Influence of Perceived Risk on Consumer Purchase Decision: A Comparative Study of Middle and Upper Class of Pakistan

Author Details: Zaeema Asrar
Assistant Professor-Department of Commerce-University of Karachi

Abstract:
Risk or uncertainty halts any type of decision, especially when it is perceived. It is a common and rational behavior of any human being to divert his decision when a risk is involved in the way of any business or chore. The study in the context has been taken to investigate the extent of diversion of consumer’s purchase decision when a risk has been perceived. For the purpose, we have questioned 50 respondents from Middle and Upper-class respondents. It has been found that female from both the classes divert their decision in case of a perceived risk while male respondents from Upper class do not change their purchase list while a male from the Middle Class cut their list. In all, we can say that risk curtails the consumers’ purchase decision no matter the purchase is from Upper Class or represent the Middle class of the country.

Keywords: Upper Class, Consumer Purchase Decision, Middle Class

Introduction

Perceived risk is the vulnerability a consumer has when purchasing things, for the most part, those that are especially costly, for instance, autos, houses, and PCs. Each time a customer considers purchasing an item, he or she has certain questions about the item, particularly if the item being referred to is exceedingly estimated.

A theory of risk, presented at first for the requirements of protection action in the second some portion of XX century, stimulated the enthusiasm of the analysts managing the hypothesis of purchaser conduct, especially with regards to obtaining choices taken by them. In the subject writing, one may go over an announcement that risk, if just saw, turns into the primary determinant of their buying choices. Numerous specialists, for example, D.F. Cox figure that becoming more acquainted with the nature and scope of the risk seen by customer empowers a superior under-remaining of a portion of the parts of purchaser conduct [Cox, 1967a]. It is particularly critical with regards to comprehension and foreseeing how and why the purchaser receives, passes on and forms data when taking care of their basic leadership issues. Consequently, characterizing the part which chance plays in buyer acquiring choices is of awesome significance for science in the field of purchaser conduct and especially in the examination on the discernment of such conduct. Information of the sources and character of the risk seen by customers is additionally of incredible significance for organizations. Becoming acquainted with the sources and character of the risk seen by buyers empowers organizations to apply more productive methods for influencing purchasers (e.g., by lessening the apparent risk) and, subsequently, accomplish contending advantage by the organization.

