How has third-party payment reduced the perceived risk of young consumers in China?

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How has third-party payment reduced perceived risk of young consumers in China?

Abstract

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**Research Question:**
How has third party payment reduced the perceived risk of young consumers in China?

**Purpose of the Research:**
The main purpose of this study is going to discover how the third party payment can reduce perceived risk of young e-commerce consumers between ages 18-35 in China. The other purpose of this study is to evaluate how third party payment has protected the e-commerce consumer in China.

**Method:**
Deductive approach and quantitative method are used to conduct the investigation in this paper. The primary data is collected through questionnaire survey that 266 respondents answered in two Chinese social media websites: Sina Weibo and RenRen. The secondary data is gathered from literature, scholarly journals, published reports and databases with strictly examined the reliability.

**Conclusion:**
From the empirical study we can conclude, the totality five factors of third party payment acts has reduced the perceived risk. In specifically, the security factors of the third party payment are the most influential factor for the perceived risk reduction. Convenience Operation factors in platform interface reduce the psychological risk. Consumer online-shopping experiences and proficiency of third party payment directly reduces all the four perceived risks, which will automatically lead to self-comfortable in the next purchases. The public image of the third party payment reduced the psychological and financial risk mainly. The external environment of the third-party payment includes the third-party payment companies reduce the all four perceived risk, but mainly influenced the financial risk and psychological risk.
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1. Introduction

This chapter presents the general background of this thesis with problem background and discussion, research question, purpose and limitations.

1.1 Problem Background

Internet change our lifestyles radically, e-commerce replaced the traditional trade gradually. E-business (electronic business) defined as "the application of information technology for internal business process as well as activities in which a company engages during the commerce activity which can include functional activities such as finance, marketing, human resource management and operations" (Gay, Charlesworth, & Esen, 2007, p. 5). Moreover, the business process management incorporates the sell-side and buy-side (Chaffey et al, 2009, p. 15). It also can be easy to understand as directly and indirectly related to the buying, selling and trading of products, services and information via computer networks – including the Internet (Gunasekarana et al, 2002, p. 190).

E-commerce tied the production enterprises, circulation enterprises and consumers into a network economy. E-commerce as a new online trading business not only makes consumers to get out of the shackles of the traditional business, furthering shorten the distance between the manufacturers and users, changing the market structure; but also to reduce the cost in production and sales, significant savings in marketing cost and improves marketing efficiency. It provides enterprises with a huge potential customer base and brings unlimited opportunities to develop (Phan, 2003). The explosive used of the commercial Internet in recent years presents both opportunities and challenges can exist at once, it makes business access to a worldwide market (Gay, Charlesworth, & Esen, 2007, p. 512).

Meanwhile, E-commerce provided an unprecedented opportunity for merchant interacts directly with the final consumer. To entry internet market with low-barrier and new market opportunities have increased the number of on-line merchants in some cases, also they were in principle able dominate on price or quality, reduces the uncertainty to sell directly to consumers in the electronic marketplace (Giaglis, Stefan, & Robert, 2002).

For the consumer, the convenience has been the main reason for shopping on the Internet (Sandra, Forsythe, & Bo, 2003, p. 868). The Internet, as the potential shopping mall of tomorrow provides consumers with a number of benefits over traditional retail channels (ibid, p. 869). The Internet stores as a transaction medium contains amount of information, and provides better perceptual experiences than physical store. The Internet allows consumers to browse product/service extensively,
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collect data, locate information, download information, compare prices, buy products, place/change orders, and receive feedback without traveling to a shopping mall. Consumers can browse or shop online 24 hours a day, 7 days a week, from office or at home. As saving money and time, no transportation cost, no waiting lines and no pressure from the sales people contributed to more enjoyable shopping experiences on the Internet.

The online shopping has brought us convenience but also produced a range of issues and uncertainty, which issues closely related to us. Trust has been the main barrier when consumers want to buy something in e-business (Urban, Amyx, & Lorenzon, 2009, p. 183). In recent years, fraud and poor service performance have reduced the trust in e-commerce. Fraud Watch International (2008) indicated 31% of buyers have lost money when purchasing online and over 80% of buyers thought they will become a victim in the future. Moreover, 21% of Internet users reported never trusting information from sellers in e-commerce, it causes 29% of online shoppers to reduce the frequency of purchasing online and an additional 25% of users to stop buying products online entirely (Consumer Reports Webwatch, 2005).

The rapid expansion of e-commerce values in the past few years convinced many people that a new economy has emerged. In China, there has been more than 10 years in the development of use the Internet for business transactions. With the largest population in the world, China already has the largest Internet user in the world. During the last few years, there has a rapid increasing in the e-commerce. In 2010, the e-commerce market in China has a drastic increase achieved 1,010 billion CNY transaction value since only 257 billion in 2008. Meanwhile, the E-commerce penetrated rapidly in the past decade. Less than 10 % of China's urban population shopped online in 2006, but the figure jumped to 23% around 145 million e-commerce shoppers in 2010 (Walters et al, 2011). Consumerism is already big in China, and more and more people prefer shopping on-line.

1.2 Problem Discussion

In the physical traditional business trade, it is security and guarantees since customer and merchant doing the business face to face. Customer get the satisfied goods and pay the money at the same time, they can come back asking for service if there are problems of the goods. During the commercial transactions, goods and services have to pay with cheques, cash, postal orders and travellers’ cheques. Even in the international trading, letter of credit service essentially guarantees that seller will get the pay and the buyer will get the goods. However, this seems only in the large account deal, financial institution or similar party not willing to service small business. For example customer cannot ask for letter of credit service when they going buy a telephone.
An electronic payment mechanism is a means by which economic value transferred between two parties (Gay, Charlesworth, & Esen, 2007, p. 512). Internet buying and selling mostly involves the use of electronic payment. Many factors are involved to restrain the evolution of the e-commerce market. The advantages of electronic payment are quicker and cheaper than traditional payment. At the same time, this paperless method of payments are always been doubt with security and trust. The inherent risks in the electronic payment are quite substantial.

A typical e-commerce transaction consists of three phases, the information search stage, ordering and payment stage as well as logistics and distribution stage (Zhang and Zhang, 2010). The second stage involves the electronic payment, namely, how to use the Internet as a safe and efficient manner to transact and allocate the funds to ensure the smooth progress of e-commerce transactions. Since the merchants and customers are not trading face-to-face in the e-commerce, the exchange of goods and money are separate in time and space. There may be exist a game between customers and merchants: merchant will not shipping the goods first because they concerned about money return; on the other hand, customers are not prefer to pay in advance since they worries about be cheated in goods and its quality. The result of this game is both parties not willing to take risk first and the e-commerce cannot be successful in process. Under such a scenario, it is necessary to have an intermediary between customer and merchant, which can be trust and provided protection for both parties. Therefore the third party payment services emerge and resolve this uncertainty.

More and more people tend to shop online rather than offline physical store since the advantages of online shopping are deeply rooted among the people. Since the specific situation in china, it has to treat the diversely. China as a developing country there still exist critical problems, such as civilization construction and legal system imperfection. Some smaller sites, they are limited in the technology and budget. They cannot reach the technology requirement and cannot bear the highly cost of Internet construction and maintenance. Moreover, in China there are 1.35 billion populations in mainland as largest in the world, and the 9.6 billion square kilometers in the territory in the third place of the world. It is impossible that do the business personally face to face and it is hard to trust everyone in the business. Consumers perceived that they would take more risks when they enjoy the convenience of shopping online.

1.3 Problem Specification

Due to the customer take some degree of risks during the buying process, therefore, every customer evades or reduces these risks in efforts. In this sense, Customer buying behavior is a risk reduction behavior. The emergence of third-party payment industry is to reduce risks. As an intermediary the third party payment, somehow, has no direct benefit for transaction though e-commerce. It only charges fee from seller when the transaction completed. It appears to protect the benefits of consumers, to
eliminate the worries of consumers' online shopping, eventually to reduce the perceived risks of consumers and influence consumers’ buying behaviors. Consumer perception of risk is an important part of the consumer behavior.

Young people are more likely to embrace new technologies as well as affected by new technologies. As the main consumers of online market, they also might be the largest potential consumers of online market in the future. Hence, they are worth being researched to contribute the development of online market in the future.

This thesis will primarily scrutinize from young consumers’ point of view, how the third party payment has reduced their perceived risk. In order to make the investigation more clear and convincing, we will present the general picture regarding to the third party payment in China including the figures of states and individual company market share. In addition, we will present the related literature to understand perceived risk.

1.3.1 Research Question

How has the third-party payment reduced perceived risk of young consumers in China?

1.4 Purpose

The main purpose of this study is to discover how the third party payment companies can reduce the perceived risk for young consumers between ages 18-35 in Chinese e-commerce. As well as to evaluate how the third party payment companies have protected the e-commerce customer in China.

1.5 Target Group

We believe that the result of the investigation of this thesis is benefits to Chinese the third party payment industry so that they can obtain more information about their effects to the consumers’ perspective. In addition, this study is valuable to Chinese e-commerce companies whatever they offer the third party payment service already or not. The contribution of this thesis will provide the useful information for vendors to meet consumer’s needs by developing advanced technologies and comprehensive protections. For the customers as well, it is significant to know how the third party payment works and protects their benefit in order to increase the confidence in e-commerce.
1.6 Delimitation

It is necessary to clearly state the limitations of this thesis. The investigation of this topic is made at a specific place and time. First, the mere geographical limitation that we focus on is the region of China since e-commerce has been developed rapidly and has huge potential market. It can be understood that the investigation object in this thesis has particular features under the specific social background. Second, this survey sample is only focus on the 18-35 younger people who use the third party payment before in China because they are the main active group towards e-commerce (Walters et al, 2011). Last but not least, this research is processed in the spring of 2012. Due to people's knowledge and cognition always change with the time lapse, the result of this paper is not evergreen popularity.

Therefore, the other researchers who want to make any investigations of payment topic in other countries should not consider the typical result from this research. Meanwhile, the survey result can’t be used for general perspectives since the specific group is not representative of the all consumers in China.

