

**Jordanian Consumer Strategies to Reduce the
Perceived Degree of Risk When Buying Durable
Goods**

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ABSTRACT

The modern concept of marketing is basically concerned with identifying the needs and desires of consumers through the study of behavior and enabling them to choose the item that satisfies their capabilities and potential to the maximum degree. This study was aimed at identifying strategies to reduce the degree of risk for the Jordanian consumer and finding the most suitable model from among a variety of strategies used to reduce the degree of risk (functional, financial, social, time, physical and psychological risk) when buying durable goods. A questionnaire was developed to support this study, and 215 copies of the questionnaire were distributed in Jordan. As effective tools to arrive at final results, T-value and frequency tables were used in the analytical process. The major findings indicate that the Jordanian consumer relies on the spoken word strategy to reduce the degree of perceived time and psychological risk when buying durable goods. The results suggest that the Jordanian consumer does not depend on the brand loyalty strategy to reduce the perceived degree of risk when buying such goods. The Jordanian consumer depends on the brand image strategy in the reduction of social risk. He or she also depends on the shopping strategy to reduce the degree of functional and physical risk. As well, the results show that the Jordanian consumer depends on the shop's image strategy to minimize the degree of financial and physical risk. The Jordanian consumer relies on the expensive goods strategy to reduce time and psychological risks. Finally, the consumer in Jordan depends on the guarantees strategy to reduce financial risks.

Keywords: Jordan consumer, durable goods, perceived degree of risk.

ÖZ

Modern anlamda pazarlama kavramı, tüketicinin ihtiyaç ve isteklerinin tanımlanması ve tüketicinin yetkinlikleri ve potansiyeli doğrultusunda en iyi seçimi yapmasını sağlamak amacıyla, onun davranışlarını incelemeyi içerir. Bu araştırmada, Ürdünlü tüketicilerinin, dayanıklı eşya satın alma seçimi yaparken karşılaştıkları, fonksiyonel, finansal, sosyal, zaman, fiziksel, ve psikolojik risklerini hafifletmek için kullandıkları stratejiler incelenmiştir. Bu amaç doğrultusunda oluşturulan anketle, Ürdün'de 215 tüketiciden veri toplanmıştır. T-değeri ve frekans tabloları ile yapılan veri analizi göstermiştir ki, Ürdünlü tüketiciler zaman ve psikolojik boyutlardaki riskleri ağızdan ağıza bilgi aktarımı ile azaltmaktadır. Ürdünlü tüketicilerin, markaya bağlılık stratejisine bağlı kalmadığına işaret eden veri analizi aynı zamanda tüketicilerin sosyal riski azaltmak için marka imajı stratejisine yöneldiğini gösterdi. Alışveriş stratejisi ile fonksiyonel ve fiziksel boyutlardaki riskleri azaltan tüketiciler, diğer bir yandan da finansal ve fiziksel riskleri mağaza imajı stratejisini kullanarak azaltmaktadırlar. Zaman ve psikolojik boyutlardaki riskler ise pahalı ürünler stratejisi ile azaltılmaktadır. Finansal riskler genelde garantilerin sağladığı güvencelerle azaltılmaktadır.

Anahtar Sözcükler: Ürdün, tüketici, dayanıklı ev aletleri, algılanmış risk boyutu.

DEDICATION

This thesis is dedicated to my family, especially to the people who supported and saved me and were the main reasons, after Allah, for the achievement of success in my life: my father Mohammad and my mother Rasmieh. This thesis is also dedicated to my brothers and sisters and to Aya.

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Chapter 1

INTRODUCTION

1.1 Introduction

Consumers play an essential role in the business sector because the success or economic failure of any business depends on their level of productivity, leading to market acceptance. Consumers are the ones who decide whether an entity that produces and markets a commodity is successful.

Sometimes, however, the consumer hesitates in making a decision regarding a purchase and finds the selection process difficult because his or her choice determines the future. In other words, it is mandatory to deal with uncertainty or risk. Risk perception is of extreme importance in consumer behavior as the resulting tension and anxiety push individuals to develop their own strategies to reduce the degree of perceived risk and to increase the degree of confidence in their decision-making process for purchasing. The consumer might use risk-reduction strategies, such as depending on the collection of information from various sources about the goods to be purchased or relying on brand loyalty, the reputation of the shop or his or her previous experience. However, the certainty of which strategy is the best for reducing the degree of risk is not high.

The question raised in this study is what the best, most effective strategies that the Jordanian consumer can follow for risk reduction at the time of buying durable goods

are. Being aware of these consumer strategies is also important for marketers who design marketing and promotional strategies used to reduce the degree of perceived risk and ensure the success of goods and services, especially new ones.

1.2 Objectives of the Study

The objectives of the study are summarized in the following points:

1- Identify the strategies followed by the Jordanian consumer to reduce the perceived degree of risk when buying durable goods.

2- Develop a model that highlights the appropriate strategies to reduce the degree of risk perceived by the Jordanian consumer at the time of purchasing durable goods.

1.3 Importance of the Study

This study highlights the importance of being the first of a kind in the area of addressing the risk perceived by the Jordanian consumer and strategies followed by him or her to reduce the effect of that risk. The important of the study care about the consumer and try to help him or her follow the best strategies to ensure his or her access to rational purchasing decisions so that every decision, whatever the type or importance, which includes a certain degree of risk can be made by applying the necessary strategies to mitigate negative effects on the consumer.

1.4 Study Problem

The Jordanian consumer is unaware of strategies that could reduce what he or she might sense as risk when purchasing durable goods. These decisions involve a high degree of perceived risk. Therefore, this study seeks to answer the following question: What are the best strategies that can be followed by the Jordanian consumer to reduce the perceived degree of risk when buying durable goods? Three

strategies to reduce the degree of perceived risk were selected to be the subject of the present study.

1.5 Durable Goods Overview

The commodity of a refrigerator was chosen to serve as an example of durable goods and the subject of this study. This durable good requires a purchase study and the evaluation of alternatives available in different stores in terms of price, quality and the service provided.

The most important characteristic of these goods is that raising prices results in a higher degree of risk faced by the Jordanian consumer when purchasing durable goods. In addition to availability in specialized shops, the average turnover rate deserves consideration as the consumer repeats the purchase of this kind of good only a few times in a lifetime.

Chapter 2

LITERATURE REVIEW

2.1 Perceived Degree of Risk

All of us know that risk is perceived as a state of uncertainty that the consumer experiences when he or she wants to buy a commodity and does not know the consequences of the decisions regarding the purchase process (Schiffman, 2004).

The results here were divided and linked to performance results, which entail the risk of performance today, and the results of psychological and social risks. Other researchers have focused on results of purchase intention and consider it a risk itself.

They suggested other types of risks, such as the following:

1. **Financial risks:** These arise as a result of the uncertainty of the item's worth (i.e. the price paid for it).
2. **Physical risks:** These refer to damage caused to the consumer's item.
3. **Psychological risks:** These are concerned with the impact of this item on the consumer. In addition to appreciation of the psychological dimensions, social risks result from the fear that the choice of the wrong commodity will lead to social embarrassment and rejection by others.

Overall risks are associated with the performance of any financial considerations (Taylor, 1974). As it mentioned earlier, the consumer's behavior involves risk because any reaction by the consumer results in a series of consequences which cannot be predicted in advance. Some of these consequences do not vanish, forcing

the consumer to develop strategies and ways to reduce risk and increase the degree of confidence in the different purchase options.

Some researchers have asserted that the amount of perceived risk depends on two factors:

1. The amount that the consumer will lose if the consequences of the purchase decision are not the favored ones.
2. Personal feelings about the decision that has been made.

