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MOVING AWAY FROM TRADITIONAL ELEMENTS TO BUILD TRUST IN E-COMMERCE

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Abstract

This paper investigates the evolution in variables that lead customers to trust an online shop or not. On the basis of samples taken in 2004 and in 2008 in Seoul (South Korea), it is shown that website visitors tend to trust online shops of generally well known companies. Certification marks granted by trusted third parties to online shops do not seem to induce trust, although a small positive trend seems noticeable. Offering accurate, easy to find product information on the website induced trust in 2004, but did no longer do so in 2008. All in all, the 2004 South Korean customer seemed to do business on the Internet like in the real world. However, by 2008 he seemed to be slowly moving away from that traditional way of buying things on the Internet to an Internet-specific way where other elements are considered to decide whether an online shop can be trusted.

Introduction

Sales over the Internet are increasing year after year but research shows that many people are still reluctant to buy on the Internet [1]. Reasons not to shop on-line are worries about payment security, worries about privacy, absence of confidence in e-retailers, the need to physically examine the product, worries about not receiving the goods or receiving them late and/or in bad condition [2].

Trust is an important factor in economic and social interactions where uncertainty exists [3]. From the psychological perspective trust is a concept of 'generalized expectancy where there is a belief in another person or a group's promise made in language or writing' [4]. The economic perspective views trust as 'an individual's estimation or expectancy of an outcome in risky situations'. From the social perspective trust is understood as a characteristic of social relations and the formation of trust is a belief based on several conditions like social rules, norms, customs and history surrounding the actors' relationship in exchanges [5]. Schur and Ozanne [6] defined trust as a belief that the other party's words or speech is trustworthy and that the other party will do their best to fulfill the exchange relationship's obligations. They discovered that the buyer's trust and expectation in the negotiation influences his or her attitude and behavior toward the seller. Trust saves transaction costs by reducing

uncertainty and induces cooperation. As seen from these various definitions, a consistent definition is necessary as research on trust is being carried out in diverse fields. In this paper, trust is defined as 'a belief that the other party will commit to the obligations and responsibilities in exchange relationships where their words and behavior are trustworthy under uncertainty and risky situation.' A consumer's trust is then an effort to rely on the seller and reliance which ensures any action to be taken regardless of the conduciveness of the environment [7].

The formation of trust can be classified according to its different sources. Lewis and Weigert [8] pointed out that trust is built based on rationality and emotionality, and that there are different types of trust depending on the degree of rationality and emotionality. Shapiro, Sheppard and Cheraskim [9] made distinctions of the concept of trust into deterrence-based, knowledge-based and identification-based trust. In deterrence-based trust, reliability of behavior is guaranteed through the risk of punishment, and trust exists on the judgment that the behavior will be consistent because of considerable loss or punishment if the other party betrays. Knowledge-based trust is based on predictability derived from thorough knowledge on the other party which makes prediction possible. In other words, this trust is formed when predictability of the other party increases after accumulating information and experience through mutual relationships. The corresponding trust refers to trust and a sense of unity that is felt when both parties' goals, values and norms coincide.

Literature on adoption of e-commerce shows that trust issues are important inhibitors of e-commerce adoption [13] [14] [15] [16]. Some researchers have tried to identify how trust can be established in online shops. Fogg et al. [17] for example found that web site elements that highlight the brick-and-mortar nature of the organization, such as listing a physical address and a contact phone number enhance web credibility. Feedback systems that allow market participants to provide information on their online experience were also said to enhance trust [51]. Field experiments conducted in Hong Kong by Tam and Ho [18] indicate that personalizing web sites plays a role in persuading customers to buy. Similarly, Fogg et al. [17] and Singh, Zhao, and Hu. [19] find that tailoring the website to the user

experience leads to increased perceptions of web credibility. Similarly, the perceived usefulness and perceived ease of use of a website influence trust [52]. The companies willingness to customize it's services and products significantly influences trust too [52]. While researchers have been investigating elements that convey trust, those studies typically consider a picture at a given moment and do not acknowledge there might be an evolution in those elements. The purpose of our research project is exactly to investigate the evolution in factors that affect trust. A longitudinal study was set up for that purpose.

In what follows we first develop hypotheses on factors that may influence trust. The research setup is discussed next and research results are presented and discussed after that. The paper is finished with a discussion of limitations and suggestions for further research.

Hypotheses Development

Five hypotheses are put forward with respect to trust. While some of these hypotheses concern elements that were typically known to induce trust in the real world (such as having a sales person with much knowledge about products), other hypotheses concern elements that are specific for the virtual world (such as certification marks).