1.7 Reference System

In this paper, we are using the American Psychological Association (APA) system of referencing. In the text, we refer to the name of the author and the year of publication where we quote. The exact page numbers in the books will be specified as well. The reference list includes more details about the books or articles will be provided in the end of the paper.

1.8 Definition of Third-party Payment

Third party payment refers to the Non-bank financial institutions, which exchange of payment online, fund settlement, inquiries and statistics from user to merchant on Internet-based, it provides online (Internet) and offline (telephone & mobile phone) payment channels. These institutions cooperate with major banks and those institutions have a certain strength and credibility of security. (China state statistical bureau, 2010)

1.9 Disposition

Chapter 1: Introduction: Describes and discusses the problem, followed by the purpose of the research and what will be investigated in this paper.

Chapter 2: Introduction of Online Payment: Introduces the online payment include traditional online payment mode, online payment status and characteristics of the online payment, the drawbacks of traditional online payment.
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Chapter 3: China Third party Payment Industry: Presents the states of China third party payment industry include the trade volume, involved companies and its market share.

Chapter 4: Research model: Shows the process of this paper and how the survey will be conducted through various steps.

Chapter 5: Method: This chapter elaborates the methods employed in this research include explained research approach, the techniques of data collecting and questionnaires designed.

Chapter 6: Theoretical framework: This chapter discusses the theories used in this paper. Two main segments of theories are explaining such as third party payment and perceived risk.

Chapter 7: Findings: Presents the results of the questionnaire and illustrated these results in figures and tables.

Chapter 8: Analysis: In this chapter, we analyze the results of findings by connecting with the theories framework to discuss.

Chapter 9: Conclusions: In this chapter, the conclusions draw from the result of findings and analysis.

Chapter 10: Recommendations: This chapter presents suggestions from the authors based on the research.


2. Introduction of Online Payment

This chapter introduces traditional online payment mode, online payment status and characteristics of the online payment, the drawbacks of traditional online payment

2.1 The Traditional Online Payment Mode

The online payment system means use secure electronic method to exchange goods and services between consumers, merchants and financial institutions, that new method of payment, including electronic money, credit cards, debit cards, smart cards and other payment. Payment information is safely sent through the network to processing organizations of bank to implement electronic payment. The online payment connects the consumers, merchants and financial institutions, so that individuals and enterprise break through the limitations of time, space, distance and physical medium to complete the payment and settlement in their homes. The electronic payment achieves a fast, convenient and safe payment.

Cash, bankcards and checks are the most basic payment methods of people in their daily lives, however online payment adopts a more flexible and diversified technology payment methods. According to the different methods of payment, it can be divided into the bankcard system, electronic cash system, electronic check system and mobile payment system. With the development of the financial industry, banks and other financial institutions have issued a lot of savings cards, debit cards and credit cards, while it also provides a variety of card payment facilities (Dai, 2004, p. 59-62).

2.2 Online Payment Status and Characteristics of the Online Payment Method

Online payment using advanced technology to complete the transmission of information through digital (all kinds of payment methods are based on digitally). It use the most advanced methods of communication based on Internet. Those online payment methods have the advantages of convenient, fast, efficient and economic.

Main online payment instruments (China Electronic Commerce Center, 2010):

(1) Bank card online transfer payment: It is very common in China now. The payer can use bankcards that apply for a transfer function to transfer small amounts to the payee’s bank account.

It has the following basic characteristics: First, input costs are lower that merchant can accept bankcard online transfer payment. Second, many of stores are able to receive bankcard in worldwide which users are not limited by region.
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(2) Electronic cash: It is the currency in data form. The cash value converted to a series of encrypted serial number to represent the reality amount of currency.

Its characteristics: First, it has the characteristics like real cash, it can deposit, withdrawal deposit, transfer, and apply to micro-payment. Second, bank will through a digital signature to determine the effectiveness of electronic cash. Third, e-cash payment is anonymous.

(3) Electronic check: It is the electronic equivalent of check, it can use to attract individuals and companies who do not want to use the cash and rather use credit.

Its characteristics: First, there are many similarities functions with the traditional checks. Second, it uses simple encryption tool to ensure the security. Third, electronic check technology can be connected between public network of financial institutions and bank network.

(4) The third party payment: It is an independent institution with strength and reputation guarantee. It signs a contract with the major banks and provides the payment platform can connect to the bank payment system.

2.3 The Drawbacks of Traditional Online Payment

There are two main bankcard online payment modes, SSL (Secure Socket Layer) protocol mode and SET (Secure Electronic Transaction) protocol mode. SSL-based payment model does not require specialized software and widely used. However, the transaction security is low due to merchants send the customers' privacy transaction information to bank. SET payment mode, the transactions have a higher level of security, but the payment process is relatively complex since it need the certificate downloaded through the Certification Authority. These two payment models have focused on the bankcard’s user authentication and test the effectiveness of the payment instruction to avoid credit card fraud (Dai, 2004, p. 59-60).

However, these traditional methods of payment only with funds transfer function, they cannot restrain and manage the both sides of business transaction. They are also relatively simple method of payment, the both sides of business transactions need transfer funds to designated bank. Moreover, the transaction process cannot get a reliable guarantee no matter product quality and integrity transactions or money collection (ibid, p. 61).

And these methods of payment still only cover the payment of B2C business. With the development of e-commerce, payment innovation is possible especially for the huge potential of the C2C market. The appropriate payment mechanism will change the current market situation (ibid, p. 62).
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3. China Third-party Payment Industry

This chapter presents the Chinese third party payment industry and the major players in the market.

At present, non-financial institutions, third party payment market is growing rapidly. The transaction volume of the third party payment in China has experienced an extreme growth in the past five years, it exceeded far from retail sales volume of other commodities in the same period. The third party payment is playing an important role in the increasing online market transactions.

The third-party online payment is one of the fastest growing industries in the Internet economy. In 2008 was only 257.8 billion, while has grown to 505.1 billion in 2009 which shows a 95% of the growth rate. In the next year, the online payment penetrated into online shopping, travel booking gradually, the third-party payment has become an important network application service in the daily life of Internet users in China. The third-party online payment transaction volume reached 1010.5 billion CNY in 2010. As can be seen from Figure 1, the third-party online payment transaction volume has almost grown 4 times from 257.8 in 2008 to 1010.5 in 2010. Moreover, it is expecting the third-party payment scale would reach to 3230 billion and 4100 billion by 2013 and 2014 respectively. (iResearch Consulting Group, 2011)

![Figure 1 The third party payment trade value (iResearch Consulting Group, 2011)](image)

At present, the third party payment development presents the situation of industry concentration. The top 4 enterprises are Alipay, TenPay, China UnionPay and 99Bill, they occupy nearly 85% of the total market share.

There are numbers of third party payment companies exist in China, include PayPal (eBay Company), Alipay (Alibaba's) TenPay (Tencent), YeePay.com (Yeepay), Fastmoney (99bill), NetEase Po (NetEase) and IPS. PayPal is the most popular in the United States and Europe. In terms of market share, the top three the third party...
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Payment service companies in China were Alipay, Tenpay and China UnionPay. (China state statistical bureau, 2010)

![Pie chart showing market share of third-party payment companies in China]

Figure 2 China the third party payment market share (China state statistical bureau, 2010)

In 2011, Alipay took the first place with market share at 49%, hold a half of the online payment market; TenPay held the second place market share of 20.4%; China UnionPay and 99Bill were in the third and fourth place with market share 8.4% and 7.5% respectively (Figure 2).

Because of the increase of transaction volume of third party payment in China, more financial institutions cooperate with the third party payment companies, more merchant websites used the third party payment as a payment method, and most of internet browsers support the third party payment platform system plug-in. For example, the 85 financial institutions further cooperate with Alipay, include the banks and credit card institutions, over 450 thousand of merchant websites use it, and the mainly internet browsers support it, such as IE, Firefox, Safari, Chrome (Alipay, 2012).
4. Research Model

This part will give a quick overview of how the research will be conducted. We started with introducing the industry that we selected to investigate in research, in this case it is China third-party payment industry. Then we selected a research question to investigate from customer’s point of view, and then the next step was formulating the theoretical framework for our research. The theoretical framework consists of two different elements there are the third party payment model and perceived risk. After the selected of theories, empirical finding data was gathering through questionnaires that were disturbing through two social media websites. The analysis was compiled based on the empirical findings and connection with the theories of consumer perceived risks. In the end, we were able to find out conclusions about how the third-party payment has reduced perceived risk of young consumers in China and recommendations for them.
5. Method

In this part we explain the methods we are going to employ, including which research approach will be used and how to achieve the goal of this research.

5.1 Selection of the Topic

Since the third party payment emerged and became a core issue of e-commerce, a lot of attentions have been paid to find a solution for customers’ needs of security, ease of navigation, service quality, as well as relieve the restrictions of the e-commerce market. The reason why we did this study was because e-commerce is developing rapidly in China and the online transactions are still on the initial stage in China. As a dynamic and relatively new phenomenon, consumers consider the online market is in insufficient norm and they will take more risks when they are shopping online. However, after the third party payment emerged, online market is becoming more trustable and more people purchase goods online, especially the young customers who are receptive to new things, like online lower price and have good computer skills. Therefore, it would be interesting to present how the third party payment affects young consumer and reduces the consumer’s perceived risk.

5.2 Research Approach

In the following presents the research approach of this study. Quantitative research and Deductive approach are considering as the most appropriate methods in this investigation.

5.2.1 Quantitative Research

Since this research is aimed at giving a general picture about how has the third party payment industry affected Chinese young customer from customers’ point of view, it is important to present an example which represented as many customers’ views as possible. Quantitative research can produce large amounts of data in the field of consumer behaviors, consumers’ attitudes and characteristics can be seen from these data (Gay et al, 2007, p. 145). Also in quantitative research method, it emphasizes quantification in the collection and analysis of empirical data. Obviously, when the sample is large, the study gives much accurate results (Bryman and Bell, 2011, p. 154).

Therefore, in this paper the quantitative research is conducting to obtain the customer attitudes about how the third-party payment influenced customer perceived risk. This paper is from the customers’ perspective that it is necessary to access the respondents’ answer by questionnaires in a wide range. In addition, collected the numbers of
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respondents’ attitudes by statistical measurement to illustrate and finally analyze. Thus our overall form, emphasis and purpose fit with quantitative approach.