In fact, risks can be avoided by reducing the amount of the loss to which the consumer will be exposed if he or she does not make the right decision to buy. This can be done by reducing what the consumer hopes to achieve as much as possible to match the consumer's expectations about the performance of the item with the actual performance of the commodity. Risk can also be reduced by increasing the consumer's feelings to make sure that loss will not occur when purchasing a particular commodity. This can be achieved by conducting a marketing survey using various official sources (e.g. stores, sales representatives and advertisements) before buying. Unofficial sources, such as friends, family members and opinion leaders, can also be involved.

Students have proposed marketing strategies regarding perceived risk that include ways to reduce risk, such as access to information, the use of samples and promotion of brand loyalty.

It can be concluded that the components of perceived risk are the uncertainty felt by the consumer while choosing the position and means of the likelihood of the

consumer's exposure to loss. In addition to the uncertainty of the consequences, scholars have emphasized the importance of the loss suffered by the consumer as a result of decisions made in certain purchases.

How much perceived risk can be limited varies as some consumers tend to perceive a high degree of risk in their purchasing decisions, while others tend to notice a low degree (Mullen, 2013). A reason for consumers' awareness of risk might be a lack of prior experience with a product or service one has not used previously or with a new product in the market. Another reason is the discovery of unpleasant aspects in any possible recurrences. In addition, awareness of risk might be influenced by the limited financial resources of the buyer. The main reason for consumers' low awareness of risk is limited knowledge of the goods and services offered. Another reason could also be consumers' lack of confidence in themselves to make the right decision.

The consumer's perception of risk increases when the consumer wishes and tends to purchase high-technology and highly priced items, such as durable goods. He or she resorts to information searches, brand loyalty and other methods to ensure a reduction of his or her sense of failure when buying a particular item.

Increased degree of risk:

It is clear that the consumer hesitates when he or she does not have enough information available about the items and that effect of perceived risk increases under the following conditions (Babutsidze, 2012):

- The higher the price is, the more urgent the need to conduct research and think about the decision is.
- The greater the extent of the use of the product is, the longer the duration of the use of the item is. For example, durable goods have greater tendency towards higher perceived risk.
- The more clarity that goods have, the more interested consumers are in the selection of socially acceptable goods.
- The greater the undesired effects of the goods are, the more possible perceived risk is.
- The related decision for buying durable goods is strictly interrelated with other decisions which might be made. Thus, the perceived risk might increase in light of the importance of the decision.

Decreased Degree of Risk:

Taylor (1974) made it clear that risk can reduce the uncertainty of the outcome of the decision if consumers own, purchase and process information and focus on the importance of others' spoken words. The uncertainty of the consequences after the decision can be reduced by increasing consumers' self-confidence and self-esteem. Self-esteem is an individual's positive or negative assessment of himself. It is simply the extent to which an individual feels successful, respected and appreciated. In fact, self-esteem affects the consumer's behavior in two directions: first, it greatly contributes to determining the amount of concern that comes from realizing the

situation. The more the individual enjoys a high degree of self-esteem, the more power he or she has to resist the pressures he or she might be facing and is more able to take risks based on research into information from various sources about the goods to be purchased. The person who appreciates himself or herself is more reluctant to yield to pressure and more able to take risks, resulting in an increased reliance on himself or herself in making purchasing decisions and less dependency on others for getting information when purchasing.

Second, self-esteem is an important tool for the selection of perceived risk reduction strategies, which vary among individuals because of their differences. Everyone has their own way of dealing with pressures and uncertainty. It is noted that the style of the individual to deal with threats and uncertainties also affects how he or she defends himself or herself against anxiety. Thus, studies show that the amount of perceived risk and selection of strategy to deal with the risk are, in fact, affected by the consumer's level of self-esteem. Al-Hinnawi (1984) has pointed out that the element of uncertainty in the nature of the various alternatives leads to the emergence of fear that dissatisfaction will follow the purchase process. This drives the consumer to try to reduce this feeling by seeking to obtain information from formal and informal sources and evaluating experiences pertaining to the purchase of various alternatives he or has already tried.

Customers often are very sensitive to advice obtained through communication, especially from friends and acquaintances who are considered more objective, reliable and honest than commercials and salesmen who solely represent the interests of the company. Eight different strategies based on knowledge have been suggested. They are all uncertainty-based decisions, so when the consumer faces a particular

risk, it includes more than the loss of money. It also includes psychological risk and other types of risks. To reduce the degree of perceived risk, the consumer might rely on the search for alternatives through access to information from experience, skill and other sources. Examples include the price and reputation of the shop, the quality and reputation of the commodity and the unavailability of information. In the latter case, the high price of the commodity is an indicator of high quality. Additionally, reputable shops are customarily characterized by providing goods of high quality. Sometimes, the consumer might resort to avoid making high-risk decisions by relying on brand loyalty. He or she might also depend on the waiting strategy, which includes planning to buy durable goods over a long period. As well, consumers sometimes resort to the tradition strategy, which means that they follow other consumers' choices and get help from public announcements which regularly promote consumers' preferences.

Other strategies can, in fact, be relied upon to deal with the risks, in other words, choosing the alternative with the best financial value. Although the probability of success is low, consumers can ignore the risk and choose alternatives randomly. With a lack of time, consumers might tend to quickly snatch up goods.

Yeung (2010) concluded that the perceived risk-reduction strategies include decreasing the probability of the failure of the purchase or the sense of suffering in the case of a real loss or failure when buying. This strategy might also include shifting from one kind of risk to another for which the consumer has a great deal of tolerance. As well, it might include performing the implementation process of buying to absorb the risk. For example, the consumer might rely on brand loyalty as a way to

increase the likelihood of success or to gain guarantees to reduce suffering when losing money in the case of the failure of the purchase.

It is obvious that these strategies vary according to the perceived risk of the goods bought. For example, when in the face of more than one type of risk, the strategy followed varies depending on the type of risk perceived before buying.

2.2 Types of Perceived Risk

The types of perceived risk can be summarized as follows:

- 1- **Functional risk**: fear of not achieving the administrative job required.
- 2- **Physical risk**: fear of the loss that might happen involving the consumer's item.
- 3- **Financial risk**: fear that the goods are not worth the price paid for them.
- 4- **Social risk**: impact of the item on the social status of the consumer and the fear that the choice of the wrong commodity will lead to social embarrassment and rejection by others.
- 5- **Psychological risk**: impact of the item on the consumer's psyche and appreciation of himself or herself and the fear that the wrong choice of commodity will affect the consumer's psyche.
- 6- **Risk of time**: fear of wasting time searching for goods if the consumer does not get the desired function from them.

2.3 Strategies to Reduce the Degree of Risk

As stated, it can be noted that most theoretical studies of the strategies used to reduce the degree of perceived risk have focused on the following strategies (Jarab'a, 1993):

1- Spoken word: This strategy involves searching for information about goods and various brands by consulting friends, family, neighbors, co-workers, shopkeepers, salespeople and others.

2- Brand loyalty: This strategy refers to the sincere desire of consumers to buy the same brand as the people they meet and to not buy a new brand or a brand they have never tried. Therefore, the consumer can avoid risk by staying loyal to the brand.

3- Brand image: This strategy refers to the rule of the people ruling on the level of satisfaction with a particular brand when purchased by particular consumers. It has been found that, when consumers have experience with unavailable items, they tend to buy well-known brands in the belief that they are the best in quality and performance and are worth buying.

4- Shop's image: Consumer perceptions and judgments on the level of satisfaction are informed by their view of shops and the goods they offer. Studies have found that the consumer who has no information available about a commodity heads to a place of purchase which enjoys a good reputation for services provided.

5- Expensive goods: In this strategy, the consumer resorts to buying expensive commodities, thinking that the higher the price of the commodity is, the better quality it has.

