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Paul Ambrose
Southern Illinois University at Carbondale

Grace Johnson
Southern Illinois University at Carbondale

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A Trust Based Model of Buying Behavior in Electronic Retailing

Paul J. Ambrose

Department of Management
Southern Illinois University at Carbondale

Grace J. Johnson

Department of Marketing
Southern Illinois University at Carbondale

Abstract

The exponential growth of the Internet has seen the use of this medium by organizations to sell their goods and services. While buying and selling over the Internet has grown dramatically so has been the failure of ventures that were started to sell goods or services over the Internet. This paper attributes this failure to be a function of improper understanding on the part of sellers as to how buyers buy products or services over the Internet. Focusing on the retail side of electronic commerce, this paper develops a model to explain buying behavior for products over the Internet. The model developed emphasizes on trust as being an essential component and that trust coupled with buyer motivation can help understand and manage buying over the Internet.

Introduction

The exponential growth of the Internet in the 1990's has seen the advent of buying and selling products and services over the Internet. This phenomenon, now widely known as Internet commerce, is expected to become a \$7 billion industry by the year 2000[Moukheiber, 1997]. We now have a diverse set of products like groceries, airline tickets, insurance, books, software, and information being retailed on the Internet.

However, does this mean that Internet commerce is the way for all retailing businesses in future? Would all products be amenable to selling on the Internet? Would all buyers be willing to buy through this medium? Or would all sellers be willing to participate in this phenomenon? While these questions can be easily answered with respect to the traditional retail store set-up, the same cannot be so easily done at this developmental stage of Internet commerce.

In this paper we present a theoretical perspective to help us understand buyer behavior in Internet commerce and how an understanding of the same can help organizations leverage their position in the lucrative Internet market. We propose that trust is a particularly essential component in Internet commerce, given the nature of the interaction between seller and buyer, and that, if trust can be understood and managed, then many more buyers and sellers can successfully participate in Internet commerce. Consequently, our specific aim in this paper is to develop a trust based model of buyer behavior by integrating prior research in the fields of management and marketing. Trust has been shown to be essential in relationships [Golembiewski and McConkie, 1975; Larson and LaFasto, 1989; Mayer, Davis and Schoorman, 1995] and has been acknowledged as being important for Internet commerce to succeed. However, not much research exists in the electronic commerce literature on the role of trust in establishing stable Internet markets.

While electronic commerce is a widely used terminology to describe Internet buying and selling, we consider Internet commerce to be a subset of electronic commerce in this paper. Electronic commerce is considered to encompass buying and selling through computer networks, not necessarily limited to the Internet. Moreover we restrict the scope of this paper to retailing on the Internet and we use Internet commerce synonymously with Internet retailing.

The rest of the paper proceeds as follows. First a definition of trust is provided while dispelling common misconceptions of what trust is. Second, a theoretical model of trust based buyer behavior is presented. Finally, the usefulness of the model in the domain of Internet commerce is discussed.

Defining Trust

Research on trust has been plagued by definition problems, lack of clarity of the relationship between trust and risk, improper understanding of its antecedents and outcomes, unsuitable levels of analysis and, failure to acknowledge the role of both the trustor and trustee at the same time (Mayer, Davis and Schoorman, 1995). Researchers have highlighted the risk involved (Johnson-George and Swap, 1982), the presence of some meaningful incentive at stake (Kee and Lnox, 1970) and the vulnerability of a party (Boss, 1978) in different conceptualizations of trust.

However, contemporary research on trust is converging towards a definition that reflects all these above-mentioned aspects of trust with an emphasis on vulnerability. One such definition proposed by Mayer, Davis and Schoorman (1995) is used in this

paper. According to Mayer et al, trust is “the willingness of a party to be vulnerable to the actions of another party based on the expectations that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party”. This definition accentuates vulnerability, which is not just risk-taking but the willingness to take risk.

Moreover, Mayer et al differentiate this definition from other misused synonyms like cooperation, confidence and predictability. Cooperation can exist between two parties even if they do not trust each other. Confidence undermines the risk involved in a relationship. Predictability negates uncertainty that can exist in relationships.

The above definition of trust can be effectively applied in Internet retailing. This facet of retailing relies on a non face-to-face interaction between the buyer and seller, which increases the buyer’s vulnerability. We use this definition to further develop our buyer behavior model in the next section.

A Trust Based Buying Behavior Model

Trust plays an essential component for successful Internet retailing as discussed earlier. While trust is fundamental in Internet retailing, organizations cannot merely leverage trust to compete and survive in this new environment. The buyer’s motivation to buy the product(s) will also play an important role in the buying and selling of products over the Internet. Recognizing this, we develop our model including these factors as follows.

Figure 1 portrays the trust based buying behavior model developed in this paper. This model presents trust in a buying-selling relationship, and the buyer’s motivation as the essential factors influencing buying in Internet retailing. This model combines traditional marketing philosophy on customer motivation to buy and the trust model developed by Mayer, Davis and Schoorman (1995). The model is further explained as follows.