5.2.2 Deductive Approach

The deduction is a reasoning method that infers general conclusions from the individual premise. It involves moving from individual observation to statements of general patterns, it referred to as moving from the specific to the general (Collis and Hussey, 2009, p. 7). Deductive research is a study in which a conceptual and theoretical structure is developed and then tested by empirical observation (ibid, p. 7). It is an understanding method from the general to the individual, in order to infer and judge individual cases. Moreover, in quantitative research, the principal orientation to the role of theory in relation to research is testing the theory (Bryman and Bell, 2011, p. 27).

This paper is inclined to be deductive approach because we just to give a surface picture of third party payment affected the Chinese young customer in e-commerce. We are not going to have a deep description and find out the reasons of the particular occurrence. We are not going to create new theories and just list the theories, analyze the empirical findings that collected from questionnaire and draw down the conclusion. Thus, this method is deductive in nature.

5.3 Selection of the Theories

In order to fulfill the research on measuring and evaluating the functions and effects of Chinese third party payment industry on young customers, we assume the two important segments “the third party payment model” and “perceived risk”. First, we present the third party payment model, characteristics and advantages of the third-party payment, and the factors of the third-party payment that could affect the perceived risk. Second, we put the perceived risk as our examining model which was first proposed by Bauer in 1960 (see 6.2.1, p. 21.) and it had come through infancy to adulthood during last 50 years. We integrate the perceived risk under the backgrounds of Chinese third party payment, which the four perceived risks could relate to the third party payment, sated by Kong, Chen and Qi (2011, p. 175). Due to the special environment of e-commerce, those models are developing from general concepts models to e-commerce environments. It is necessary to emphasize that perceived risk is a subjective matter.

5.4 Data Collection

There are two kinds of data collections, Primary and Secondary data (Fisher, 2007, p. 47). In this paper, both Primary and Secondary data are devote to support the statements and understanding of the topic.
5.4.1 Primary Data Collection

The primary data can only be collected with a specific purpose match the research questions or objectives (Saunders, Lewis, & Thornhill, 2009, p. 270). In collecting primary data, we use questionnaire survey to obtain the first hand information since no recent studies related to this objective. At the same time, through the primary data collection, the investigation would be tied to specific problem and consistent with the research objectives.

Therefore, the main approach of primary data collecting in this study is questionnaire survey that distributed to young Internet user in the two social media websites. Since the study focus on perceived risk reduction from a customers’ view, it is important to get primary data from the investigated sample in order to make a relevant study.

5.4.2 Secondary Data Collection

Secondary data include both raw data and published summaries (ibid, p. 256). Secondary Data is existing information that has been gathered for some purposes outside the planning processes. This information can routinely be obtained from the planning organization or external sources. There are three main sub-groups of secondary data: Documentary data, Survey based data and those compiled from multiple sources (ibid, p. 258). Secondary data would probably answer your research questions and address you objectives. The main advantages of using secondary data are saving the time, money and resources enormously. However, the drawback is that it may get the unobtrusive and longitudinal data. In order to make this paper more understandable, an extensive of reliable information and data will appropriately quoted in text.

General sources of secondary data are from, for instance, various computerized databases, associations, other government agencies and different published sources such as libraries and newspapers. The data was collected from books, scientific articles, literatures, Internet sources and journals. The books are mostly from MDH library, articles and literatures accessed through the databases. Since there are huge amount of relative published information, we examine the reliability of the collected data. Most of the articles were searched from Science Direct and Google Scholar database with the key words. The key words used were e-commerce, third party payment, and perceived risk.

5.5 Quantitative Survey

In the following, how this paper is going to conduct survey, the sample characteristics and the contents of the questionnaire will describes.
5.5.1 Survey

The survey strategy is a popular and common strategy in business and management research and it usually associated with the deductive approach (ibid, p. 144). It allows the collection of data from a sizable population and these data are standardized allowing easy comparison (ibid, p. 144). Surveys can be useful to collect data on phenomena that cannot directly observe. As it is defined “Web surveys operate by inviting prospective respondents to visit a website at which the questionnaires can be found and completed online” (Bryman & Bell, 2011, p. 662). Since the region distance between Sweden and China and we collect the attitude of young e-commerce consumers, we cannot do anything but doing the survey on Internet. The main advantage of web survey is unrestricted compass, there are no constraints in terms of geographical coverage with online surveys. In the online survey methods, we created questionnaire on survey website, and then posted the survey in Chinese two famous social websites.

It is considered that the online survey is more difficult to use for a public population, because not all respondents may have access to email or the Internet (Fisher, 2007, p. 191). In order to make our sample more standard and representative, we reduced the uncertainty by choosing post media and exist time. Those two social network websites are popular in China, Renren and Sina Weibo, which are similar to Facebook and Twitter. Renren has a large user group, about 200 million (CNyungu, 2012) and Sina Weibo also has 140 million users, nearly 90% users are between 18 to 35 years old (Sohu, 2011). They are the potential target group of this research. Moreover, we consider the different time for Internet user, the questionnaire exists whole week form Monday to Sunday. It makes sure that we can collect different respondents as many as possible even they have different time in using computer.

5.5.2 Sample

The sample techniques can be divided into two types, probability and non-probability. For non-probability samples, the probabilities of each case from the total population are not known and it is impossible to answer research question or to address objective that required you to make statistical inferences about the characteristics of population (Saunders, et al, 2009, p. 213).

In order to reduce the significant sample error in making a representative sample, we got 266 available responses at total. We targeted to the Chinese young people among 18-35 years old who used the third party payment before as a survey group. They are the main consumption group in e-commerce and can represent the consumer behaviors in the last few years. Since this paper only going to have a surface on the problem areas, it is more important to collect quantity respondents’ answers to conduct the empirical observations which means it does not have any restrictions in
respondents’ Gender, occupation, and region. It should be noted that the respondents have not been asked the personal characteristics.

Since we did the survey in the internet, these special environments decide the limited group respondents who answer the questionnaire are able to surf Internet and has registered at the two social websites. As known, area development is lopsided in China and obvious wealth disparities. Therefore, those respondents we assume that our respondents are mostly lived in the city and have well education in computer and Internet subject.

5.5.3 Questionnaire Design

There are numerous of rules in the connection of asking questions and it is one of the easiest parts for making mistakes (Bryman & Bell, 2011, p. 253). As stated, the personal factual questions including the questions regarding behaviors, it has to rely on the respondents’ memories and frequency of individual performance (ibid, p. 253). In addition, there are general rules when designing questions, the questionnaire was deemed better looking, easier to complete, clearer in appearance and well organized (ibid, p. 661). All of rules were making sure that the questions are not hard for respondents to answer and individual answered depend their own experiences.

In order to avoid the mistakes and make the data more available to reflect the reality, the questions in survey are clearly asking their personal attitude about the specific situation. We structured 20 questions in questionnaire based on the theoretical framework of this paper. Since we are not available involve in the direct distribution and collection of questionnaire, we made the questions clarity and easy to understand. Therefore, we avoided using the complex scientific words. In the questionnaire, we stated with brief information about why we conduct this study and list definitions of key words. For example, it is necessary to state the meaning of four risks in provided options.

The questions are designed related to five factors of the third-party payment: 1, security factor, 2, operation factor, 3, user experience and proficiency, 4, public image factor and 5, external environmental factor. Each factor consists in 2-4 questions. Every question is state the concrete actions or performances in factors of the third party payment. The option answers, we used the customers’ four perceived risks that stated in the theory part. The question is asking about the performances of third party payment could reduce which perceived risks.

In order to have a comprehensive review in impact of the perceived risk, the questions were designed in very detailed and specific in every factor. Every small different action in third party payment may cause the different perception to customers. It is worth to note that perceived risk is subjective and intangible as Bauer (1960, p. 389-398) strongly emphasized in the theoretical framework. It is possible that one factor
can affect another one or multiple perceived risks. Consequently, in the questionnaire it is free for respondents to choose one or multiple answers in each question. It is equal chance for every risk been chosen by respondents. In the end, we count the total numbers of each chosen options and the answer in largest numbers will turn out to be represented the main view from customers.

5.6 Reliability and Validity

In academic paper, the data quality of measurement needs to be critically examining and clearly describe. According the Bryman and Bell (2011, p. 158), reliability refers to the consistency of a measure of a concept. Validity refers to the issue of whether or not an indicator that is devised to gauge a concept really measures that concept (Bryman & Bell, 2011, p. 158).

According to the Christenssen et al (2001, p. 125-126) states the relationship between margin of error and sample size, 300 respondents is the most suitable in sample collection and margin of error. The disadvantage in the online survey is only people who are available online can reasonably be expected to participate in an online survey. In order to rectify this disadvantage, we chose the popular Chinese social media websites to post the questionnaire and existed one whole week to collect different respondents as many as possible make sure the they are not been selected. We have to point out that the findings of this paper are not generalizable and difficult to represent all people in China, because the sample is only focus in the age 18-35 young customers who has Internet. To ensure reliability, we make the questionnaires easy to understand and explain the key wards in the questionnaire, and we examined the questionnaires with some friends before post in the website. There is one more risk that some people may mischievously complete the questionnaire more than once. In the case, we have the notice in the questionnaire that hope nobody do this. Even few peoples multiple replies, it does not have much effect to the result since it can regard as other individual answer who hast he same idea.

In the secondary data collection process, we have used the multiple sources of data to construct the research. Moreover, we cited the freshest research result to ensure that is valid and applicable for today, since the e-commerce is radically developing. The approaches have been used are database which provided by Malardalen University library and some other books, articles and academic papers with critically review. This approach supported by Fisher (2007, p. 290) that states it needs critical examination before put the evidence into the research paper.
6. Theoretical Framework

In this part it will present the theoretical framework, there are include two concepts--third-party payment model and consumer perceived risks.

6.1 Third-party Payment Model

6.1.1 Third-party Payment Mode Overview

The third party payment is an effective way to solve troubles in payment. It monitors the processes of trade to ensure the both buyers and sellers are honest. Moreover, it can guarantee the good quality and exchange of a purchase.