6- Guarantees: These are confirmations from the seller to the consumer about the quality and performance of a particular commodity being sold. There are explicit and implicit guarantees derived from a simple statement about the qualities of the item or

its performance. For example, if the commodity does not meet the performance standards of the item, the consumer may return it for a refund of money. In fact, credit documents define the legal responsibility of the seller towards customers. The consumer usually depends on less complex phrases. For example, a particular good is guaranteed for five years. Catalogues attached to goods represent an explicit guarantee of good performance or an implicit guarantee signifying that the quality is not low and the item will serve.

7- Shopping: Consumers travel from one place to another to compare different brands offering the item and possible alternatives.

2.4 Previous Studies

A considerable body of research has tackled the theme of perceived risk faced by consumers and the strategies used to reduce the degree of that risk. With reference to the previous literature on the impact of the perceived danger, Babutsidze (2012) indicated that independent purchasing decisions are made by people who belong to both the higher class and the lower classes. However, members of families in the higher classes have freedom of choice and a wider range of alternatives that allow them to make independent decisions without consulting other family members. In contrast, family members in the lower classes do not have the capability that allows them to purchase items of high risk. Therefore, they might be forced to consult others in these purchases.

Members of the lower classes have little money and rarely can buy beyond their basic needs, whereas middle-class decision makers have a good level of participation in a high degree of risk taking in the goods purchasing process. The study (Jarab'a,

1993) concluded that the higher the perceived risk of making wrong decisions is, the greater family members' participation in decision making is. When the perceived risk is higher level than the level of need, consumers start looking for pieces of advice provided by others. Also highlighted the importance of contact with others to get information to address perceived risk.

In investigating the influence of innovators and opinion leaders and the impact of learning on perceived risk and the spread of communication process, Yeung (2010) showed that innovators and opinion leaders have great influence on consumers' decision to buy new goods as innovators are the top buyers of new commodities. However, noted a low degree of perceived risk in his experience of new merchandise, so the provision of advice and information to motivate others to experiment with new goods might be needed. Opinion leaders have an influence on others through the spoken word. Furthermore, learning relationships have a real danger that is clearly perceived. The concept of learning refers to knowledge and experience concerning goods which are useful in reducing uncertainty when buying new goods. The study (Yeung, 2010) concluded that innovators often have more information than others because of their experience and skill. They are also fully aware of low-grade risk.

Yeung (2010) investigated the impact of perceived risk by giving a number of housewives a new brand of coffee. The researcher aimed to determine the levels of the perceived risk in a test of deciding whether to adopt a new brand. The study revealed that the perceived risk attached to the brand tested is connected to the use of the spoken word and to regular contact with people. The results of the study

indicated that avoiding buying new goods is a tactic to deal with the risk for people who recognize the high degree of risk.

Roselius (1971) conducted one of the most important studies and tested the following methods to reduce the perceived risk of purchasing a brand whose quality has been confirmed by an expert (endorsement). These methods included the following:

1. Brand loyalty.
2. Brand image.
3. Private test.
4. Shopping.
5. Reputation.
6. Free samples.
7. Re-valuing of money.
8. The government.
9. The test.
10. Expensive goods.
11. Spoken word.

Roselius (1971) distributed 1,400 copies of a questionnaire via mail. He concluded that there are differences in consumer preferences for strategies used to reduce risk perceived in the purchase process (Roselius, 1971). Moreover, he determined that the consumer who has a high degree of understanding of the risk will have different strategy preferences in comparison with the consumer who understands the risk to a lesser extent (Roselius, 1971). Roselius (1971) showed that brand loyalty and reputation are favored ways to reduce all kinds of risk (financial, psychological,

social, physical, functional and time risk), and a less common preference is to buy more expensive goods.

Hawkins (2009) aimed to reveal the relationship between the choice of shop and the purchase of goods. To achieve this objective, Hawkins (2009) designed a questionnaire and randomly selected a sample consisting of 300 heads of families. He concluded that the consumer chooses the shop depending on how aware of the risk he or she is (Hawkins, 2009).

In a recent Chinese study, Yeung (2010) revealed that there is a relationship between the perceived risk and the consumer's choice of commodity. These choices often involve a deal of uncertainty, resulting in feeling of concerns. Consequently, in an attempt to reduce anxiety, the consumer begins to think of appropriate strategies to reduce the degree of perceived risk during the selection process. Yeung (2010) concluded that, in the context of buying gasoline, the degree of risk can be reduced through a personal relationship with the seller at the gas station. However, in the case of the purchase of electrical appliances, consumers rely on guarantees.

In a study conducted by Lu (2013), the researcher aimed to clarify the relationship between the probability of loss and preference of a particular brand of cars; in other words, the researcher aimed to study risks at the brand level. The major findings show that the greater the likelihood of loss is, the lower brand preference brand is. Functional, psychological, social and time risks vary not only from one commodity to another but also from one brand to another. It was shown that financial risk varies from one brand to another in the case of buying cars (Lu, 2013).

Additionally, Deshpande (1983) conducted a study with a sample consisting of 118 students. In this study, three commodities were used: cars, sports shoes and butter. The study focused on the different levels of perceived risk which led participants to exert different levels of intellectual effort and use different strategies. This study showed that the greater the perceived risk is, the more efforts are done by the consumer to obtain information (Deshpande, 1983). As well, strategies used in strategy selection vary among the categories of goods depending on the perceived risk. It was revealed that the strategies range from simple to complex according to the degree of severity of the perceived risk. The results indicate that the consumer relies on the Spoken word strategy or the purchase of a particular brand when buying butter. In the case of buying sport shoes, the consumer depends on the recommendations of salespeople, whereas it was indicated that, when the consumer buys cars, he or she tends to rely heavily on gathering information from specialized magazines, friends and other sources. The last strategy includes high intellectual efforts.

Schiffman (2004) investigated the importance of the spoken word in reducing the degree of perceived risk. The major findings of Schiffman's (2004) study showed that the impact of reference groups increases when an individual does not have knowledge of or expertise in a particular good or service, so he or she resorts to contacting such groups to get reliable information in an attempt to reduce the risk. It was shown that the more the perceived risk increases, the greater the need to search for information becomes (Schiffman, 2004).

In a recent comparative study, Yeung (2010) aimed to measure the levels of perceived risk for three commodities (bath soap, toothbrushes and coffee) to

determine the relationship between perceived risks and brand loyalty. Schiffman (2004) investigated the differences between the consumers in the United States and in Mexico regarding the commodities mentioned. The major findings indicated some differences between the two neighboring countries due to the differences in their social makeup (Schiffman, 2004).

Hoover (1978) found that the strategies used to reduce the risk differ between these two countries. Hoover (1978) observed that the levels of risk in Mexico are lower than that in the United States. Furthermore, the results revealed that there is a positive relationship between the perceived risk and brand loyalty in the United States for all the three commodities. There is a weak relationship in the case of soap and coffee in Mexico, but a positive relationship was noted with respect to toothbrushes (Hoover, 1978).

Urbany (1989) carried out a study with a random sample of 725 heads of families. Three commodities were used (refrigerators, freezers and washing machines). The results show that consumers who have a high state of uncertainty tend to look for information more than those enjoy a lesser degree of uncertainty (Urbany, 1989).

In a study conducted in Jordan, Obedat and Aljamal (1989) distributed 400 copies of a questionnaire and studied 4 durable goods (cars, videos, laundry and washing machines). The major findings of this study indicate that the greater the perceived risk is when buying durable goods, the higher the importance the consumer attaches to guarantees (Obedat & Aljamal, 1989). In other words, there is a positive relationship between the importance of security and the perceived risk.

Ctunawi (1993) aimed to determine the importance of personal contact with reference groups through the spoken word in reducing the degree of risk associated with purchasing decisions. The study also aimed to identify the factors that lead the individual to accept the social impact of the reference groups (Ctunawi, 1993). These factors might be a desire to have proven information or to achieve compatibility with other values and beliefs in order to avoid social punishment.