Shop well-known
A visitor's past experience on the reputation and awareness of websites has significant influence on consumers' will to purchase [20]. An effective search leading to a well-known brand will heighten the level of trust in the website [50]. As in traditional transactions, the more conscious a consumer is of the brand's reputation and the store scale, the lower his or her risk perception is and the higher the level of trust [6]. Doney and Cannon [21] stated that a company's overall scale and market share play a role in instilling trust that it will keep to its contract. Privileges, risk perception, brand reputation, and verbal recommendation related to online shopping help to build trust and this trust again exerts positive influence on the decision to buy through online shopping [46]. Thus, 'awareness' of a specific shop has been selected as a factor influencing trust.

Hypothesis 1: Awareness of an online shop plays a positive role in forming consumer's trust.

Product information quality
Consumers perceive uncertainty on whether a product satisfies their expectations, and so as to reduce this uncertainty derived from purchasing a product, the consumer will gather excessive quantities of information. If the internet provides information related to a purchase at almost zero costs easily and quickly, it is able to offer excellent visual experience as compared to information sources like

catalogues although it may not match actual observations. However, unlike conventional distribution channels in which consumers purchase after personally checking the product, concerns over the product's quality and distrust of seller are greater in internet shops [43].

A consumer makes a decision through sufficient and accurate information given to him to make the decision process efficient It has been shown that the quality of information displayed on websites influences the trust in the company directly. Similarly, Jarvenpaa and Todd [22] pointed out that knowledge on the product, especially its price, quality and diversity, affects the level of trust. Because consumers cannot see the product personally and are not able to be confident in the quality, not only does information on the quality of a product affect trust but the consumer's perception on the appropriateness of the information presented and the ease of obtaining it also influences trust.

Hypothesis 2: The ease in finding and understanding product information on an internet shop plays a positive role in developing trust.

Certification Mark Presence
Providing information on which online shops are trustworthy to consumers is important in helping consumers make rational decisions when purchasing. New businesses related to trust are emerging. In order to encourage online transactions, it appears that not only technological trust but also institutional trust must be established [42]. The certification mark system involves reputable third parties (such as TRUSTe and BBBonline) granting marks that acknowledge companies abide guidelines on online transaction operations such as consumer protection, personal information protection and system security. Hence, from the consumers' point of view, it contributes to enhancing consumers' trust in online transactions by guiding business activities in online transactions to the favorable direction. From the companies' view, it is significant in the sense that they can expand their profitability by increasing consumer loyalty because they are able to secure consumers' trust in their websites (Korea Information Society Development Institute, 2000).

Lee Jung-woo [42] defined "trust services" in electronic transactions as a general term to describe businesses related to services regarding trust that help consumers or firms to trust and utilize online companies by evaluating a company's technology and both commercial and institutional trust, and then approving it. The certification system related to electronic transactions in Korea can be classified into official electronic certifications and credit card company's private certification both based on electronic signature law, and certification by a credible third-party or other private certification [24].

Hypothesis 3: Presence of a certification mark affects consumer's trust.

Transaction Clarity

Yoon Sung-jun [45] used safety of transactions to measure consumer's risk perception. This was proven through guarantee assurance phrases, risk-free transactions, and user-friendly refund policies. Hence, clarity about the safety of transactions has been adopted as a factor affecting trust. This issue was tested by asking whether clarity of refund policies, customer support, insurance, etc would induce trust.

Hypothesis 4: The clarity of transaction safety in online shops positively influences consumer's trust.

Research Setup

To test these hypotheses, surveys were conducted in South Korea in 2004 and 2008. In what follows we first shortly introduce the state of e-commerce in South Korea. Next we present the research methodology and the sample characterstics.

E-commerce in South Korea

In a Nielsen (2008) report [47], South Korea ranked first as the country with the highest online shopping experience as 99% of its internet users experienced online purchases. UK, Germany and Japan came in second at 97%, and US was eighth with 94%. Globally, the highest sales were in books (making up 41% in the last three months), followed by clothes, accessories and shoes (36%), videos, DVDs and games (24%), air tickets and bookings (24%), and electric home appliances (23%). Credit card is the most frequently used method of payment in online shopping, with more than 60% of shoppers using it. About 60% of online shoppers mainly purchase from a single store, what illustrates the existence of consumer lock-in. If shopping websites captivate first-time visitors and provide them with positive shopping experiences, they can earn their loyalty and future shopping experiences.

Research Methodology

A survey was conducted among people living in Seoul and its metropolitan area who had experienced online shopping. The survey consisted of 32 questions in total. Each question could be answered using a 7-point Likert scale (1 showing "strongly agree"; 7 showing "strongly disagree").