The payment gateway of the third-party payment mode between public computer Internet and traditional financial privacy network, communicate with the Internet data and financial system data, to complete the communication, protocol conversion and data encryption function, to insulate and protect the financial network. The payment gateway of the third-party payment connects a number of banks, so that merchant can use the payment function of the number of banks. Moreover, except of complete the data transmission in the technology, payment gateways also bear a part of the transfer funds (Yang, 2006, p.129). Third-party payment provides users a payment function with better implementation and rich function, mobile transactions or IP transactions, third-party payment platform could provide a strong technical support.

Third-party payment can be divided into two categories (Zhang, 2002, p. 32):

One of them is the gateway type third-party payment platform, representative by Capital Company. This kind of third-party payment platform provides a same payment interface and uniform charge standards to customers. The settlement is more convenient. The third party payment platform charges for the websites, merchants and banks instead of buyer. Consumers need to use online banking payment ultimately.

The other is credit guarantee type third-party payment platform, representatives by Alipay Company. If there is fraud during the transactions process, the third-party payment platform will compensate to consumers. This kind payment not only ensures the safe transfer of funds, but also guarantees the goods and binds on the parties in the transaction. To some extent, it increases the credibility of shopping online and greatly reducing the online transaction fraud.

6.1.2 Third-party Payment Processes

Under the Third-party payment model, merchant cannot collect the customer's credit card information, while avoiding the credit card information stolen in the number of transmissions in Internet (Yang, 2004, p. 59-62). The process of third-party payment model conducted by Yang (ibid, p. 59) is explaining in following:
How has third-party payment reduced perceived risk of young consumers in China?

1) Consumers and merchant registered and set up the account in the third-party payment platform.

2) Consumers shopping in merchant online stores and submit the order, merchant sent the customer account and payment information to the third-party payment platform to request the payment.

3) The third-party payment platform submits a payment request to the consumer.

4) The customer contacts the bank to pay to the third party payment platform.

5) The confirmation of customer’s payment delivered to third party payment platform.

6) The third party payment informs merchant that customer had already deposits.

7) The merchant delivers goods to consumer.

8) After the consumer receives the goods, consumer verifies and notifies to the third party payment.

9) The third-party payment platform will transfer the money to merchant’s account.

6.1.3 Characteristics of Third-party Payment

The whole process of third-party payment is completed by a mutually trusted the third party, the customer can create an account in the third-party payment platform in the internet. In order to protect the security of credit card information, during the process only transmit the user information of third-party payment account, not customer’s credit card. Thus except the third-party agents, no one can see the customer's credit card information. From the process point of view, using of third-party payment model has the following advantages (Yang, 2006, p. 129):

1) It can eliminate the concerns of online shopping and transactions. When more and more people believe and use transactions function of Internet, it promotes the development of e-commerce.

2) It can provide more value-added services to convenient both merchants and consumers, such as timely service for refund, stop the payment transfer, and playing an arbitration role to safeguard their interests.

3) The third party payment platform offers a range of tools that could help merchants reduce operating costs and save banks’ gateway developing costs.

4) The third party payment system helps to break the limit of bankcards. In China, each bank has its own bankcard and its websites launched the online payment business. If consumers want shopping online without the third party payment, they need several bankcards. Since the payment software of merchant’s website need install authentication for each bank.
5) Third-party payment model transaction costs are low (most of the platform is free), very attractive for small transactions.

6.1.4 The Advantages of Third-party Payment Platform

1) Security

The third party payment platform has a strong financial background thus able to establish a secure payment platform. The third party payment platform uses the most mature electronic payment technology to provide adequate payment security, such as connected with each bank's payment gateway, the user’s account and password transfer to user bank account directly. Third-party payment platform has a very good security system; it uses the SSL128-bit encryption channel with the PKI key system to provide an enhanced payment security (Cheng, 2004, p. 72).

2) Impartiality

Using of the third-party payment platform can maximize avoid from dishonor and fraud, create a good and trusted trading environment. The third-party payment platform makes the payment platform no longer simply as a channel that connect bank payment gateway, but as an independent the third party institution. It is able to retain the transaction information of businesses, provide effective protection to safeguard the legitimate rights and interests of both sides (ibid, p. 73).

3) Conveniences

The third party payment platform as an independent party, establish cooperative relations with major e-commerce websites and banks. When the consumer pay at e-commerce website which cooperation with the third party payment platform, the third-party payment platform provide consumers an independent payment interface. Therefore, consumers can use the same payments interface to pay whatever they hold which bank account. It provides a convenient operation platform for the users (ibid, p. 73).

4) Open

The third party payment platform is an open system, which can support the online payment of bankcards from nationwide majority of banks and international credit card. In addition, the payment terminal of the third party payment platform not only supports a variety of bankcard payment via a PC, but also supports the payment of the mobile phone, telephone, and other terminal operations. The third party payment platform can accept multi-banks, multi-cards, multi-terminal payments, thus it has a great deal of openness (ibid, p. 74).
6.1.5 The Factors of the Third-party Payment Affect the Perceived Risk

According the research conducted by Kong, Chen and Qi (2011, p. 175), there are 5 factors of the third party payment could affect the perceived risk: security factor, operation factor, User experience and proficiency factor, public image factor and external environmental factor.

1) Security factor: The security factor includes the payment security and privacy security. It means the detailed personal and financial information will be stored securely. Such as the third party payment protects the consumer buying behavior information and credit card information, and the efforts of commitment from the third party payment companies.

2) Operation factor: It includes the payment efficiency and convenience of the operation, such as faster transaction, ample operation functions, satisfy consumer request and easy to use. Easy to use is an individual’s perception that using website or relate procedure will be free and effective.

3) User experience and proficiency factor: The actual experience of online shopping has an effect on customers’ overall assessment of the online shopping process. Positive experience in terms of convenience, customer service, and quality of products increase the intentions. Such as long time using, Consumers acquainted with its features and performance effect customers as well.

4) Public image factor: It includes the web image and reputation, such as the company has a good reputation or it is the leader in the industry.

5) External environmental factor: It means the third-party payment companies cooperate with established banks and the laws and regulations of the third party payment industry.

6.2 Perceived Risk

6.2.1 Perceived Risk

Risk was defined in many ways, the most commonly explain is reflecting variation in the distribution of possible outcomes, their likelihoods and their subjective values in the classical decision theory (Mitchell, 1999, p. 167). In the e-commerce, risk is measure by the variance of the probability distribution of possible gains and losses with a particular alternative. In general, decision makers or consumers prefer smaller risks to larger one, if other factors are constant.

In 1960, Harvard University Professor Bauer (1960, p. 389) first introduced perceived risk (a psychological concept) to the marketing research field. And defined the perceptive risk as "Consumer behavior involves risk in the sense that any action of a
consumer will produce consequences which he cannot anticipate with anything approximating certainty, and some of which at least are likely to be unpleasant" (ibid, p. 389). At the beginning of proposed perceived risk, Bauer strongly emphasized that he is concerned only with subjective (perceived) risks and not “real word” (objective) risk. Therefore, Bauer’s perceived risk contain two structural dimensions: uncertainty and consequences. So that the perceived risk can be defined as: the uncertainty and the possibility of adverse consequences for consumers perceived when they buy products or services.

Cunningham (1967, p. 90) conceptualized perceived risks in terms of two similar components, namely: the amount that would be lost (i.e. that which is at stake) if the consequences of an act were not favorable, and the individual’s subjective feeling of certainty that the consequences will be unfavorable. Perceived risk was been found to be related to other consumer behavior concepts like trust and brand loyalty (Mitchell, 1999, p. 173). If this single brand is well known which have reputation between consumers and no sufficient uncertain, that brand image will be the main factor reduce the risk. Mitchell (ibid, p. 173) concluded that perceived risk is a necessary antecedent for trust to be operative and an outcome of trust building is a reduction in the perceived risk of the transaction or relationship. As relationships develop and trust builds, risk will decrease.

**6.2.2 The Development of Perceived Risk Dimensions**

Roselius (1971, p.56-61) thought, when consumers make buying decisions, they are often very hesitant, because consumers will take the risk of loss. He thought consumers would take the four kinds of losses at the time of purchase: time loss, hazard loss, ego loss and money loss.

Different to Roselius, Jacoby and Kaplan (1972, p. 382-393) divided the perceived risk in 5 risks: financial risk, functional or performance risk, physical risk, psychological risk and social risk. Peter and Tarpey (1975, p. 29-38) added the sixth risk—time risk.

Stone and Gronhaug (1993, p. 39-50.) verified the existence of six perceived risks dimensions in their study, they are financial, product performance, social, psychological, physical and time/convenience loss.

Featherman (2003, p. 451-474) from the perspective of perceived risk to predict the degree of consumer acceptance of electronic services, economic, functional, psychological, social, privacy and time risk exists on the Internet six risk.

Due to the special environment of the Internet shopping environment, Jing, Zhou, & Wang (2006, p. 30-32) believed that the perceived risk in the Internet environment has 8 dimensions, it is including: functional risk, social risk, privacy risk, time risk, financial risk, physical risk, service risk and psychological risk.
6.2.3 The Perceived Risk Dimensions - Relate to the Third-party Payment

The construct of perceived risk in the Internet shopping provide a useful context in which to identify and explain barriers to the third party payment involve online shopping. Under the aspect of Chinese third party payment, Kong, Chen and Qi (2011, p. 175) believed some risks have changed or combined since the process of the third party payment and its specific environment. The third party payment only responsible for the payment transfer and not involve in guaranteeing the product performance, it ensure that the consumer will get the products their ordered in the website and seller will get paid from buyer. In the final, Kong, Chen & Qi integrated the previous studies and stated that perceived risk could be concluded in four dimensions. They are:

1. Privacy risk refers to misuse personal information. This information includes someone's preferences and habits, it is possible be misused to create a Personal Information Bank by other institution without consumer permit. In the third party payment platform consumers provide person information, and they don’t have clear or adequate notice to individuals of why institution is collecting their personal information and for what purposes. Once privacy information was public, consumer will face the huge pressure or disturb by other company’s promotion in their daily life and work. Replace provided the information to every patronage seller, consumer still taking risk of information known by the third party payment companies.