Literature Review

Many analysts managing the issue of the consumers’ perceived risk receive R.A. Bauer's [1960] sees, who as the first in the 60s of the XX century associated buying with the danger of a fizzled decision (of an item, provider and so forth.). In his distributions, he pointed at two measurements of buyer risk: vulnerability and its outcome. As indicated by Bauer, chance seen by customers is an element of instability for the aftereffects of choices taken and the significance of the results of a fizzled decision. Bauer's hypothesis centers around the announcement that purchaser conduct involves chance it might be said that any activity he or she embraces will bring about results difficult to anticipate with assurance, at any rate, some of which may seem negative. Buyer risk is then a likelihood of negative results of the choices taken and is critical at the level at which it is seen by the purchaser. Buyer may respond and handle the risk just on the off chance that he or she sees it. The shopper risk is then an apparent risk, that is: subjective. Scale and sort of shopper response rely on upon the apparent level of risk, and on his or her level of resistance for the apparent risk [Schiffman and Kanuk, 1994]. It is past all questions that risk decides to buy conduct of shoppers. In any case, it is a particular determinant. In the
circumstance when shoppers, during the time spent obtaining and choosing a specific item, don't see risk associated with its buy, then the reality of generally existing danger has no impact their buying conduct. One may then say that risk has an impact on purchaser buying choices, on condition that it is seen by buyers. Chance discernment constitutes a condition important to consider it in the classes of the determinant in obtaining choices. Then again, shoppers' endeavors of lessening the risk seen by them were watched, in spite of the fact that the risk, equitably, did not exist. It happens in light of the fact that a normal shopper has inadequate data about an item, frail memory and predetermined number of endeavors before settling on the decision. Much of the time buyers confront new buy which they have never made (purported new, credible choices). Kogan and Wallach [Mitchell, 1998] see the apparent risk in an unexpected way, recommending that the shopper chance issue may have two perspectives: chance angle, where the anxiety is put on likelihood, peril viewpoint, where negative outcomes and their significance are at the focal point of consideration. Cunningham, who embraced Bauer's definition for his examination, made a remark which shows instability and results may involve known or obscure likelihood. He recommends that for his idea it doesn't have much effect whether the client realizes that there is 80% possibility of a poor buy, or that he just believes that he or she "may" make a poor buy. He depicted saw chance by the measure of rate to be lost if the outcomes of what he or she has done are ominous and subjective sentiment a person that the results will be contrary [Cunningham, 1967]. Then again, different creators managing the issue of saw risk characterizes the measurement of ominous results with the terms: significance of misfortune or instrumental significance [Wiśniewska-Szalek and Banaszak, 2004]. Not all specialists concur with the Bauer's two-measurement hypothesis of risk. Among others, L.Sjoberg [1980] communicates questions about the idea, contending that risk is infrequently very much shown by the aftereffect of likelihood and con-succession, and accomplished estimations may regularly be deceiving. He recommends that shopper risk is a more convoluted class, which should be exhibited as multidimensional creation. Most creators who examine the issue of customer risk in their exploration tend to bolster the two-measurement hypothesis of risk. T.Tyszka, i T.Zaleśkiewicz, basing on F.H. Knight's perspectives see that buyer decision under states of risk might be portrayed by the way that activities they should pick between may prompt different outcomes. In addition, the individual who settles on the choice does not know without a doubt but rather can gauge the likelihood of these outcomes event. The circumstance in which the buyer is not ready to assess the possibility this moves made may happen the writers call the decision under states of instability [Tyszka and Zaleśkiewicz, 2001]. L.Garbarski and Rudnick's perspectives are somewhat comparative with the above-exhibited feeling. As indicated by these creators, risk in obtaining choices is a kind of instability, which buyers experience when they can't foresee numerous critical outcomes of the acquiring choices taken. Both creators concur with the advancement of said state of mind of R.A. Bauer, conceding that purchaser chance happens just when the buyer sees the risk of settling on a wrong choice and is anxious about the possibility that its results might be critical for them (loss of cash, glory, time, making oneself absurd, and so on.) [Garbarski, 1998; Rudnicki, 2000]. The risk brings out the specific condition of pressure which customers attempt to take out or possibly lessen by methods for different preventive systems. K.Mazurek-Lopacińska and E.Kiežel share this sentiment [Mazurek-Lopacińska, 2003;Kiežel (ed.), 2004]. Considering shopper chance, it merits delaying at the comment made by D.F.Cox [1967b], who focused on that while leading examination it is regularly important to conclude from buyer conduct about the presence of the apparent risk. This is on the grounds that buyers might be notable or might be hesitant to concede that circumstance they face is risk for them. Along these lines, the creator accepted while doing the exploration to recognize and examine such circumstances, that risk is seen by the respondents when they act as though they endeavored to adapt to chance (e.g. diminishing it). On the premise of the directed research work and thinking about both Polish and remote analysts' positions shopper risk might be characterized as a probability of the event of deviation from the normal state, which the purchaser may pretty much accurately assess. Deviation from the normal state might be of negative (probability of misfortune, disappointment) and additionally of positive character (plausibility of accomplishing a superior outcome than anticipated.

**Methodology and results**
The study is a research-based. The data has been collected through a questionnaire. 50 respondents have responded to the questions. We have allowed the respondents to categorize themselves in the Middle and Upper Class according to their income. On the other hand, we have educated the respondents about the concept perceived risk and its possible consequences.

The study has a segmentation between the Middle class and Upper class of the country. 25 respondents are from the Middle Class, and 25 are from Upper Class.