Several questions were used to derive a value for independent and dependent variables. These questions were based on literature as shown in Table 1.

Table 1: Variables and resources for related questions in survey

Awareness of online shop	[7] [20] [32] [21] [33]
Ease in understanding information of product	[43] [44]
Transaction safety clarity	[23]
Certification mark presence	[34] [35] [41] [42]
Trust (dependent variable)	[37] [38] [39] [40]

The appropriateness of the survey instrument was assessed separately for the 2004 and the 2008 sample using Cronbach's alpha. That calculation result only differed for one question in the 2004 and 2008 sample. In order to enable a decent comparison of values across the years, the same questions were selected for both years (leading to only five questions being used to measure 'online shop awareness' instead of all six, while all six were appropriate for the 2004 sample).

All statistics were calculated using SPSS version 14.

Sample characteristics

228 surveys were collected in May 2004, of which 210 were useable for analysis. Table 2 shows the characteristics of the 2004 sample.

Table 2: 2004 respondent characteristics

Item	Division	%
gender	Male	29.2
	Female	70.8
age	10's	34.3
	20's	40.5
	30's	19.5
	40's	3.8
	Over 40's	1,9
education	Under high school	33.8
	High school	5.2
	College	60.0
	Over Master	0.5
	etc	0.5
occupation	students	33.8
	university students	13.3
	service parts	11.0
	sales	2.9
	offices	16.2
	professionals	18.1
	house-wives	0.5
	self-employed	1.9

	etc	2.4

In October 2008, 167 surveys were collected, of which 148 were usable. Summary statistics of the 2008 sample are shown in Table 3.

Table 3: 2008 respondent characteristics

Item	Division	%
gender	male	31.0
	female	69.0
age	10's	4.1
	20's	16.9
	30's	59.5
	40's	14.9
	Over 40's	4.7
education	under high school high school	4.7
		9.5
	college	70.9
	over master	10.1
	etc	4.7
occupation	students	4.7
	university students	15.5
	service parts	1.4
	sales	8.1
	offices	25.0
	professionals	3.4
	house-wives	2.7
	self-employed	6.1
	etc	33.1

Research Results

A regression was run with trust as the dependent variable and five independent variables:
- (online shop) awareness ,
- infoquality (product information quality),
- markpres (certification mark presence)
- markknow (certification mark knowledge),
- transafety (transaction safety clarity).

Table 4 and Table 5 show the test results of the regression on the 2004 and 2008 data respectively.

Table 4: Test results 2004 data ($R^2 = 0,248$)

	Beta	t	p-value
constant	1,771	7,170	0,000
awareness	0,267	4,217	0,000
infoquality	0,214	2,699	0,008
markpres	0,010	0,151	0,880
transafety	0,185	2,332	0,021

Table 5: Test results 2008 data ($R^2 = 0,228$)

	Beta	t	p-value
constant	1,619	5,215	0,000
awareness	0,258	3,290	0,001
infoquality	-0,023	-0,272	0,786
markpres	0,150	1,832	0,069
transafety	0,281	3,170	0,002

Discussion

The 2004 data show support for three hypotheses: the online shop awareness and the quality of the product information available on the website are positively related to the trust someone has in an online shop as well as clarity about the transaction ($p <= 0,05$). The significance of awareness shows that it is important for online shops to be perceived generally as a well known brand with a good reputation. This reputation can be established through various media (like newspapers) and can be based on recommendations by previous purchasers. The significance of infoquality shows that companies that wanted to sell products on the Internet in 2004 looked more trustworthy if they had appropriate product information online that was easy to access.

Knowledge about and presence of certification marks did not seem to play a statistically significant role in establishing trust in 2004. Clearly, certification marks were not really required in 2004 for customers to trust some website. This reflects the fact that customers in the 'brick-and-mortar' world do not rely on certification marks to build trust either. All in all, people going online did not really seem to have adapted to the online environment. They still trust sellers that are well-known and that can show they know something about the product. The fact that customers look for shops that are well-known shows in the insignificance of certification marks. Customers do not need some third party to tell them some website can be trusted, there are shops they already know that sell the product they want online and that is sufficient. They do not really care about other shops, even if those seem to offer the same products at somewhat lower prices. This shows that well-known companies can turn their brand in real cash by getting big market shares and price premiums.