2. Service risk can be understood that it is no easy for customer to get a better service from seller since the space limitation of online shopping environment and service from the third party payment. Unlike the traditional commerce trade, online shopper perceived may loss the service from seller. When the product shows in the Internet is not exactly the same as the real product or the product is poor quality, consumer need connect the seller to asking the after-sell service. This case of service involves both seller and intermediary-the Third Party Payment Company. Therefore, the limitation in judging product/service quality online such as inaccurate product colors and insufficient information on quality attributes increased product performance risk.

3. Financial risk is potential of money loss and consumers’ deposit have been diverted. It defines as a net loss of money to a customer. Financial risk also includes the possibility misused of customer’s credit card information. Moreover, the new factor involve is the third party payment company may diverted the consumer’s deposit in other business invest without inform consumers. Consumers’ primarily concern about financial risk is regarding online credit card been usurped. Consumers worried that it is too easy to lose the credit card information online. A major obstacle in online purchase is consumers’ unwillingness to provide their credit card information over the Web (Sandra, Forsythe and Bo, 2003, p. 869).
How has third-party payment reduced perceived risk of young consumers in China?

4. Psychological risk may refer to anxious, frustration, and shame experience if personal information is disclosed. Since consumer only used the computer as the end-interface, it is often perceives the Internet is easy to violate users’ information. The lack of control during online navigation process is a psychological risk that prevents many consumers from providing information to Web providers. Customers may consider more about others’ opinion since products in Internet are cheaper and be treated bad. Social status is very important in China. Only people in the bottom of society with low income buy cheap products. When the people buy something from Internet, they may need to suffer the discrimination from others’ opinion. Meanwhile, online shoppers have to concern about the privacy risk, service risk and financial risk which may occur when they purchasing online.
How has third-party payment reduced perceived risk of young consumers in China?

7. Empirical Findings

This part presents the results of the questionnaire. The collected data are illustrated below in form of tables and figures.

In total, 329 respondents have answered the questionnaire via the two social media websites Sina Weibo and RenRen. Since our sample is Chinese young consumer age belong 18-35 years and who used the third party payment before, 296 of the total respondents are qualified the age condition of the target group and 266 respondents of the 296 match the second condition who used the third-party payment platform before. Therefore, the respondents in the survey are 266.

Totally, there are 20 questions in our questionnaire. The first two questions are used to select the target group by asking age of respondents and have they been use the third-party payment platform before. The questions 3 to 20 represent five different factors of the third-party payment platform; they are marked in five different colors. Questions are multiple-choice; they asking about the factors of third party payment would reduce which of the four perceived risks. Since it is free for respondents to choose the influenced perceived risk, each perceived risk is possible chose by all 266 respondents at most. Moreover, some respondents can skip some questions if they do not agree the hypothesis in question. In the following part will present the findings from questionnaire.

**Question 1:** Your age:

- Under 18
- 18-35
- Over 35

**Result of Question 1**

There are 296 respondents belong the ages 18-35 years. Since our target group is age between 18-35 years, the answers from respondents who less than 18 years or over 35 years will not be considered.

<table>
<thead>
<tr>
<th>Under 18</th>
<th>18-35</th>
<th>Over 35</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>27</td>
<td>296</td>
<td>6</td>
<td>329</td>
</tr>
</tbody>
</table>

Table 1 The number of respondents on question 1

**Question 2:** Have you used the third-party payment before?

- Yes
- No, and why:
  - 1 Cannot operate the third-party payment system
  - 2 Do not trust it
  - 3 Never shopping online
  - 4 Other
How has third-party payment reduced perceived risk of young consumers in China?

Results of Question 2

Question 2 aimed at finding out how many of the respondents have been use the third-party payment when they are shopping online, if not and reason of why they did not use it. From the result, 266 respondents have been use the third-party payment platform. Totally 30 respondents did not use it before and the reasons distribution are 6 respondents cannot operate the third-party payment system, 12 respondents do not trust it, 7 respondents never shopping online and 5 respondents did not use it for other reason.

Part I Question 3 to 6 mainly asked the security factor of the third-party payment platform could reduce which consumer perceived risks.

Question 3: If the third-party payment has well protection in information of credit card and personal could reduce which consumer perceived risks?

- Financial risk
- Privacy risk
- Service risk
- Psychological risk

Results of Question 3

The 266 respondents answered question 3, the result showed that the well protection of information of personal and credit card of the third-party payment could reduce which perceived risk. Figure 6.1 illustrates 256 (96.24%) respondents felt that well protection of information of personal and credit card could reduce the risks. 208 (78.19%) respondents felt it could reduce privacy risk. 68 (25.56%) respondents felt it could reduce psychological risk.

![Figure 3: Well protection in information of personal and credit card](image)

Question 4: The security commitment of the third-party payment could reduce which consumer perceived risks?

- Financial risk
- Privacy risk
- Service risk
- Psychological risk

Results of Question 4

There were 266 respondents answered question 4. The result of question 4 shows that the security commitment of the third-party payment could reduce the entire perceived risks. From the result, 248 (93.23%) respondents felt that security commitment could
reduce the financial risk. 201 (75.56%) respondents believed that the third party security commitment could reduce the psychological risk. The rest two risks (privacy risk and service risk) are not chose by many respondents, which are 105(39.47%) and 12(4.51%) respondents respectively.

Figure 4 The security commitment of the third-party

**Question 5**: The third-party payment protects the information of customer purchasing behavior could reduce which consumer perceived risks?

- Financial risk
- Privacy risk
- Service risk
- Psychological risk

**Results of Question 5**

266 respondents answered this question. With this question, authors wished to find out the third party payment protects the information of purchasing behavior could reduce which perceived risks. In the figure 6.3, it shows 251(94.36%) respondents selected privacy risk. 80 (30.07%) respondents felt that third-party payment protects the information of purchasing behavior could reduce the psychological risk.

Figure 5 Third party payment protects the information of purchasing behavior

**Question 6**: The third party payment provides protection for both parties of transaction could reduce which consumer perceived risks?

- Financial risk
- Privacy risk
- Service risk
- Psychological risk
How has third-party payment reduced perceived risk of young consumers in China?

Results of Question 6

Question 6, there were 266 respondents answered this question. This question is going to find out the third party payment provides protection for both parties of transaction could reduce which consumer perceived risks. As shows in the figure, 228(85.71%) respondents chose financial risk. 162(60.90%) respondents felt that provide protection for both parties of transaction could reduce the privacy risk. In addition, 158(25.56%) respondents said it could reduce the service risk and 203 (67.23%) respondents chose it could reduce psychological risk.

![Figure 6](image)

Figure 6 The third party payment provides protection for both parties of transaction

<table>
<thead>
<tr>
<th></th>
<th>Financial risk</th>
<th>Privacy risk</th>
<th>Service risk</th>
<th>Psychological risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q 3(n=266)</td>
<td>256</td>
<td>208</td>
<td>0</td>
<td>68</td>
</tr>
<tr>
<td>Q 4(n=266)</td>
<td>248</td>
<td>105</td>
<td>12</td>
<td>201</td>
</tr>
<tr>
<td>Q 5(n=266)</td>
<td>0</td>
<td>251</td>
<td>0</td>
<td>80</td>
</tr>
<tr>
<td>Q6(n=266)</td>
<td>228</td>
<td>162</td>
<td>158</td>
<td>203</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>732</strong></td>
<td><strong>726</strong></td>
<td><strong>170</strong></td>
<td><strong>552</strong></td>
</tr>
</tbody>
</table>

Table 2 The number of respondents on question 3 to question 6

Part II Question 7 to 10 mainly asked the operation factor of the third-party payment platform could reduce which consumer perceived risks.

Question 7: If third-party payment platform completes the transaction faster, it could reduce which consumer perceived risks?

- Financial risk
- Privacy risk
- Service risk
- Psychological risk

Results of Question 7

Question 7, there were 193 out of 266 respondents answered this question. The question aim to find out faster transaction completion could affect which perceived risk. The result of the investigation illustrates that 159(82.38%) respondents thought
transaction faster could reduce psychological risk. The result also shows it could help to reduce the service risk by 34(17.62%) respondents.

**Question 7**

![Figure 7 Faster transaction completions](image)

**Question 8**: The third-party payment platform is very easy to use could reduce which consumer perceived risks?

- Financial risk
- Privacy risk
- Service risk
- Psychological risk

**Results of Question 8**

Question 8 was answered by a total of 195 respondents. The reason setting this question was going to find out relationship between easy using of the third party payment and perceived risk reduction. It obvious that only two risks were selected, 161(82.56%) respondents selected psychological risk as main target and 34 (17.44%) respondents believed that easy using third party payment could reduce the service risk.

**Question 9**: The third-party payment platform has ample operation functions could reduce which consumer perceived risks?

- Financial risk
- Privacy risk
- Service risk
- Psychological risk
Results of Question 9

Question 9 was answered by 199 respondents. This question was helping to find out the ample operation functions of platform reflect in which perceived risk reduction. As we can see from figure, mainly group 158 (79.39%) respondents belong the psychological risk. However, there are different opinions, 48(24.12%) respondents thought ample operation function could reduce the privacy risk and 94(47.23%) respondents believed that it could reduce service risk as well.

![Question 9](image)

**Question 9**

Figure 9 Ample operation functions

**Question 10**: The third-party payment platform disposes customers request is very rapid could reduce which consumer perceived risks?

- Financial risk
- Privacy risk
- Service risk
- Psychological risk

Results of Question 10

187 respondents answered this question. With this question, we wished to find out disposes consumer request could reduce which perceive risk. More than half respondents (72.19%) believed it could reduce the psychological risk, 57(30.48%) respondents selected that it could reduce the service risk.

![Question 10](image)

**Question 10**

Figure 10 Rapid disposes consumer request
How has third-party payment reduced perceived risk of young consumers in China?

Part III Questions 11 to 14 mainly asked the user experience and proficiency of the third-party payment platform could reduce which consumer perceived risks.

Question 11: If you can proficient in using third-party payment could reduce which consumer perceived risks?