**Demographics of the respondents**

<table>
<thead>
<tr>
<th>Gender</th>
<th>Upper Class</th>
<th>Middle Class</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>Male</td>
<td>10</td>
<td>10</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Ages</th>
<th>Upper Class</th>
<th>Middle Class</th>
</tr>
</thead>
<tbody>
<tr>
<td>15-25 years</td>
<td>10</td>
<td>03</td>
</tr>
<tr>
<td>26-45 years</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>46-65 years</td>
<td>05</td>
<td>12</td>
</tr>
</tbody>
</table>

The simple and easy questionnaire has been constructed for the ease of the respondents.

40% males have responded to our questions while 60% are female in all. From both the Upper and Middle class again 40% respondents were male, and 60% are female.

It has been found that income of the Upper Class prevents them from the adverse effects the perceived risk. While Middle Class adversely effects the risk. We can say that income is the satisfaction of the consumer and avoid the bad impact of the seen risk.

It has also been found that female from both income groups and of any age divert their purchase decision when they see a risk. however, the extent of diversion in the purchase decision differs in both income classes.

60% of the Middle-income group divert their decision about the purchase according to the shopping list while 40% manage to stick to the list.

Another question has been asked of the respondents about the nature of the product to be purchased and the decision of purchasing.

We have found that both income groups stick to the purchase of necessary good while great diversion has been seen in case of comforts and luxury items. It suggests that consumers from both income group rank their purchasing before buying them and in case of a seen risk they prefer to buy necessities first then they go to buy comfort and luxuries.

We have also asked the respondent to share the degree of pressure when it comes to perceived risk, and it has been obtained that both income groups face pressure while the degree of pressure is greater in the Middle-Income group as compared to the Upper class.

The last question inquired from the respondents was a degree of diversion in case of the necessary goods.

Almost 90% of the respondents from the Middle-Income group were of the view that they prefer necessities in case of a perceived risk hazard. While 50% of the Upper Class viewed perceived the risk to confine them to the necessities and comforts, rest 50% do not change their decision.

We have found that Middle-income group cut the list even in the case of necessary items reduces the quantity to be purchased. On the contrary, Upper-Class group do not divert the decision in purchasing the necessary
commodities. Hence, we can say that perceived risk hurts the Middle-Income group more than the Upper-Class income group.

Conclusion

Uncertainty always hurts the consumers’ decision about the purchase. The consumer of any class hardly differs from the purchase decision in case of any seen uncertainty, i.e., risk. From the research, in we have conducted it has been obtained that ant risk about which a consumer has come to know negatively impact their decision of purchasing the item. However, the degree of changing the decision or in other words decrease in purchase of the product depends upon the nature and dearness of the product. If the product is a necessity, the diversion in the purchase is less than in the case of a luxury item. Same preferences have been identified when the consumer is from the Upper Class. The difference has been seen when we have questioned the male of both classes. Male from the Upper Class is less divergent to the purchase decision while males from the middle class are more divergent to the risk. Another important insight of the study is that income curtail the risk of the consumer and he\'she prevent them from the adverse effects of the perceived risk.

References


Appendix

**Questionnaire**

Name (optional): ______________                                Age: ______________
Occupation: ______________

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Questions</th>
<th>Options</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>According to the income of your own put yourself in the following two categories.</td>
<td>Middle Class___________ Upper Class___________</td>
</tr>
<tr>
<td>2.</td>
<td>In case of a perceived risk, do you stick to the list of purchase you have.</td>
<td>Yes______No__________</td>
</tr>
<tr>
<td>3.</td>
<td>What is the percentage of diversion when you perceive a risk.</td>
<td>Please mention</td>
</tr>
<tr>
<td>4.</td>
<td>Do this perceived risk pressurize you while purchasing or influence you purchase decision.</td>
<td>Yes_____No__________</td>
</tr>
<tr>
<td>5.</td>
<td>In case of influence what is the priority for you in your shopping list.</td>
<td>Necessity, Comforts, Luxuries</td>
</tr>
</tbody>
</table>