After reviewing the relevant literature, a questionnaire was designed to find out a variety of appropriate strategies to reduce the perceived degree of risk when buying durable goods. Table 1 shows the hypotheses tested in the study to measure the effect of each strategy on the type of risk. Occasionally, one of the null hypotheses might be ruled out by one of six alternative hypotheses.

Table 1: Hypotheses

<p>First hypothesis</p>	<p>H0: The spoken word does not affect the perceived degree of the six types of risk when buying durable goods. The following assumptions fall within this hypothesis:</p> <p>H1-1: The spoken word affects the perceived level of social risk when buying durable goods.</p> <p>H1-2: The spoken word affects the perceived level of financial risk when buying durable goods.</p> <p>H1-3: The spoken word affects the perceived level of functional risk when buying durable goods.</p> <p>H1-4: The spoken word affects the perceived level of time risk when buying durable goods.</p> <p>H1-5: The spoken word affects the perceived level of physical risk when buying durable goods.</p> <p>H1-6: The spoken word affects the perceived level of psychological risk when buying durable goods.</p>
<p>Second hypothesis</p>	<p>H0: Brand loyalty does not affect the perceived level of the six types of risk when buying durable goods. The following assumptions fall within this hypothesis:</p> <p>H2-1: Brand loyalty affects the perceived level of social risk when buying durable goods.</p> <p>H2-2: Brand loyalty affects the perceived level of financial risk when buying durable goods.</p> <p>H2-3: Brand loyalty affects the perceived level of functional risk when buying durable goods.</p>

	<p>H2-4: Brand loyalty affects the perceived level of time risk when buying durable goods.</p> <p>H2-5: Brand loyalty affects the perceived level of physical risk when buying durable goods.</p> <p>H2-6: Brand loyalty affects the perceived level of psychological risk when buying durable goods.</p>
Third hypothesis	<p>H0: The brand image does not affect the perceived level the six types of risk when buying durable goods. The following assumptions fall within this hypothesis:</p> <p>H3-1: The brand image affects the perceived level of social risk when buying durable goods.</p> <p>H3-2: The brand image affects the perceived level of financial risk when buying durable goods.</p> <p>H3-3: The brand image affects the perceived level of functional risk when buying durable goods.</p> <p>H3-4: The brand image affects the perceived level of time risk when buying durable goods.</p> <p>H3-5: The brand image affects the perceived level of physical risk when buying durable goods.</p> <p>H3-6: The brand image affects the perceived level of psychological risk when buying durable goods.</p>
Fourth hypothesis	<p>H0: Shopping does not affect the perceived level of the six types of risk when buying durable goods. The following assumptions fall within this hypothesis:</p> <p>H4-1: Shopping affects the perceived level of social risk</p>

	<p>when buying durable goods.</p> <p>H4-2: Shopping affects the perceived level of financial risk when buying durable goods.</p> <p>H4-3: Shopping affects the perceived level of functional risk when buying durable goods.</p> <p>H4-4: Shopping affects the perceived level of time risk when buying durable goods.</p> <p>H4-5: Shopping affects the perceived level of physical risk when buying durable goods.</p> <p>H4-6: Shopping affects the perceived level of psychological risk when buying durable goods.</p>
Fifth hypothesis	<p>H0: The shop's image does not affect the perceived level of the six types of risk when buying durable goods. The following assumptions fall within this hypothesis:</p> <p>H5-1: The shop's image affects the perceived level of social risk when buying durable goods.</p> <p>H5-2: The shop's image affects the perceived level the financial risk when buying durable goods.</p> <p>H5-3: The shop's image affects the perceived level of functional risk when buying durable goods.</p> <p>H5-4: The shop's image affects the perceived level of time risk when buying durable goods.</p> <p>H5-5: The shop's image affects the perceived level of physical risk when buying durable goods.</p> <p>H5-6: The shop's image affects the perceived level of</p>

	psychological risk when buying durable goods.
Sixth hypothesis	<p>H0: Expensive goods do not affect the perceived level of the six types of risk when buying durable goods.</p> <p>The following assumptions fall within this hypothesis:</p> <p>H6-1: Expensive goods affect the perceived level of social risk when buying durable goods.</p> <p>H6-2: Expensive goods affect the perceived level of financial risk when buying durable goods.</p> <p>H6-3: Expensive goods affect the perceived level of functional risk when buying durable goods.</p> <p>H6-4: Expensive goods affect the perceived level of time risk when buying durable goods.</p> <p>H6-5: Expensive goods affect the perceived level of physical risk when buying durable goods.</p> <p>H6-6: Expensive goods affect the perceived level of psychological risk when buying durable goods.</p>
Seventh hypothesis	<p>H0: Guarantees do not affect the perceived level of the six types of risk when buying durable goods. The following assumptions fall within this hypothesis:</p> <p>H7-1: Guarantees affect the perceived level of social risk when buying durable goods.</p> <p>H7-2: Guarantees affect the perceived level of financial risk when buying durable goods.</p> <p>H7-3: Guarantees affect the perceived level of functional risk when buying durable goods.</p>

	<p>H7-4: Guarantees affect the perceived level of time risk when buying durable goods.</p> <p>H7-5: Guarantees affect the perceived level of physical risk when buying durable goods.</p> <p>H7-6: Guarantees affect the perceived level of psychological risk when buying durable goods.</p>
<p>Main hypothesis (purchase intention)</p>	<p>H0: The strategies for dealing with perceived risk affect the purchase intentions of consumers when buying durable goods.</p> <p>Ha: The strategies dealing with perceived risk do not affect the purchase intentions of consumers when buying durable goods.</p>

Chapter 3

METHODOLOGY

3.1 Overview of the Study Aims

This chapter highlights the study methodology and the analysis of the degree of perceived risk based on consumer attitudes in Jordan. First, the systematic assessment of the literature review leads to a thorough explanation of the research objectives. This analysis is supported by advanced research hypotheses, theoretical research model and well-articulated definitions of variables.

3.2 Measurement Instrument

After reviewing the relevant literature, a questionnaire was designed to find appropriate strategies for consumers to use to reduce the perceived degree of risk when buying durable goods. The questionnaire discusses certain issues which were experimentally tested and refined. The study includes both independent and dependent variables. The independent variables imply the presumed cause in an experimental study. All other variables that might have an impact on the dependent variable are controlled. The values of the independent variable are under the control of the experimenter. Strictly speaking, independent variables should not be used when adopting non-experimental designs. Dependent variables represent the presumed effect in an experimental study. The values of the dependent variable depend on the independent variables. Dependent variables should not be used when dealing with non-experimental designs. In the present study, items to measure risk-reduction strategies were the independent variables. The perceived risk was the

dependent variable. Twenty-six items were selected for the measurement of risk reduction, including 19 items representing independent variables and 7 items representing dependent ones. The responses were measured on a 5-point Likert scale, ranging from strongly agree to strongly disagree.

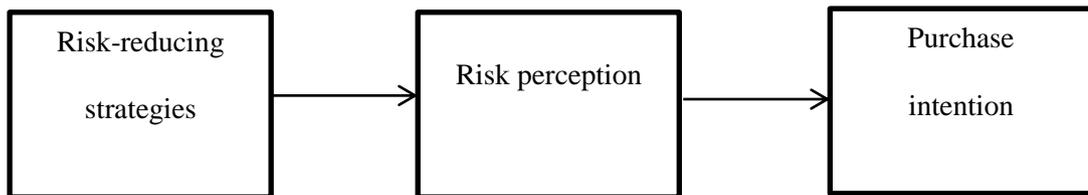


Figure 1: A conceptual model linking risk-reducing strategies, risk perception and purchase intention.

The perception of risk was measured with 6 items

1. Functional risk.
2. Physical risk.
3. Social risk.
4. Psychological risk.
5. Financial risk.
6. Time risk.

The evaluation of data was defined as the proportion of the consumer's reliance on one of the strategies used to reduce the perceived degree of risk. This proportion was measured through the degree of the reduction of the perceived risk by seven strategies. The seven strategies are the spoken word, brand loyalty, brand image, shop's image, expensive goods, guarantees and shopping.