- Financial risk
- Privacy risk
- Service risk
- Psychological risk

Results of Question 11

266 respondents answered this question. The aim of this question was find out which section of perceives risk could reduce when consumers are proficient in using the third party payment. It is obvious see form the figure; most respondents (78.57%) thought if they are proficient in using the third party payment could reduce the psychological risk and 126 (47.37%) respondents chose it could reduce the privacy risk. Small group belonged to service risk and financial risk which were 95 (35.71%) and 76 (28.57%) in respectively.

Table 3 Number of respondents on question 7 to question 10

<table>
<thead>
<tr>
<th></th>
<th>Financial risk</th>
<th>Privacy risk</th>
<th>Service risk</th>
<th>Psychological risk</th>
</tr>
</thead>
<tbody>
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<td>0</td>
<td>47</td>
<td>159</td>
</tr>
<tr>
<td>Q8(n=195)</td>
<td>0</td>
<td>0</td>
<td>45</td>
<td>161</td>
</tr>
<tr>
<td>Q9(n=199)</td>
<td>0</td>
<td>48</td>
<td>94</td>
<td>158</td>
</tr>
<tr>
<td>Q10(n=187)</td>
<td>0</td>
<td>0</td>
<td>57</td>
<td>135</td>
</tr>
<tr>
<td>Total</td>
<td>0</td>
<td>48</td>
<td>243</td>
<td>613</td>
</tr>
</tbody>
</table>

Figure 11 Consumers proficient in using

Question 12: If you are acquainted with features and functions of the third-party payment could reduce which consumer perceived risks?

- Financial risk
- Privacy risk
- Service risk
- Psychological risk

Table 3 Number of respondents on question 7 to question 10

<table>
<thead>
<tr>
<th></th>
<th>Financial risk</th>
<th>Privacy risk</th>
<th>Service risk</th>
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<tr>
<td>Q7(n=193)</td>
<td>0</td>
<td>0</td>
<td>47</td>
<td>159</td>
</tr>
<tr>
<td>Q8(n=195)</td>
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<td>0</td>
<td>45</td>
<td>161</td>
</tr>
<tr>
<td>Q9(n=199)</td>
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<td>48</td>
<td>94</td>
<td>158</td>
</tr>
<tr>
<td>Q10(n=187)</td>
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<td>0</td>
<td>57</td>
<td>135</td>
</tr>
<tr>
<td>Total</td>
<td>0</td>
<td>48</td>
<td>243</td>
<td>613</td>
</tr>
</tbody>
</table>

31
How has third-party payment reduced perceived risk of young consumers in China?

Results of Question 12

This question answered by 266 respondents, with this question the authors wished to find out the acquainted with features and functions of third party payment could reduce which perceived risk. As shown in the figure, 239 (89.8%) of respondents though it could reduce the financial risk. The rest three risks also had certain supporters, 217 (81.5%) chose it could reduce the psychological risk, 179 (67.2%) respondents chose it could reduce privacy risk and 195 (73.3%) respondents preferred service risk.

Question 12

<table>
<thead>
<tr>
<th>Risk</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial risk</td>
<td>89.85%</td>
</tr>
<tr>
<td>Privacy risk</td>
<td>67.29%</td>
</tr>
<tr>
<td>Service risk</td>
<td>73.31%</td>
</tr>
<tr>
<td>Psychological risk</td>
<td>81.58%</td>
</tr>
</tbody>
</table>

Figure 12 Acquainted with the features and functions

Question 13: If you have positive experiences in using the third-party payment could reduce which consumer perceived risks?

- Financial risk
- Privacy risk
- Service risk
- Psychological risk

Results of Question 13

This question answered by all 266 respondents. The aim of this question was going to find the positive experiences could affect which perceived risk. As figure indicated, largest respondents (83.08%) selected positive experiences could reduce the psychological risk, 156 (58.65%) respondents felt it could reduce the financial risk. 139(52.26%) respondents felt it could reduce the privacy risk and 96 (36.09%) respondents believed that to some degree positive experiences could reduce the service risk as well.

Question 13

<table>
<thead>
<tr>
<th>Risk</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial risk</td>
<td>58.65%</td>
</tr>
<tr>
<td>Privacy risk</td>
<td>52.26%</td>
</tr>
<tr>
<td>Service risk</td>
<td>36.09%</td>
</tr>
<tr>
<td>Psychological risk</td>
<td>83.08%</td>
</tr>
</tbody>
</table>

Figure 13 Positive using experiences
How has third-party payment reduced perceived risk of young consumers in China?

**Question 14:** If you used the third-party payment for a long time could reduce which consumer perceived risks?

- O Financial risk  
- O Privacy risk  
- O Service risk  
- O Psychological risk

**Results of Question 14**

This question was answered by all 266 respondents. The authors wished to find out the using time of third party payment could reduce which perceive risks. According to the survey, the plenty of the respondents 187(70.30%) thought long time using of third party payment could reduce the psychological risk. There were 169 (63.53%) respondents thought long time using the third party payment could reduce the financial risk, 134(50.38%) of respondents said it could reduce the service risk, only 92(34.59%) respondents thought that it could reduce the privacy risk.

![Figure 14: Long time using](image)

<table>
<thead>
<tr>
<th>Question</th>
<th>Financial risk</th>
<th>Privacy risk</th>
<th>Service risk</th>
<th>Psychological risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q11(n=266)</td>
<td>76</td>
<td>126</td>
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<td>139</td>
<td>96</td>
<td>221</td>
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<td>Q14(n=266)</td>
<td>169</td>
<td>92</td>
<td>134</td>
<td>187</td>
</tr>
<tr>
<td>Total</td>
<td>640</td>
<td>536</td>
<td>520</td>
<td>834</td>
</tr>
</tbody>
</table>

Table 4 Number of respondents on question 11 to question 14
Part IV Questions 15 to 18 mainly asked the public image of the third-party payment platform could reduce which consumer perceived risks.

Question 15: The third-party payment platform has a very good reputation could reduce which consumer perceived risks?

O Financial risk  O Privacy risk  O Service risk  O Psychological risk

Results of Question 15

This question answered by 257 respondents. This question was going to find out the good reputation could reduce which perceive risk. As shown in the figure, the response varied, 91(35.41%) respondents deemed good reputation could reduce financial risk, 197(76.65 %) respondents chose psychological risk, 143(55.64%) respondents deemed it could reduce service risks, and only 51(19.77%) respondents thought good reputation of the third party payment could reduce the service risk.

![Question 15 Graph]

Figure 15 Good reputation

Question 16: The third-party payment platform is the leading brand in the industry could reduce which consumer perceived risks?

O Financial risk  O Privacy risk  O Service risk  O Psychological risk

Results of Question 16

258 respondents answered this question. The aim of this question was to find out how the third party payment company as the leading brand in the industry reduce the perceive risk. Table below shows, the mainly group belonged to chose the leading brand status could reduce psychological risk (179 respondents, 69.38%) and service risk (105 respondents 40.70%). 95 (36.82%) respondents felt leading brand status could reduce the financial risk, 64 (24.81%) respondents felt it could reduce the privacy risks, 51 (19.77%) respondents felt it could reduce the privacy risk.
How has third-party payment reduced perceived risk of young consumers in China?

Figure 16 Leading brand in the industry

**Question 16**

![Bar chart showing percentages for financial risk, privacy risk, service risk, and psychological risk.]

- Financial risk: 36.81%
- Privacy risk: 24.81%
- Service risk: 40.70%
- Psychological risk: 69.28%

**Figure 16** Leading brand in the industry

**Question 17:** The third-party payment platform has reassuring impression could reduce which consumer perceived risks?

- [ ] Financial risk
- [ ] Privacy risk
- [ ] Service risk
- [ ] Psychological risk

**Results of Question 17**

247 respondents answer this question. This question was setting to find out reassuring impression reflect to which perceive risk reduction. It is obvious shows in the figure, 92 (37.25%) respondents selected reassuring impression could reduce financial risk, 89 (36.03%) respondents selected it could reduce privacy risk, 169 (68.42%) respondents selected reassuring impression could reduce psychological risk, only 57(23.08%) respondent thought it could reduce the service risk.

Figure 17 Reassuring impression

**Question 18:** If the online store which third-party payment platform relying on has a very good reputation could reduce which consumer perceived risks?

- [ ] Financial risk
- [ ] Privacy risk
- [ ] Service risk
- [ ] Psychological risk

**Question 18**
How has third-party payment reduced perceived risk of young consumers in China?

Results of Question 18

257 respondents answered this question. This question was going to find out the good reputation of online store which third party payment platform relying on could reduce which perceived risk. As shows in the figure, the answers were few and scattered. 203 (78.99%) respondents said it could reduce the psychological risk, 163 (63.42%) respondents said it could reduce the financial risk, 77 (29.96%) respondents said it could reduce the privacy risk and 221 (85.99%) respondents thought it could reduce service risk.

![Question 18](image)

Figure 18 Online stores’ reputation which third party payment platform relying on

<table>
<thead>
<tr>
<th>Financial risk</th>
<th>Privacy risk</th>
<th>Service risk</th>
<th>Psychological risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q15(n=207)</td>
<td>158</td>
<td>0</td>
<td>72</td>
</tr>
<tr>
<td>Q16(n=258)</td>
<td>95</td>
<td>0</td>
<td>55</td>
</tr>
<tr>
<td>Q17(n=247)</td>
<td>212</td>
<td>189</td>
<td>0</td>
</tr>
<tr>
<td>Q18(n=197)</td>
<td>0</td>
<td>97</td>
<td>21</td>
</tr>
<tr>
<td>Total</td>
<td>465</td>
<td>286</td>
<td>148</td>
</tr>
</tbody>
</table>

Table 5 The number of respondents on question 15 to question 18

Part V Questions 19 and 20 mainly asked external environmental factor of the third-party payment platform could reduce which consumer perceived risks.

Question 19: The third-party payment platform works closely with most of the big banks could reduce which consumer perceived risks?

- Financial risk
- Privacy risk
- Service risk
- Psychological risk

Results of Question 19

266 respondents answered this question. This question was aimed to find out cooperate with big banks could help third party payment reduce which perceived risk. It is clear shows in the figure; the two scales almost have the same respondents. There are 237 (89.10%) respondents said if the third party payment cooperate with big banks could reduce financial risk, also 201 (75.56%) respondents believed that it could reduce the psychological risk.
How has third-party payment reduced perceived risk of young consumers in China?

