Online Trust in E-tailing: A Conceptual Framework, Implications, and Future Directions

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Abstract Online trust is important in both business-to-business and business-to-consumer e-business. This paper focuses on the impact of trust in online retailing (e-tailing). Based on a review of selected studies, we articulate a conceptual framework of trust in e-tailing including its antecedents, and consequences, and propose some promising future research avenues in online trust. This paper will help e-tailers better understand the online trust, thereby enabling them to build more trustworthy Web sites.

Keyword E-tailing, Marketing, Review, Trust

1 Introduction

With the recent widespread popularity of the Internet, business-to-consumer (B2C) ecommerce has quickly become a common medium for businesses to generate revenue. Already, B2C e-commerce has grown to an estimated US$26 billion in sales for 2000. However, e-commerce accounts for less than 1% of retail sales. Even if projections of continued growth in e-commerce revenue are accurate, it appears that many consumers have not accepted e-commerce as a purchasing channel. Research has shown that insufficient trust represents a key reason for consumers to avoid purchasing products over the Internet [1].

Under the current challenging economic conditions managers must allocate scarce marketing resources efficiently across all channels and within the Internet channel to develop sustainable customer relationships. To create long-term customer relationships, firms need to build customer trust [2]. To achieve their objective of customer trust, companies must understand the specific environment of the electronic marketplace, where the barriers to customers switching are lower compared with the traditional economy and vendors are more vulnerable to customer defection. Customer trust is particularly important in the online context because customers increasingly rely on the Internet for information and purchases and can be more loyal online [3]. To formulate a successful Internet marketing strategy, companies need a deeper understanding of how trust is developed and how it affects consumer behavioral intent in the online context.

The following three questions serve as the motivation for the study: What Web site characteristics influence consumer trust in an e-tailing and to what extent? How can customer trust be achieved in a challenging environment where market is great and every competitor is just a mouse click away? And which marketing strategy is appropriate for e-tailers?

Businesses competing in the internet economy are turning their attention and resources towards increasing the trust of their customers and users. This paper examines how customer trust can be achieved and which strategy best fits e-tailing.

This paper is structured into four sections. First, definition of trust and role of trust are considered and discussed. Secondly, to propose a Product types theory of trust. Thirdly, to review the published evidence on the impact of online trust on the e-tailing. Following the work of Shankar et al [4], Bart et al [5] and David et al [6], a conceptual model of trust in e-tailing is proposed with four main antecedents that influence customer’s trust: perceived security, absence of errors, order fulfillment and social presence. Finally, to discuss the managerial implications of our results and directions for future research.

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2 Definition and role of trust

The definitions of trust relevant to e-commerce and retailing are summarized in Table 1.

Trust has a central role, especially in the area of e-commerce, Reichheld and Schefter even state that “price does not rule the web, trust does”. But even though it is not only the buyer who decides if he is willing to shop online, but also the seller who provides the opportunity.

The high prominence of trust, which is reflected in a multitude of research articles dealing with trust, both offline and online is not surprising. As highlighted by Shapiro, specialization and social division of labor, which are the keystones of any modern economy, lead to a wide variety of agency relationships, which people are obliged to enter each day, starting from taking dirty clothes to the dry cleaner and reading information collected by reporters and presented in newspapers, to using money and other symbolic forms of wealth. Even though it is not evident if trust is “perhaps the most efficient mechanism for governing economic transactions” or “has supernormal costs associated with it”, it is an important parameter that avoids the complete paralysis of any society, by making people enter necessary agency relationships.

In the following sections we present a brief overview of traditional and online shopping.

3 Online trust and offline trust

In the anonymous electronic environment, however, achieving trust in the beginning of a relationship is more difficult than in the traditional business world because the customer has much less information available to assess the trustworthiness of a supplier. In addition to the lack of interpersonal interaction between buyer and seller, a potential customer receives no guidance on assessing the economic viability of a supplier. In the traditional business world a customer can draw conclusions from the location, size and design of a store, whereas in the electronic business such clues are largely missing. Moreover in most online transactions the customer carries the risk of upfront payment, while in the offline world an immediate exchange of payment and goods or services is the norm. Therefore online customers are not only less informed about their suppliers than offline customers, they also carry the fulfillment risk.

In recent years, researchers have begun to explore similarities and differences between shopping for products and services in online versus traditional retail environments. Unlike traditional retail shopping, parties in an online encounter have no direct contact – in an environment with few social cues. When shopping online, the social proximity and face-to-face interaction with salespeople and other shoppers are replaced by a complex socio-technical system that is not well understood by the consumer.