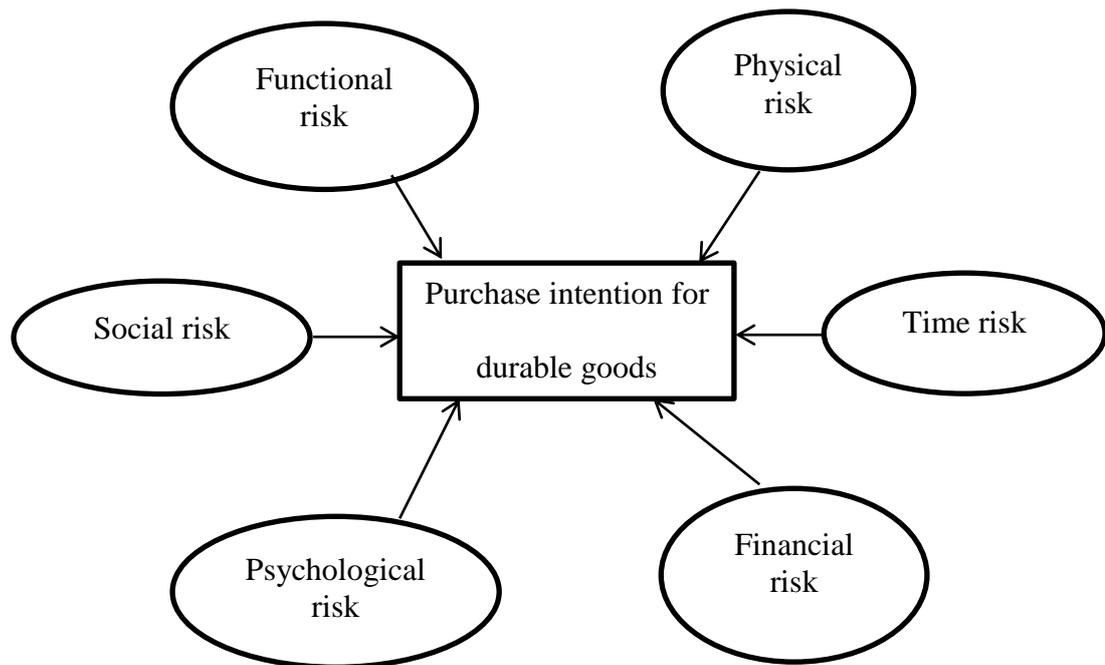


Figure 2: A conceptual model type of perceived risk and Purchase Intention for durable goods.

3.3 Data Sampling and Data Collection

The refrigerator was selected as an example of durable goods as it is one of the essential durable goods in everyday life.

Data Collection methods:

* **Secondary data:** A review and a survey of the previous theoretical fields of study related to the subject of consumer strategies to reduce perceived risk were conducted to develop an appropriate theoretical framework to formulate hypotheses based on previous studies.

* **Primary data:** A questionnaire was developed covering all the issues relevant to the study. It has the following parts: The first part contains general information regarding the demographic variables of the study sample. The second part includes a number of questions identifying the strategies pursued by Jordanian consumers to reduce the perceived degree of risk when buying durable goods (Westbrook, 1979).

The third part includes a variety of questions identifying the types of perceived risk experienced by the Jordanian consumer during buying durable goods (Jarab'a, 1993).

3.4 Study Variables and Scales

In Table 2, the perceived degree of risk is measured using the following independent and dependent variables.

Table 2: Independent Variables and Dependent Variables

Measure (independent variable)	Question Code	Reference
Spoken word	R1, R2, R3, R4, R5, R6	Lockeman (1975)
Brand loyalty	R7	Westbrook (1979)
Brand image	R9, R10	Westbrook (1979)
Shop's image	R12, R13, R14, R15	Jarab'a (1993)
Shopping	R11	Jarab'a (1993)
Expensive goods	R16	Jarab'a (1993)
Guarantees	R17, R18, R19	Westbrook (1979)
Purchase intention	R8	Lockeman (1975)
Measure (dependent variable)	Question Code	Reference
Social risk	R20, R21	Lockeman (1975)
Financial risk	R22	Westbrook (1979)
Functional risk	R23	Jarab'a (1993)

Time risk	R24	Jarab'a (1993)
Physical risk	R25	Jarab'a (1993)
Psychological risk	R26	Jarab'a (1993)

With respect to the independent variables and dependent variables, the perceived degree of risk represents the uncertainty facing the consumer when he or she cannot be sure of the results of the purchase intention. The following chapter presents the researchers' analysis of each part and item of the questionnaire which shows how the independent variables affect the dependent variables through hypotheses testing.

Chapter 4

DATA ANALYSIS

4.1 Study Population and Scope

The scope and population of the study were best represented by a randomly selected sample consisting of 215 Jordanian consumers. In order to collect data, many copies of a designed questionnaire were distributed to consumers all over the country according to the population density. However, 15 questionnaires were excluded.

4.2 Data Analysis Methods

For the purpose of validity, a variety of statistical methods were used to validate the hypotheses.

*** Descriptive Analysis:**

- Frequency Table by **Statistical Package for the Social Sciences (SPSS)**

*** Conductive Statistical Analysis:**

- Scale reliability analysis.

- Testing the conceptual model.

- Partial least squares smart (PLC).

4.3 Demographic Characteristics

This section presents the demographic variables analyzed. The researcher used frequency tables constructed from the data gathered. The demographic variables are age, gender, marital status, monthly income and education level. Each of these variables is discussed. The gender characteristics of the study sample are shown in Table 3. The sample is divided between males (83) and females (117).

Table 3: Gender Distribution of Respondents

Gender	Frequency	Percent (%)
Male	83	41.5
Female	117	58.5
Total	200	100.0

In Table 4, Jordan is characterized as a young society, so the respondents younger than 20 years old were the second-most numerous (59). The age category of 20–29 years old had the highest number of respondents (71). For ages 30–39 years old, there were 45 respondents. The fourth category of 40–49 years old had 11 respondents, and the last category (more than 50 years old) 14 respondents.

Table 4: Age Distribution of Respondents

Age	Frequency	Percent (%)
Younger than 20	59	29.5
20–29	71	35.5
30–39	45	22.5
40–49	11	5.5
Older than 50	14	7.0
Total	200	100.0

With regard to the social situation as shown in Table 5, married participants returned the highest number of responses (100). The number of single respondents was 86 and

of widowers and widows 9. In the last category of divorced people, the number of respondents was 5.

Table 1: Marital Status of Respondents

Marital Status	Frequency	Percent (%)
Single	86	43
Married	100	50
Widowed	9	4.5
Divorce	5	2.5
Total	200	100.0

Table 6 shows the number of responses by monthly income-based categories. In the first group of less than US\$600, there were 59 respondents, whereas the second category of US\$600–899 had 71 respondents. The third category of US\$900–1,299 had 45 respondents, the fourth category of US\$1,300–1,500 11 respondents, and the last category of more than US\$1,500 14 respondents.

Table 2: Monthly Income of Respondents

Monthly income (US\$)	Frequency	Percent (%)
Below US\$600	59	29.5
US\$600–899	71	35.5
US\$900–1,299	45	22.5
US\$1,300–1,500	11	5.5
More than US\$1,500	14	7.0
Total	200	100.0

As shown in Table 7 which displays the demographic information about participants' educational level, no respondents had less than a high school level education. This

might be associated with the level of education in the Hashemite Kingdom of Jordan, where illiteracy barely exists, with an illiteracy rate of 2.25%. At the high school level, there were 17 respondents. Those holding bachelor's degree constituted the largest category, with 157 respondents, both male and female. For master-degree holders, there were 17 respondents, and at the PhD level, there were 9 respondents.