**Question 19**

![Third party payment cooperates with big banks](image)

266 respondents answered this question. With this question, it was aimed to find out the legal and regulations of the third party payment industry could help to reduce which perceived risk. As figure indicated, the answers are varied, 195 (73.31%) respondents felt impeccable legal and regulations of the third party payment could reduce financial risk, 184 (69.17%) respondents supposed it could reduce psychological risk and 106 (46.90%) respondents though it could reduce the privacy risk. Only 58 (21.80%) respondents believed it reduced service risk.

**Question 20**

![The legal and regulations in the third party industry](image)

<table>
<thead>
<tr>
<th>Question</th>
<th>Financial risk</th>
<th>Privacy risk</th>
<th>Service risk</th>
<th>Psychological risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q 19(n=266)</td>
<td>237</td>
<td>0</td>
<td>0</td>
<td>201</td>
</tr>
<tr>
<td>Q 20(n=266)</td>
<td>195</td>
<td>106</td>
<td>58</td>
<td>184</td>
</tr>
<tr>
<td>Total</td>
<td>432</td>
<td>106</td>
<td>58</td>
<td>385</td>
</tr>
</tbody>
</table>

Table 6 Number of respondents on question 19-20
8. Analysis

This chapter analyses the results based on the theoretical framework. The analysis will present in the six parts, which consist: security, operation, the users’ experiences and proficiency, public image and external environment of the third-party payment.

As it mentioned in the method part, the survey questions are designed to relate to five factors of the third-party payment: 1, security factor; 2, operation factor; 3, user experience and proficiency; 4, public image factor; 5, external environmental factor. Here, we are going to analyze how the third party payment has affected Chinese young customers regarding the perceived risk respective form those five accepts views.

8.1 The Security Factors of the Third-party Payment

In the online shopping process, payment security and privacy of consumers are the biggest issues. In our finding of question 3, the main respondents expressed if the third party payment can well protect the credit card and personal information that consumer information will be secured and not been misused by others, the financial risk and privacy risk of customers could be reduced. Under the context, consumer can rest to go shopping and it reduced the psychological risk.

Security commitment from the third party payment mostly reduced the consumer’s psychological risk, since consumer believed that third party with the commitment will have specific system to protect financial and privacy security.

Consumption information is the main privacy of consumers; most of consumers do not want their own consumption behavior to be tracked. For example, the customers’ habit and hobbies will be recognized from their previous consumption. When the consumer’s purchase behavior is protected by third party payment companies, it is not only reduced the consumer’s privacy risk, but also the psychological risk.

The third party payment protected for both parties of transaction i.e. the seller and buyer. Consumers’ financial and privacy information will be protected and sellers are willing to provide the service. Therefore, this protection reduces financial, privacy and service risk. Furthermore, psychological risk could reduce as well.

When scrutinizing the result we can find that security factors mostly reduced the psychological risk, privacy risk and financial risk. There are very fewer respondents thought that security factors reduced the service risk, because the service has no strong connection with security. In the online shopping, financial security and privacy of consumers are the matters that customers concerned most. Although the third party payment to some extent solved the payment security issue, consumers are still required to provide personal information upon use third party payment service. The commitment of security factors could affect the buyer’s perception of the
How has third-party payment reduced perceived risk of young consumers in China?

trustworthiness of the online store. The commitment in protecting the information of consumers’ buying habits and maintaining credit card information can enhance consumers’ dependence on the third party payment. Third party payments enterprises promised to protect the personal data of consumer, this make consumer relieve and win their trust. With the highly evident, the ranking of risk (from top to down) reduction by the third party payment security factors are privacy risk, financial risk and psychological risk.

8.2. The Operation Factors of the Third-party Payment

The result of question 7 indicated that 159 (82.38%) respondents thought faster transaction completion reduced the psychological risk mostly; also few (24.35%) respondents believed it could reduce the service risk. With high quality performance of platform system, consumers are lead to believe this platform is security.

Question 8 showed 161 (82.56%) respondents felt the easy operating platform could reduce the psychological risk.

Question 9 illustrated the ample operating function mainly reduced the psychological risk. The 47.23% respondents believed it could reduce the service risk and 24.12% respondents thought reduced the privacy risk. Partly it reduced the consumer's psychological risk as well. The results from survey explained website rapid respond of request influenced psychological risk mostly which have around 72.19% of respondents believed it. In addition, 57(30.48%) respondents answered it could reduce the service risk.

Effectively and navigation convenient could reduce perceived risk in some extent. Third party platform operation factors can reflect to the website operation. Common sense, when the website is difficult to use, and websites do not have the hierarchically linked, the customers might face troubles in finding where they want to go. As result, they may leave the website without making any purchase and transaction. In the other hand, the hierarchical website design helps consumers to locate both general and specific information about a certain issue; it likes more clicks will lead to more specific information. Online customers are kind of impatient and unable to wait for longer time, they prefer website are operate well and less time to download.

Since customers hard to face-to-face meet the company staffs on the intangible Internet world, the website as the communication media paly an important role in the relationship between company and customers. Therefore, easy-to-use of website indeed fosters the perceived risk reduction. If a platform interface well structured, providing high quality information and rapidly respond customers’ request, it mostly could reduce the psychological risk. The good performance of website makes users think they are browsing in a professional environment and helps foster trustworthiness of the company behind the site. Moreover, it attracted and encouraged users to spend
How has third-party payment reduced perceived risk of young consumers in China?

more time on the website. In general, Internet users prefer graphical icons; buttons, products' pictures and rich information, all of those operating factors reduce the perceived risk and guarantees the safety of electronic commerce.

Therefore, the operation factor of the third party payment platform largely could reduce the psychological risk and service risk.

8.3. The Users’ Experiences and Proficiency of the Third-party Payment

With the high evidences, consumer familiar with the third party payment can reduce the all four risk, but there still have different perform in each risk. As the evidences showed, 78.5% of respondents thought it reduced the psychological risk. Following risks reduced are privacy, service and financial risk. In addition, acquainted with features and functions could reduce the all four risk in same level.

Though experiences in using third party payment reduced all four risks ostensibly, but in fact it still has difference: 83% of respondents believed reduced the psychological risk, only 36% of respondents thought reduced the service risk.

Same situation in question 13, all four risks were selected, it still can find the obvious difference: 70.3% of respondents believed reduced the psychological risk, 34.5% of respondents thought reduced the privacy risk.

Positive using experiences will reduce the perceived risk. If consumers’ money and personal bank information is well protected during using the third party payment, these positive experiences could reduced the customers’ psychological risk. Actually, consumers are hunger of third party payment can enhance the commitment in protection the information of consumer buying behavior and credit card information. When customers are experienced a successful online purchasing, the concerns will be taking over by the positive experience. Since consumers always believed their own experiences, they will be more confident in the next online shopping. Good experiences will left a positive impress to consumer which might influence online behaviors include the perceptions, beliefs and attitudes. When customers were satisfaction of previous online purchasing they will have a good impress left in their mind. This good experience is significance to increase intentions for actual purchase. If customers have positive beliefs in third party payment and these beliefs are likely to shape positive attitudes towards the Internet, in result increase the intention to shopping online. However, consumer with less or terrible experiences will shape negative attitudes towards online shopping, in result reduced the intention to shop online.

In the context, positive experiences play an important role in the perceived risk reduction. As shown in the finding, it mostly affected the psychological risk.
Psychology as the influenced factor of trust on the Internet is worth praising, it can pass technology, friendly interface, transaction of order, third party intermediary, etc. to set up trust of consumer. Also the impressions during the successful using third party payment will make consumers believe that it is secure in the financial and privacy information.

8.4 The Public Image Factors of the Third-party Payment

The image of the third-party payment includes third-party payment website page presented to the consumers and its reputation in the consumer groups as a whole.

Whether the reputation and impression are good or bad will give consumers a feeling of trust or not. From the answer of question 15 and question 17, almost all respondents felt that a good reputation and impression of the third-party payment platform could reduce their psychological risk when they shopping online, because consumers felt that their financial and privacy information would be protected. Meanwhile some of them felt that a good reputation also reduced their service risk.

Branding could also raise the trust of consumers. From our finding, a brand in a high position of its industry can reduce consumers’ psychological risk mainly. In addition, it can reduce consumers’ financial risk, privacy risk and service risk to some extent.

The reputation could affect the consumer perceived risks as well. When consumers shopping at online stores which have good reputation, they do not need to worry about product quality and after-sales service that means the psychological risk and service risk have already been reduced. Our finding proves that 85.99% of the respondents felt that service risk could be reduce and 78.99% of the respondents felt that psychological risk could be reduce for that reason. In addition, we find some of respondents also believe that it could reduce the financial risks and privacy to some degree.

In summary, the public image of the third-party payment could affect the consumers’ perception of psychological risk and service risk mainly. It also could affect the privacy risk and financial risk in a less extent.

8.5 The External Environment of the Third-party Payment

The external environment of the third-party payment includes the third-party payment companies cooperate with banks, and the laws and regulations in third-party payment industry.

We can see from the finding, most of our respondents felt that if this third party payment works closely with most of the big banks, it could reduce the financial risk and psychological risk. The well-known and established banks have a relatively high position in the consumers’ minds. People believed that money is safe to deposit here
How has third-party payment reduced perceived risk of young consumers in China?

and consumers’ rights have a well protection. Third-party payment as a payment intermediary associated closely with these banks, people will not worry about the money lost or traded by the third party payment company. Customer can also get the compensating from its cooperated banks if the illegal thing happened. Therefore, the third party payment cooperated with a number of large banks; consumers will perceive the financial risk reduced. At the end, it reduced the psychological risk.

In order to make the payment market maturely guarantee the participants’ rights, it needs a wholesome legal regime to set rules for the market participants, such as authentication mechanisms, deposits to ensure payments and quality certificates. With government provided the legal and regulatory frameworks it will encourage electronic commerce transactions. It is necessary for third party payment to cooperate with public to monitor electronic transactions with the aim of ensuring their transparency and tractability. So from the finding, the laws and regulations are impeccable on third party payment could reduce the all four perceived risk, but mainly influenced the financial risk and psychological risk.