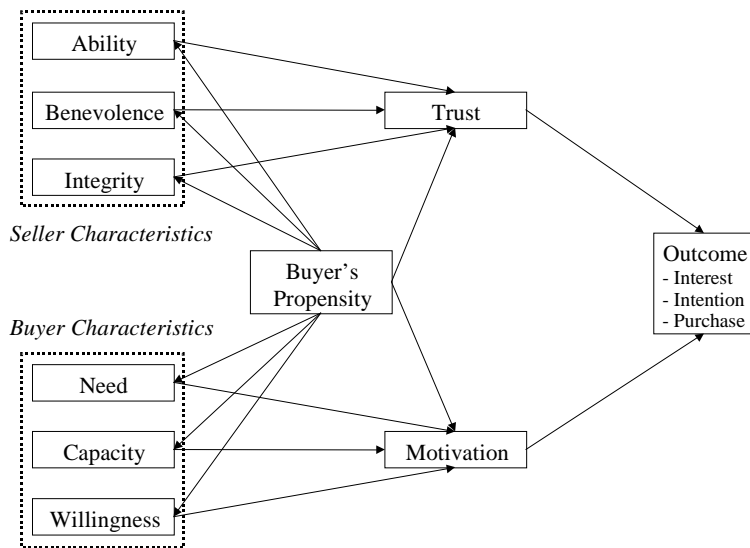


Figure 1. Trust Based Model of Buying Behavior

competencies and characteristics that a seller has in a domain. Sellers need to convince buyers of their ability to deliver products of promised capabilities. Benevolence is the extent the seller is perceived as wanting to do good to a buyer. Buyers need to be convinced that the seller is genuinely attempting to look beyond profits to do good for them. Integrity refers to the buyers’ perception that the seller adheres to a set of principles that the buyers find acceptable.

Ability, benevolence and integrity are equally important in establishing trustworthiness, where trustworthiness is more a continuum rather than a binary outcome – trustworthy or not trustworthy. While a seller can manage these factors to better his or her trustworthiness, the buyer’s propensity to trust will be an influencing factor as to how much the three factors can be managed to improve trustworthiness. Thus the model depicts buyer’s propensity to trust as being an influencing factor on these three factors and the trust construct.

Positive outcome for sellers in terms of sales does not materialize from trust alone. Apart from trust, the buyer’s motivation to buy is required. This part of the model draws its premise from traditional marketing concepts to examine what can constitute a buyer’s motivation to buy the product. Three factors are considered essential to motivate the customer to buy the product electronically. First the customer must have the need for the product. Only a need will induce a buyer to look for a product to satisfy that need. Second, need has to be backed by the capacity to buy the product that the buyer wants. This capacity refers to the resources (usually financial) that the buyer has to obtain the product. Finally, a customer with a need and the necessary capacity might not be willing to buy at a certain point in time for a variety of situational, personal or social reasons.

The trust portion of the model, simplified from Mayer et al’s model of trust consists of the buyer’s propensity to trust the seller and the seller’s capability to be trustworthy. The buyer’s propensity to trust is a trait possessed by the buyer and will vary among buyers. It refers to the general willingness to trust others and here, the general willingness to trust the seller. This factor is important in Internet selling, as when not much information on the seller is available to the buyer prior to purchase, a buyer with a high propensity to trust will more likely be a potential customer than a buyer with lower propensity. New sellers in Internet retailing need to understand this factor and need to see fit between their offer and the buyer’s propensity to trust before launching out their Internet retailing business.

A buyer’s propensity to trust is not constant for a particular seller and can vary over time. The seller thus can improve his trustworthiness image by consciously managing three factors – ability, benevolence and integrity. Ability refers to skills,

Buyer motivational factors are thus another an important factor that can to help achieve a positive outcome for a seller by generating buyer interest in the product, buyer intention to buy or actual purchase of the product in question. This factor and its constituents will be influenced by the buyer's propensity to be motivated as shown in Figure 1. This propensity will determine how needs are translated into specific product wants. It will also influence the ability to look for additional resources if needed and help overcome any pressures that stop a buyer from buying a product.

To summarize, the model presented in Figure 1 proposes to explain buying behavior in Internet retailing using trust and buyer motivation as essential components. The next section now concludes the paper with the usefulness of the model for Internet retailing.

Conclusion

This paper presented the importance of understanding and managing trust and buyer motivation to help sellers succeed in the emerging Internet retailing phenomenon. Traditional marketing strategies have focused on developing models with the emphasis on the motivational aspects. However, on the Internet, retailers need to proactively manage the trust component involved in selling. This paper provides insights as to how these sellers can understand their customers better by assessing target buyer propensity to trust before entering a market. Also provided were three factors – ability, benevolence and integrity that can be managed to prove sellers' trustworthiness. Such a model should be of use to retailers who wish to use the Internet as a channel to sell their products.

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