Table 3: Education Level of Respondents

Education Level	Frequency	Percent (%)
Less than high school	0	0
High school	17	8.5
Bachelor's degree	157	78.5
Master's degree	17	8.5
PhD degree	9	4.5
Total	200	100.0

4.4 Scale Reliability Analysis

A degree of homogeneity in the results can be accomplished if the measurement process can be repeated under similar conditions using the same tool. In this study, the tool of a questionnaire was tested, using Cronbach's alpha to measure the degree of stability of the tool. The overall reliability of the questionnaire, as indicated by Cronbach's alpha, was 0.812%, which is acceptable. Therefore, it was concluded that the survey instrument used is reliable. Occasionally, the lowest acceptable level of reliability is 0.60% (Arrindell, 1983). However, the researcher calculated the reliability of each dimension defined in the model.

Table 4: Reliability Analysis Results

Dimension	Cronbach's alpha
Spoken word (6 items)	0.621
Brand loyalty (2 items)	0.780
Brand image (2 items)	0.723
Shop's image (4 items)	0.582
Guarantees (3 items)	0.791
Expensive/High Price (1 item)	-----
OVERALL (18 Item)	0.812
Social risk (2 items)	0.658
Financial risk (1 item)	-----
Functional risk (1 item)	-----
Time risk (1 item)	-----
Physical risk (1 item)	-----
Psychological risk (1 item)	-----
OVERALL (7 Items)	0.636

4.5 Hypotheses Test and Discussion

The questionnaire was constructed to measure the impact of seven strategies on perceived risk when buying durable goods. Therefore, its impact on purchase intention also needed to be measured. Doing so involved all seven strategies. Each strategy was measured in light of the six risks and their impact on purchase intention.

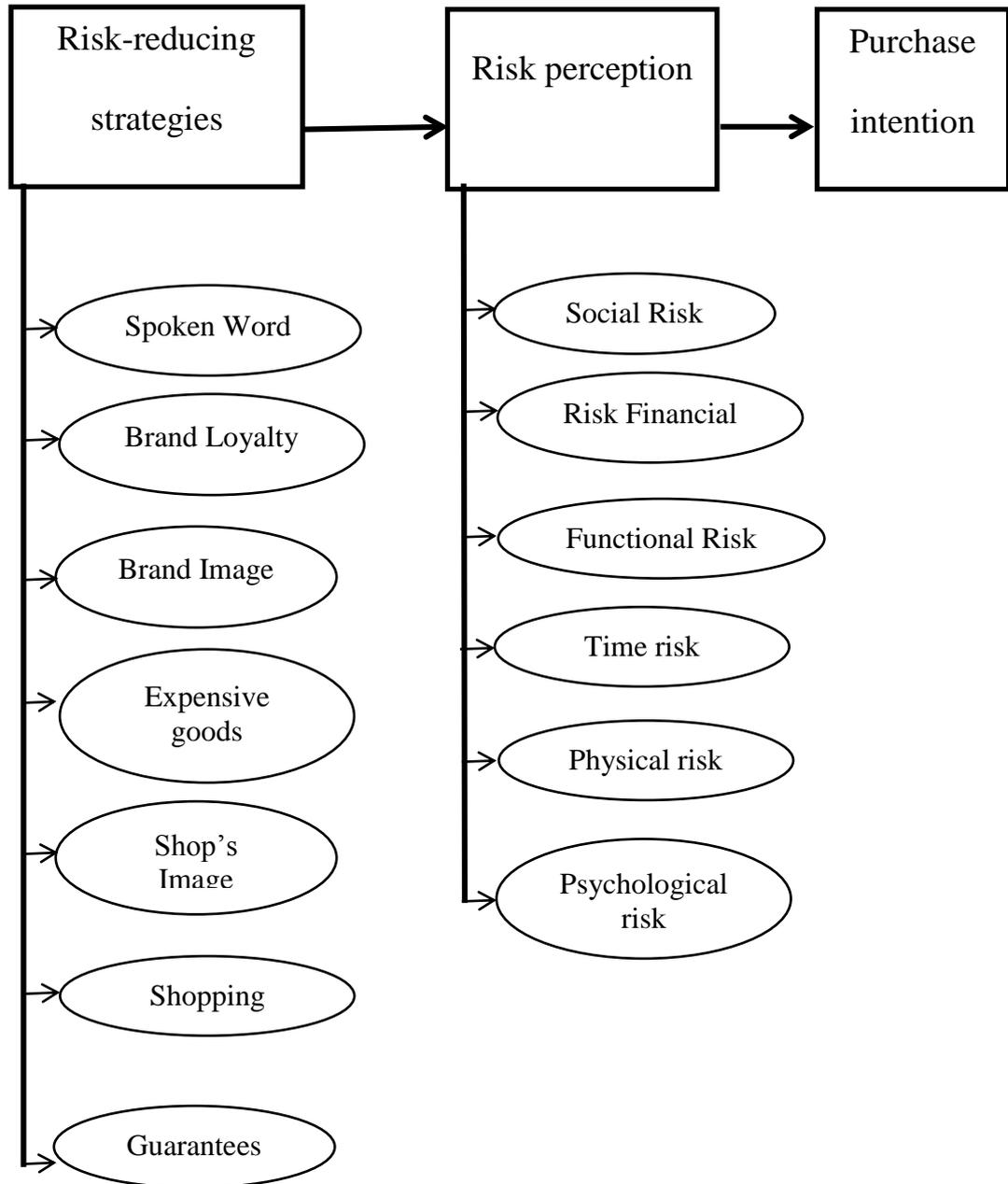


Figure 3: A conceptual model linking risk-reducing strategies, risk perception and purchase intention.

The relationships between risk-reduction strategies, risk perception and purchase intention are supported at the 0.05 significance level. The estimated coefficients for the pathways of the adopted model are shown in Figure 4.

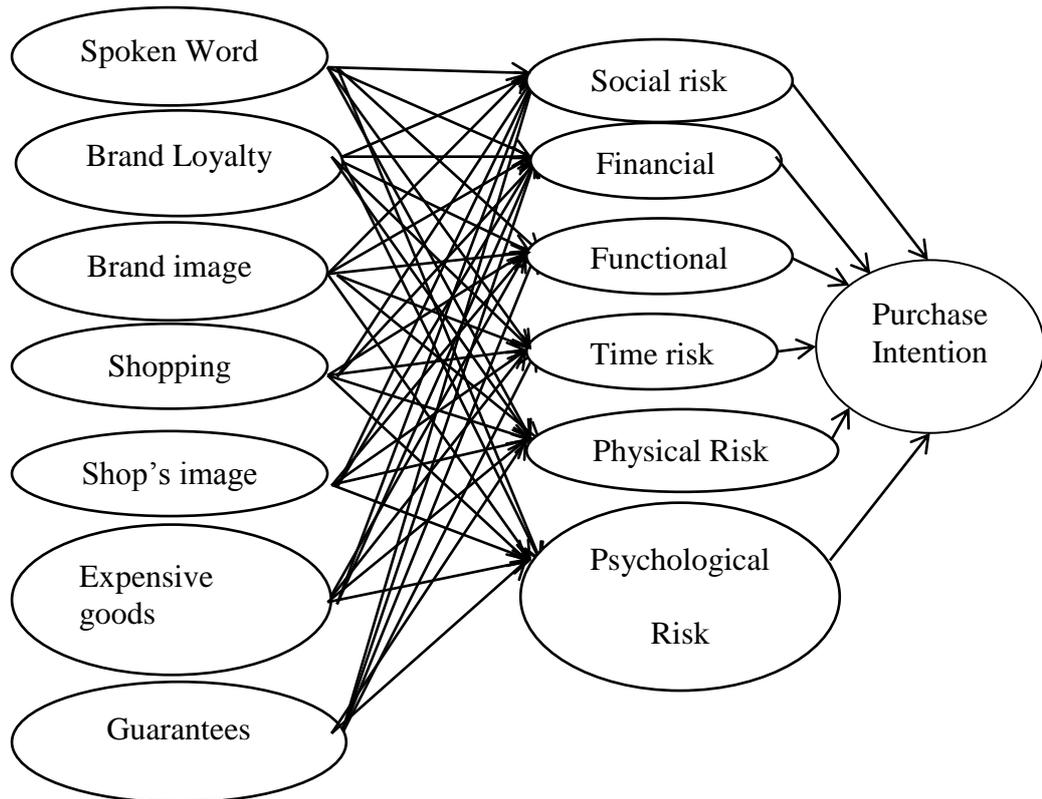


Figure 4: An empirical model linking risk-reducing strategies, customer risk perception and purchase intention.