Offline trust that involves the offline activities of the firm (such as direct sales, channel sales, and other communication and transactions) and its relationships with its customers and other stakeholders. Online trust that involves the firm’s business activities in the electronic medium, and in particular, its

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<th>Study</th>
<th>Definition of trust</th>
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<td>Moorman et al.</td>
<td>Trust is “willingness to rely on an exchange partner in whom one has confidence”. Trust occurs “when one party has confidence in an exchange partner’s reliability and integrity”.</td>
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<td>Morgan and Hunt</td>
<td>Trust is a “psychological state comprising the intention to accept vulnerability based upon positive expectation of the intentions or behavior of another”.</td>
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<td>Rousseau et al.</td>
<td>Trust on an online vendor is the “willingness to make oneself vulnerable to actions taken by the trusted party based on the feeling of confidence and assurance”.</td>
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<td>Gefen</td>
<td>Trust is “the subjective assessment of one party that another party will perform a particular transaction according to his or her confidant expectation, in an environment characterized by uncertainty”.</td>
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<td>Ba and Pavlou</td>
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Web site. Although online trust is similar to offline trust in many ways, there are some important distinctions. In offline trust, the object of trust is typically a human or an entity (organization). In online trust, typically, the technology (mainly the Internet) itself is a proper object of trust. In a sense, a firm’s Web site is its salesperson that needs to build trust with her/his customers.

In many ways, shopping is a communication process. Shoppers gain information in a variety of forms, and make decisions as to whether a purchase is desirable. In recent years, with the introduction of e-shopping, that communication process has been dramatically altered. Face-to-face communication between a customer and vendor is supplanted by an electronic medium that replaces a real salesperson.

Bordia claims that “computers and electronic networks have revolutionized communication”. Related to this phenomenon, social psychological effects of computer communication have been compared with face-to-face communication. Findings have demonstrated that an absence of nonverbal cues to “embellish meaning or social context regarding gender, age or status” potentially hampers communication efficiency. In turn, new capabilities for communicating content via the Web are created. Included in the realm of computer-mediated communication are text-based communication (email or “chat”) or more recently, intelligent agents that assist customers with online purchasing decisions. The use of agents has the benefit of providing the consumer with an element of interactivity, which replaces in some form the exchange of information as it occurs in a face-to-face environment.

Additionally, for many consumers, shopping enjoyment results from proximity to other shoppers, and some researchers suggest that consumers visit stores seeking social interactions or even social support. In a traditional store, it is further posited that shoppers derive pleasure from the sights, sounds or smells of the retail environment. Related to this, Kotler refers to the “atmospheres” of shopping as the conscious designing of space to produce specific emotional effects in the buyer that enhance purchase probability. In contrast, online shopping offers large product selection, accessibility and convenience. While Internet shopping might be perceived to expand the scope of information search, comparing many alternatives on prices or product features may prove overwhelming for some consumers leading to sub-optimal decision-making or frustration.

In general, when compared to a traditional store environment, online shopping: (1) lacks physical cues that help engender trust (such as investments in physical buildings, facilities and personnel); (2) is perceived as providing less control over consumer data during and following its transfer; (3) hinders physical evaluation of products, as consumers can only rely on the senses of vision and sound; and (4) possesses lower barriers to entry and exit for vendors.

There is some degree of commonality of trust elements and transfer of trust between the online and offline environments. These areas of commonality may include product quality and firm reputation.

A lot of research has been done concerning factors that may influence the creation of trust, both on- and offline. Due to the specific characteristics of the Internet, online marketers pay increased attention to trust-related issues in the online world.

4. A conceptual framework of online trust

Shankar, Urban, and Sultan[4] provide a broad conceptual overview and framework of antecedents and consequences of online trust from multiple stakeholder perspectives. They identify a wide range of Web site characteristics (e.g., navigation, community features) as potential drivers of online trust. Based on the research, Bart et al [5] develop a conceptual model that links Web site and consumer characteristics, online trust, and behavioral intent. They estimate this model on data from 6831 consumers across 25 sites from eight Web site categories, using structural equation analysis with a priori and post hoc segmentation. The results show that the influences of the determinants of online trust are different across site categories and consumers. Perceived Security, absence of errors, and order fulfillment are the most influential determinants of trust for retail sites.

David et al [6] study shows the influence of social presence on these dimensions of this trust, especially benevolence, and its ultimate contribution to online purchase intentions.

Based on above studies, we propose a conceptual framework of trust on the e-tailing including its
antecedents, and consequences.

Social presence. Social presence has desirable consequences in an online context, and is described as the feeling or sense of warmth and sociability within a website.

Perceived security. Security on a Web site refers to the safety of the computer and credit card or financial information. Consumers consider security important in purchasing goods or services on the Internet.

Order fulfillment. Order fulfillment refers to the delivery of a product or service relative to orders placed by consumers, and it is an essential aspect of Web sites with transactional ability.

Absence of errors. Absence of errors refers to the lack of mistakes on a site in response to consumers’ actions on that site.

