & Prince (1994) focuses on customer participation include spiritual and material two aspects; Hsieh, & Yen (2005) focuses on resource point of view, put forward the customer involvement is the customer provides in the process of service design, production and transfer resources such as time and energy, to provide information, participate in the transfer, cooperative production, etc. With the deepening of the research, scholars have also expanded the scope of study to customers involvement, Lee (2001) argue that customer involvement is to point to in the process of service delivery, the customer in the degree of efforts and decision-making responsibility aspects of cooperation. Lloyd (2003) points out that the customer is involved in the customer's contribution in the process of service, will ultimately affect service output and service quality.

About customers involvement in the composition of the dimension, at present academia has not yet formed consensus view, but the consensus is that customer involvement is a multi-dimensional rather than a single dimension variable

MODEL CONSTRUCTION

In most cases, compared to the pursuit of buying utility maximization, customer is more concerned how to avoid making mistakes. Customer involvement motivation is related to its expected to participate in earnings, and affected by the customer individual factors (Lloyd, 2003), in most cases, the future earnings is always more or less uncertainty. Therefore, when customers participate in product service process is always affected by perceived risk and perceived benefits. Silpakit and Fisk (1985) put forward in the process of the customer involved in the transfer of products and services may be an effective means to reduce customer risk awareness and improve the perceived benefits. Information search is the effective measure to reduce risk, uncertainty about the various aspects are the main reason of customers search product, brand, merchants and other relevant information. So in order to avoid risks and improve the perceived benefit, the customer will choose under certain conditions to participate in the products and services. According to the argument above, we establish the model below

Figure 1: Proposed research model



We put forward the hypotheses below.

H1: Perceived financial risk has a significant negative effect on Consumer involvement.

H2: Perceived function risk has a significant negative effect on Consumer involvement.

H3: Perceived privacy risk has a significant negative effect on Consumer involvement.

H4: Perceived psychological risk has a significant negative effect on Consumer involvement.

H5: Perceived social risk has a significant negative effect on Consumer involvement.

STUDY MEASUREMENT AND STUDY SUBJECT

Study measurement

This study needs to measure the variables such as the perceived financial risk, perceived function risk, perceived privacy risk, perceived psychological risk, perceived social risk and customer involvement , the main principle is reference dimensions and measurement items of scholars, then combining with the characteristics of bank financial product industry and consumers in China in order to produce the higher measurement scale of reliability and validity .

Study subject

The sample of this study comes from several bank in Guangdong province. We sent out 300 questionnaires in total. After excluding some questionnaires with problems, such as having at least three missing values, eight successive identical answers or obvious random answers, we matched the remained questionnaires in pairs and got 96 pairs of available questionnaires.

EMPIRICAL FINDINGS & CONCLUDING REMARKS

We study the customer involvement in the process of bank financial product marketing ,then constructs a model of customer involvement in the bank financial products. It is found that the bank finance customer perceived risk has significant negative impact on customer involvement. Banks should pay full attention to the importance of customer involvement in the bank financial innovation activities, efforts to reduce perceived risk level.

Perceived risk has obvious drive effect to customer participation. Financial products and services of the direct contact with sexual characteristics, which is relative to traditional channels customers who perceive more risk, customer involved in the transfer of products and services is an effective means to avoid risk in the process, so the perceived risk is an important factor driving customer participation behavior bank financial products in the sense of: Perceived financial risk, Perceived function risk, Perceived psychological risk, Perceived social risk and Perceived privacy risk perception has a significant influence on customer participation behavior.

Under the background of different industries, analyzes the connotation and structure of perceived risk dimensions will help to comprehensive and in-depth understanding of perceived risk. With the development of the service sector, in the past study of customer perceived risk for tangible products cannot apply to research on the perceived risk of intangible services customers. Therefore, to master understand banking services related service awareness, you must modify the specific dimensions of perceived risk and perfect.

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