Due to the complexity of Figure 4, a new model was created to clarify the relationships and correlations between variables, and this is shown in Figure 5.

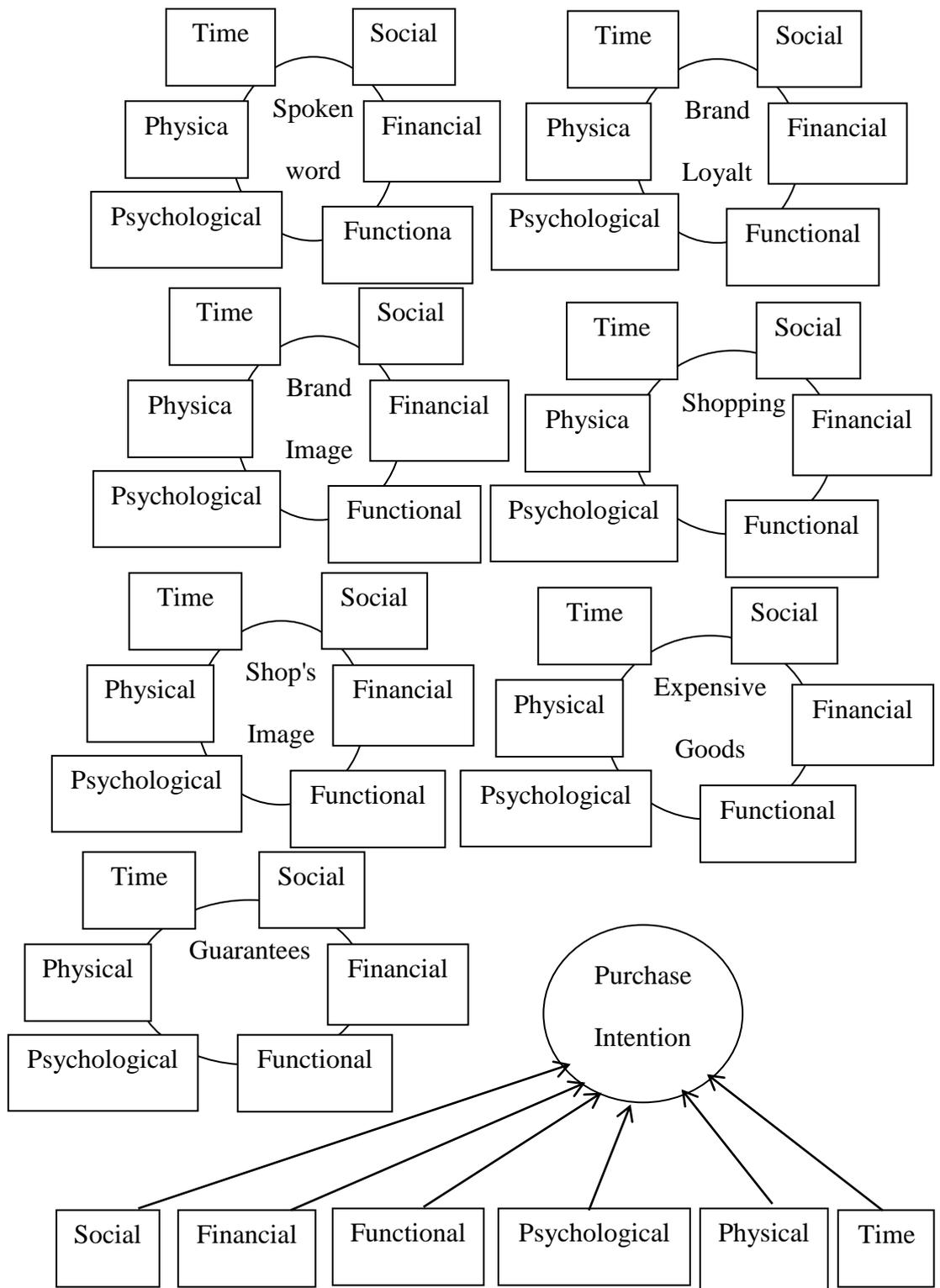


Figure 5: Relationships and links between the study variables.

Table 5: Path Coefficients

Dependent variable	Social risk	Financial risk	Functional risk	Time risk	Physical risk	Psychological risk
Spoken word	-0.57	0.10	0.53	-0.028*	0.15	0.37*
Brand loyalty	-0.42	-0.21	-0.38	0.18	0.03	-0.28
Brand image	0.59*	0.02	0.45	0.10	0.14	0.27
Shopping	-0.17	-0.20	-0.04*	0.04	0.10*	0.09
Shop's image	-0.04	0.31*	0.07	0.42	0.36*	0.01
Expensive goods	0.03	-0.08	-0.17	-0.65*	-0.16	-0.05*
Guarantees	0.96	0.64*	0.02		0.07	-0.02

* Significant at P (0.05).

Table 9 shows the positive significant correlations for risk-reduction strategies, and an asterisk indicates each correlation. Table 9 shows a significant relation between risk-reduction strategies and risk perception. It is also observed that there is a significant relation of spoken word to time risk (-0.028) and psychological risk (0.37). However, there is no significant relation with social (-0.57), financial (0.10), functional (0.53) or physical risk (0.15). Brand loyalty has no significant relation to risk type. There is a significant relation between brand image and the six types of risk perceptions.

Table 6: T-Value

Dependent variables Independent variables	Social risk	Financial risk	Functional risk	Time risk	Physical risk	Psychological risk
	Spoken word	0.86	1.23	1.66	2.52*	1.53
Brand loyalty	0.53	0.58	0.025	0.21	0.15	1.86
Brand image	2.22*	0.17	0.38	0.75	0.62	0.16
Shopping	0.93	0.86	2.11*	1.52	2.07*	0.11
Shop's image	0.21	2.03*	0.41	1.10	2.54*	1.10
Expensive goods	0.65	0.29	0.35	2.23*	1.18	2.93*
Guarantees	1.27	2.52*	0.18		1.24	0.78

* T-value < 1.96 (95%) confidence level.

To test the hypotheses, the proposed model was tested with the analysis of path coefficients and t-value. As determined by the strategies variables with 95% confidence (t-value < 1.96), all of the spoken word variables show a relation to time risk (2.52) and psychological risk (2.59), while brand loyalty has no impact on perceived risk. The strategy of brand image affects social risk (2.22). Asterisks next to numbers represent a relation between the strategies and perceived risk.

Table 7: Path Coefficients for Purchase Intention

Purchase intention	Path coefficients
Social risk	0.96
Financial risk	1.13
Functional risk	1.25*
Time risk	0.98
Physical risk	1.32
Psychological risk	0.63

Table 11 shows that there is no significant correlation between purchase intention and the perception of risk. In other words, regardless of the risk-reduction strategy, perceived risk has no effect on purchase intention, except for functional risk at a rate of 1.25. This result supports the use of the risk-reduction strategies in the context of perceived risk.