5 Effects of antecedents on Online Trust

5.1 Social presence

High social presence is typically found in face-to-face communication whereas low social presence is often found in e-mail and paper-based mail. Channel richness can vary depending on circumstances, however, and social presence can be high or low in any given Website. If photos of people can convey a sense of personal, sociable and sensitive human contact, so too should multimedia Websites. Indeed, many Websites contain pictures of smiling people as they would be added in a typical brochure. This antecedent is of particular interest assuming that the perception of social presence can still be created despite the lack of actual human contact. Another way in which this is done in many Websites is through adding a “social touch” to the interaction, such as welcoming the consumer by name as he or she enters the Website and making Website and subsequent e-mail communications personalized. Communication is a necessary ingredient of constructive interaction. Indeed, research has found that richer media, that is, media higher in social presence, tend to be preferred in communications settings where the task is ambiguous and uncertain.

Social presence should also build trust through the perception that the vendor is displaying through the Website a sense of personal, sociable, and sensitive human contact. From a consumer perspective, such attributes are clearly desirable. When dealing with consumer queries and grievances, they are even an expected aspect of any service or product.

5.2 Perceived security

The rapid developments in technology have made significant contributions to securing the Internet for electronic business. However, the challenges remain in this area, and security remains a substantial issue for the development of electronic businesses. According to Furnell and Karweni consumers with a greater awareness of security will be more likely to use Internet based services such as shopping. Their results imply that awareness is the key in increasing consumer confidence.

5.3 Order fulfillment

It is now well recognized that the effectiveness with which firms are able to fulfill orders in their electronic business-to-customer (B2C) transactions is a significant determinant of customer satisfaction and retention. In an empirical study of electronic B2C operations of food retailers, Heim and Sinha found that variables underlying the order fulfillment process – such as ease of return, product availability and timeliness of delivery – have a significant positive association with customer trust.

Pyke et al posit that “order fulfillment involves all of the activities from the point of a customer’s purchase decision until the product is delivered to the customer and he or she is fully satisfied with its
quality and functionality.” Customer satisfaction with the order fulfillment process depends on the extent to which the expectations of customers are met by the firms.

5.4 Absence of errors

Consumers expect a site not to have errors, such as wrong information or incorrect processing of inputs and orders. To the extent that a site is devoid of such errors, we expect that its trust among consumers is high. Because errors may not be acceptable to consumers on any site, we do not expect the impact of absence of errors on online trust to differ across sites.

6 Implications, Conclusions and future research directions

From the conceptual model, although trust can be enhanced online, it can be diminished or lost due to problems with its drivers. Furthermore, the extent of gain and loss in online trust could be asymmetric. Prospect theory suggests that losses loom larger than gains for individuals. Put differently, the value of a loss of trust is larger than that of a value of a gain in trust. Thus, it is difficult to earn, but is easy to lose online trust for firms. While the process of building online trust can be gradual, the process of losing trust can be steep. Trust can be built incrementally through reinforcing encounters with the firm and its Web site. However, with one major failure or setback, this trust could be lost altogether. Even if online trust is strong, it could be lost if offline experience is untrustworthy. Thus, a multichannel strategy to building trust is critical.

Based on prior research, online trust can be enhanced in several ways. It can be improved by increasing (decreasing) the levels of positive (negative) drivers of online trust where possible. In addition, many studies suggest specific initiatives. For example, online trust can be enhanced by giving consumers the opportunity to be anonymous or pseudonymous when engaging in information exchanges and online transactions. In the long-run, online trust can be built mainly by having a balance of power that signifies a cooperative interaction between an online business and its customers.

Companies can improve online trust by disclosing patterns of past performance, provide references from past and current users, get third-party certifications, and make it easy to locate, read and enforce policies involving security. Mathew et al suggest that trust can be enhanced by credit card loss assurance, product warranty and merchandise return policies, availability of escrow service, ability to schedule human customer service, and availability of user friendly interfaces.

Online trust is important to a firm’s e-tailing strategy. Although online trust shares many common elements with offline trust, it is different from offline trust in that technology rather than just the organizational entity is an object of trust. Online trust can be approached from customer’s perspective that takes into account the viewpoints of customers. The determinants of online trust include perceived security, Absence of Errors, Order Fulfillment and Social Presence. The consequence is intention to act. A company should clearly understand the online trust related needs of customers, address the needs, and go about enhancing online trust based on the dominant drivers of online trust in its business context.

As more and more e-tailers are realizing the importance of promoting trust online, trust is been identified as key to e-tailing. If trust is vital, then building trust is even more crucial. This paper provides several preliminary insights into the role of perceived security, absence of errors, order fulfillment and social presence attributes on the issue of trust in e-tailing. It has attempted to review the nature of customers’ trust and proposed a research model of customer trust on e-tailing. The model presents the major relationship between customer trust and four major potential antecedents. This study provides some guidelines on how to send such a message. Our work focuses on factors influencing the trust of a buyer, which leads her to carry out transactions with a e-tailing, using the work of Shankar et al and Bart et al and David et al.

This paper tells the e-tailing practitioners which trust antecedent to focus on in order to increase customer trust and thus increase the adoption rate of e-tailing. Research into the trust model developed in this paper will help accelerate the adoption of e-tailing by removing one of the major obstacles to its development, namely, lack of trust.
References


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