Therefore, the external environments of the third party payment could affect the consumers’ financial risk and psychological risk. It also could affect the privacy risk and service risk, but to a less extent.
9. Conclusions

In this chapter, the conclusion draws from the analysis carried out, with a purpose of answering the research question of the paper.

Since the asymmetry of information communication in the Internet shopping, it increases the consumers’ perceived risk. To be specific, the asymmetry reflects on two main sections: first, the virtual of transaction subject, wherever seller-buyer or money- goods/service. The trade parties have no idea about whom they are going to trade with. The second section is the intangible of product. Without the sense of touch, consumers estimate the quality, size, style based on the limited pictures and introduction provided by seller. It increases the difficulty in consumers’ decision-making. Third party payment provides an opportunity that consumer can see goods first and decide to pay or not. As a new distribution channel, third party payment offers an unprecedented level of access. From the consumers’ perspective, it enables consumers to interact directly with online firms at any time and any place. The credibility of the third party payment has a great increase in the consumers’ behaviors that this payment mode can prevent customers from commercial fraud.

From the empirical study we can conclude, the totality factors of third party payment acts has influenced consumers’ perceived risk. In specifically, the security factors of the third party payment are the most influential factor for the perceived risk reduction. Convenience of the operation platform interface reduces the psychological risk. Consumer online-shopping experiences and proficiency of third party payment directly reduces all the four perceived risks, which will automatically lead to self-comfortable in the next purchases. The public image of the third party payment includes its brand image, reputation and the cover page design beauty, and reputation of its dependencies website play a part in perceived risk reduction. It reduced the psychological and financial risk mainly. The external environment of the third-party payment includes the third-party payment companies cooperate with banks, and the laws and regulations in third-party payment industry. These factors could reduce the all four perceived risks, but mainly influenced the financial risk and psychological risk. Internet shopper may perceive several risks. Nevertheless, financial, service, privacy and psychological risk were significant in some online shopping behaviors among current Internet shoppers. Hence, perceived risk of Internet shoppers is more likely to be greater reduce by third party payment.

To target Chinese young customers, third party payment companies must focus more on reducing the security risk and psychological risk. As civilization construction and legal system imperfection in China and young customers do not have much wealth accumulation, they are mostly concern money lost go without legal protect. Moreover, influenced by Chinese history and tradition culture, customers are always been treated
abnormal when purchasing in the Internet. They are hunger for having a normal treatment to reduce the psychological risk. Which means the consumer hope can protect their privacy information. Also developing a website that is liked by customers can be interesting to target customers. Interestingly, it implies that Chinese customers are seeking information online about the destination(s) that they are likely to visit. Website quality is clearly critical in driving traffic, making people stay, and eventually attracting people to purchase online products. In a practical sense, the results are helpful in understanding the impact of third party payment on Chinese young customer attitude in the online environment. Given the size of its population and economic prosperity, China is likely to become the world’s largest online market. The demand for online purchasing by this market may thus be phenomenal.

10. Recommendations

In this chapter, we will give 3 points of recommendation to the third-party payment enterprises.

The first point is to increase in security measures and improve security commitment. According to the empirical findings, security factor of the third-party payment is the one of the most important factor affect perceived risk. It impacts the privacy risk, service risk and psychological risk. The privacy risk is the unique risk of online shopping; it is also a very important risk, while the third-party payment platform as a very important role to ensure the security. But at the same time, the third party payment may have the risk of revealing other people's privacy. In this case, a consumer's account password may be revealed through the payment, and that is the technical problem, which needs to be solved by the third party payment. But from the marketing point, we know that the third party has grasped a large number of customer information, including the customers' names, addresses, telephone numbers, and so on. As a consequence, the third-party payment platform could get consumers’ consumption information. Whether the information can be protected is the concern of many consumers. Therefore, for the third-party payment companies, they should dedicate more to protect the payment security and customer transaction information. The same time, provide the communication channels for both merchants and consumers and strengthen its commitment to safety.

Secondly, cooperate with the shopping websites to promote and increase brand reputation. From the results above, we found that the public image and the website reputation of the third-party payment depends will reduce the perceived risk of consumers, while the third-party payment image includes its brand image and reputation. The third-party payment requires large capital investment costs of the brand-building process, and improving technology image and security. On the other hand, provides consumers a high quality, low cost or free service. Therefore, the
third-party payment should cooperate with shopping websites, especially with leaders of online industry, with their influences to improve the brand value and build a great branding of the third party payment.

Third, enhance the consumers' understanding of the third party payment. Although third-party payment is extremely popular through online shopping, there are a lot of consumers cannot accept it. On the one hand, they do not trust the third party payment, but the most important reason is that, they do not understand the function and substantive significance of third party payment. In general, consumers understand a product first, and then they will generate the demand. The third party payment protects and simplifies transactions. However, most of the consumers have no related knowledge of it, only the disadvantages.

Therefore, if the third-party payment wants to expand market share and promote the development of the industry, they need to enhance consumers' awareness of third-party payment. Since the risks come from un-known, the perceived risk will reduce eventually after understanding.
How has third-party payment reduced perceived risk of young consumers in China?

Reference List

Books:


Report:


Article:

How has third-party payment reduced perceived risk of young consumers in China?


How has third-party payment reduced perceived risk of young consumers in China?


**Website Source:**


Appendix (Questionnaire)

The aim of this survey is going to collect the number of young customer’s opinion to discover how the third party payment has reduced perceived risk. In the survey, you will be asked few questions concerning third party payment operation factors will reduce which perceived risk. Since the perceived risk is subjective and intangible and it is possible that one factor can be affected one or multiple perceive risks, you are able to have one or more choices in each question. If you don’t agree the hypothesis in the question you can skip this question. There are the definitions of four risks in the follow:

1. **Privacy risk** refers to misuse personal information or used to obtain economic benefit. In the third party payment platform, consumers still need provide person information, but only the using platform gets access to obtain. Replace provided the information to every patronage seller, consumer still taking risk of information known by third party payment companies.

2. **Service risk** can be understood that it is no easy for customer to get a better service form seller since the space limitation of online shopping environment. Unlike the traditional commerce trade, online shopper perceived may loss the service from seller.

3. **Financial risk** is potential of money loss and consumers’ deposit been diverted. Most of the risk same as previous, the new factor involve are third party payment company may diverted the deposit in other invest.

4. **Psychological risk** may refer to anxious, frustration, and shame experience if personal information is disclosed. Customers may consider more about others’ opinion since products in internet are cheaper and be treated worse. Social status is very important in China. Only people in the bottom of society with low income buy cheap and worse product. When the people buy something from internet, they may need surf the discrimination from others’ opinion. Meanwhile online shoppers have to concern about the privacy risk, service risk and financial risk probably occur when they purchasing online.

1. Your age
   - Under 18
   - 18-35
   - Over 35

2. Have you used the third-party payment before?
   - Yes
   - No, why

   1 Cannot operate the third-party payment system
How has third-party payment reduced perceived risk of young consumers in China?

2 Do not trust it
3 Never shopping online
4 Other

(Question 3-20) which of the following consumer perceived risks do you think could be reduced based on the corresponding description. (Multiple choice)

3. The third-party payment well protection in information of credit card and personal could reduce which consumer perceived risks?

- Financial risk
- Privacy risk
- Service risk
- Psychological risk

4. The security commitment of the third-party payment could reduce which consumer perceived risks?

- Financial risk
- Privacy risk
- Service risk
- Psychological risk

5. The third-party payment protects the information of purchasing behavior could reduce which consumer perceived risks?

- Financial risk
- Privacy risk
- Service risk
- Psychological risk

6. The third party payment provides protection for both parties of transaction could reduce which consumer perceived risks?

- Financial risk
- Privacy risk
- Service risk
- Psychological risk
How has third-party payment reduced perceived risk of young consumers in China?

7. If third-party payment platform completes the transaction faster, it could reduce which consumer perceived risks?

- Financial risk
- Privacy risk
- Service risk
- Psychological risk

8. The third-party payment platform is very easy to use could reduce which consumer perceived risks?

- Financial risk
- Privacy risk
- Service risk
- Psychological risk

9. The third-party payment platform has ample operation functions could reduce which consumer perceived risks?

- Financial risk
- Privacy risk
- Service risk
- Psychological risk

10. The third-party payment dispose payment disposes customer request is very rapid could reduce which consumer perceived risks?

- Financial risk
- Privacy risk
- Service risk
- Psychological risk

11. If you can proficient in using third-party payment could reduce which consumer perceived risks?
How has third-party payment reduced perceived risk of young consumers in China?

- Financial risk
- Privacy risk
- Service risk
- Psychological risk

12. If you are acquainted with features and functions of the third-party payment could reduce which consumer perceived risks?

- Financial risk
- Privacy risk
- Service risk
- Psychological risk

13. If you have positive experiences in using the third-party payment could reduce which consumer perceived risks?

- Financial risk
- Privacy risk
- Service risk
- Psychological risk

14. If you use the third-party payment for a long time could reduce which consumer perceived risks?

- Financial risk
- Privacy risk
- Service risk
- Psychological risk

15. The third-party payment platform has a very good reputation could reduce which consumer perceived risks?

- Financial risk
- Privacy risk
- Service risk
- Psychological risk
16. The third-party payment platform is the leading brand in the industry could reduce which consumer perceived risks?
   - Financial risk
   - Privacy risk
   - Service risk
   - Psychological risk

17. The third-party payment platform has reassuring impression could reduce which consumer perceived risks?
   - Financial risk
   - Privacy risk
   - Service risk
   - Psychological risk

18. The online store which the third-party payment platform relying on has a very good reputation could reduce which consumer perceived risks?
   - Financial risk
   - Privacy risk
   - Service risk
   - Psychological risk

19. The third-party payment platform works closely with most of the big banks could reduce which consumer perceived risks?
   - Financial risk
   - Privacy risk
   - Service risk
   - Psychological risk

20. The laws and regulations are impeccable on the third-party payment industry could reduce which consumer perceived risks?
   - Financial risk
   - Privacy risk
   - Service risk
   - Psychological risk