Table 8: T-values for Purchase Intention

Purchase intention	T-value
Social risk	0.16
Financial risk	0.38
Functional risk	1.85*
Time risk	0.89
Physical risk	1.03
Psychological risk	0.81

The results show that purchase intention is not affected by all six types of perceived risks. In fact, functional risk was closely related to the seven risk-reduction strategies, with a significance of 1.85.

Table 9: Summary of Hypothesis Testing

First hypothesis	Reject
Second hypothesis	Accept
Third hypothesis	Reject
Fourth hypothesis	Reject
Fifth hypothesis	Reject
Sixth hypothesis	Reject
Seventh hypothesis	Reject
Main hypothesis	Accept

Table 13 presents a review of the hypotheses of the study. The table shows that, in the first hypothesis, the null hypothesis was rejected, and the alternative hypothesis was accepted (H1-4, H1-6). However, in the second hypothesis, the null hypothesis was accepted, while in the third hypothesis, the null hypothesis was rejected, and the alternative one (H3-1) accepted. Similarly, in the fourth hypothesis, the researcher arrived at the same result as for the previous hypothesis (H4-3, H4-5). In the fifth hypothesis, the researcher rejected the null hypotheses and accepted the alternative one (H5-2, H5-5). In the sixth hypothesis, the researcher rejected the null hypothesis and accepted the null one H6-4, H6-6. In the seventh hypothesis, the researcher rejected the null hypothesis and accepted the alternative hypothesis (H7-2). It was noted that the null hypothesis was nearly rejected under the seventh hypothesis.

4.6 Summary of the Results of the Analysis

1. The Jordanian consumer depends on the spoken word strategy to reduce the degree of the perceived time and psychological risks when buying durable goods. However, he or she does not depend on that strategy to reduce the degree of social, financial, physical and functional risks.
2. It is indicated that the Jordanian consumer does not depends on the brand loyalty strategy to reduce the perceived degree of all six types of risks when buying durable goods.
3. The Jordanian consumer depends on the brand image strategy in the reduction of the degree of social risk.
4. The Jordanian consumer depends on the shopping strategy in the reduction of functional and physical risks.
5. The Jordanian consumer relies on the shop's image strategy in the reduction of financial and physical risks.
6. The Jordanian consumer relies on the expensive goods strategy in reducing time and psychological risks.
7. The Jordanian consumer depends on the guarantees strategy in reduction of financial risk.

Chapter 5

CONCLUSION

As pointed out, consumers need to think about and use strategies to reduce the degree of perceived risk while buying durable goods. This study has investigated the strategies used by the Jordanian consumer to reduce the degree of the risk he or she perceives. It has been shown that the strategies used during purchases have a role in influencing the perceived risk. Thus, these strategies affect the consumer's purchase intention or decision.

This study was conducted with a sample from Jordanian society, which is characterized by a high level of education and youth. The aim of the study was to identify appropriate strategies to reduce the perceived degree of risk when buying durable goods. Seven strategies to reduce the degree of risk and its impact on purchase intent were tested.

5.1 Recommendations

After scrutinizing the results of the study, the researcher offers the following recommendations:

1. Use informal sources (family, friends) during the purchase of durable goods as these sources serve as important references that affect consumer purchasing decisions.
2. Conduct field research to identify the types of risks facing the Jordanian consumer when buying durable goods and then create a marketing mixture consisting of a

variety of appropriate risk-reduction strategies.

3. Provide consumers with good training in how to use a particular commodity as when they misuse it, a malfunction might occur. As a result, the degree of the perceived risk might increase. Therefore, a well-trained consumer can avoid such risks.

4. Create provisions for control over the quality of durable goods.

5. Pay a great deal of interest to studying the characteristics of consumers in the target market based on the types of perceived risk in order to offer goods that meet consumer needs and desires. To reduce perceived risk, goods should be identical to the specifications promised by manufacturers.

5.2 Directions for Future Research

In light of the results, this study could serve as a starting point for more research in the following areas:

1. Identifying other types of perceived risk by the Jordanian consumer when buying durable goods.

2. Studying other strategies which can be used by the Jordanian consumer to reduce the perceived degree of risk when buying durable goods.

3. Reducing the perceived risk of the Jordanian consumer in other sectors, such as hotels, banks and the service industry.

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APPENDIX

Appendix A: Questionnaire

Questionnaire

Dear Customer,

This survey is part of an academic study that aims to find out the perceived degree of risk when buying durable goods. In no case will respondents' personal data be given to a third party.

Thanks for your collaboration.

Anas

(M.M.M. Final)

Eastern Mediterranean University

Part one: Personal information

Please put a sign (X) in front of the answer which best describes you:

Q1- Age: Less than 20 years old 20–29 30–39
 40–49 More than 50

Q2- Gender: Male Female

Q3- Marital status: Single Married Widowed
 Divorced

Q4- Monthly income: (US\$) Less than US\$600 US\$600–899
 US\$999–1299 US\$1,300–1,500 More than US\$1,500

Q5- Education level: Less than high school High school
Bachelor's degree Master's degree PhD degree

Directions: Please indicate your level of agreement or disagreement with each of the following statements. Place an 'X' in the box for your answer.

1=Strongly disagree ☹ 2=Disagree 3=Neutral ☹ 4=Agree
5=Strongly agree ☺

Part two: Strategies to reduce the perceived degree of risk strategies

		☹		☺		☺
R1	Trying to get as much information as possible before purchasing durable goods (refrigerator)	1	2	3	4	5
R2	Asking friends for advice when buying durable goods (refrigerator)	1	2	3	4	5
R3	Spending a lot of time with my family talking about the different brands and prices when buying durable goods (refrigerator)	1	2	3	4	5
R4	Postponing the purchase if I don't have enough information about durable goods	1	2	3	4	5
R5	Asking co-workers for advice when buying durable goods (refrigerator)	1	2	3	4	5
R6	Asking shop owners and sales representatives at the time of purchase durable goods (refrigerator)	1	2	3	4	5
R7	Buying a brand that has satisfied me in a previous experience when I intend to buy durable goods (refrigerator)	1	2	3	4	5
R8	Recommending that others purchase the brand that I used and satisfied me when they want to buy durable goods (refrigerator)	1	2	3	4	5
R9	Looking for a famous brand when buying durable goods (refrigerator)	1	2	3	4	5
R10	Choosing a well-known brand by myself without the influence of others' opinions when buying durable goods (refrigerator)	1	2	3	4	5
R11	Comparing brands to select the most appropriate brand of durable goods (refrigerator)	1	2	3	4	5
R12	Buying from a particular shop at the time of purchasing durable goods (refrigerator)	1	2	3	4	5
R13	Making the reputation of the store my number one priority at the time of purchasing durable goods (refrigerator)	1	2	3	4	5
R14	Buying from a store that offers high-quality materials at the time of purchasing durable goods (refrigerator)	1	2	3	4	5
R15	Buying from a store that offers various payment facilities or options (instalments)	1	2	3	4	5
R16	Choosing high-priced goods at the time of purchasing durable goods (refrigerator)	1	2	3	4	5
R17	Buying from a store that allows me to return goods or exchange them if they do not achieve satisfactory performance	1	2	3	4	5
R18	Buying from a store that allows me to try the goods before purchasing them	1	2	3	4	5
R19	Buying durable goods with a long-time warranty	1	2	3	4	5

Part three: Types of perceived risk when buying durable goods

						
R20	Associating social status with the quality and brand of durable goods	1	2	3	4	5
R21	Seeking to attract others' attention with the commodity I buy	1	2	3	4	5
R22	Buying goods that are within the limits of my financial budget	1	2	3	4	5
R23	Being cautious when buying durable goods (refrigerator) that are not up to my expectations	1	2	3	4	5
R24	Using goods for a long period of time	1	2	3	4	5
R25	Satisfaction with the performance of my item in comparison with other goods	1	2	3	4	5
R26	Feeling anxious when the goods bought are not worth the money spent on them	1	2	3	4	5