The findings are similar for the 2008 data although an interesting change can be noted. Online shop awareness is still statistically significantly related to trust ($p <= 0,05$). Having a strong brand was thus still valuable in 2008. However, we notice an increase in the p-value for awareness. At the same time, we notice a big decrease in the p-value of certification mark presence. While it is still not possible to prove a statistically significant relationship between certification mark presence and the consumer's trust in online shops, the data seems to suggest that there is slowly growing an interest of customers to consider other suppliers than well-known brands. Risks of doing business with such companies are perceived as being bigger and variables related to certification marks and clarity about the presence seem to get lower p-values in the 2008 sample (but still remaining insignificant).

Interestingly, while infoquality was statistically significant in 2004, it turned insignificant (p=0,786) in 2008. Customers seem to acknowledge the fact that it is very easy for swindlers to copy paste information from reliable web sites and that the people behind websites may know nothing about the products that are offered on their website. That is, on the Internet, getting product information is very easy for people who want to (act as if they want to) sell something. In the real world, a person that wants to (act as if he wants to) sell something must invest considerable time and effort in getting the product information into his mind.

Limitations and further Research

Our research did investigate whether presence of product information entailed trust, but did not investigate whether absence of product information entailed distrust. While presence of product information does no longer seem to lead to trust anno 2008, it is possible that the absence of product information would lead to distrust. This is, however, not necessarily the case (as such an online shop may still be very capable of delivering the product) and thus needs to be investigated.

Our research was conducted in a single country. Important differences have been pointed out as regards uncertainty avoidance depending on the country and culture of individuals. Straub [25], for example, applies Hofstede's dimensions [48] to compare the diffusion of e-mail in Japan and in the United-Sates, and puts forward the significant role of uncertainty avoidance in the adoption process of communication media. More recently, Bartikowski, Fassot and Singh [26] extended the TAM model to integrate a dimension entitled "cultural adaptation". In a cross cultural empirical study, they identify the cultural aspect of consumers' acceptance of international websites. Their study is very useful from a practical point of view insofar as it enables marketing managers to adapt their e-commerce websites to the profile of international consumers. Other authors apply Davis' TAM model [27] to explain individual intentions to make purchases via the Internet and put forward the importance of risk aversion [28] [29]. Srite and Karahanna [30] identify "espoused national cultural values" as an important moderator of individual intention to use an information technology. South Korea scores 85 on Hofstede's Uncertainty Avoidance Index, which is rather high (especially compared to countries such as Singapore with a score of 8). This implies that South Korean people don't like uncertainty. This may be the reason that the data proved 'online shop awareness' to be of significant importance. People in South Korea, however, tend to minimize levels of uncertainty by implementing strict rules and policies. According to Hofstede [49], 'the ultimate goal of this

population is to control everything in order to eliminate or avoid the unexpected'. One could expect certification marks to fit in this scheme. However, uncertainty avoidance seems to be that deeply routed that certification marks currently are not sufficient to let consumers trust unknown online shops. Further research should investigate whether the same variables in our model are (in)significant in other countries. Further research could also investigate in what countries certification marks could be used to convey trust: while those marks are currently not valued in a risk averse country like South Korea, they may not be needed in countries with low uncertainty avoidance such as Singapore. It is quite possible that certification marks may become a success in some countries but not in others. Similarly, in some countries people may be more locked-in by existing suppliers than in other countries. At a higher level, this may have effects in terms of countries that do, or do not, get into globalization.

Clearly, it is important to continue the longitudinal study that was started in this paper to witness whether the evolution that slowly seems to be going on in South Korea (in terms of significance of certification marks and the like) is continuing.

Conclusions

Previous research had pointed out that trust is increased by adding elements to websites that stress the real world existence of the company (such as physical addresses and phone numbers). The paper at hand shows that customers (in our South Korean sample) back in 2004 also tried to identify a good seller like in the real world: by investigating whether he seemed able to provide accurate product information (on his website). By 2008, when the second sample in our study was taken, the customers seemed to have started to more fully understand the specifics of e-commerce and that availability of accurate product information does not guarantee that the people behind the website really know the product they sell and can be trusted.

Customers were and are showing trust in online shops that are generally well known and have a good reputation from media like newspapers. Certification marks which reveal trustworthiness and which should allow consumers to do business with companies they do not really know, do not seem to induce trust at this point in time but there is a small sign that they might be able to do so in the future.

All in all, the 2004 South Korean customer seemed to do business on the Internet like in the real world. However, by 2008 he seemed to be slowly moving away from that traditional way of buying things on the Internet to an Internet-specific way where other elements are considered to decide whether an online shop can be trusted.

This paper opens up several avenues for further

research, especially concerning longitudinal, cross-cultural research on trust inducing elements.

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