

Importance of Consumer Trust in e-commerce

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Abstract

The internet age offers prospective benefits for clients universally. Customers are no longer hostages to geography. There are bigger choices, cheaper prices, and completely new products are obtainable in many product categories, to consumers who may be actually far away from the world's centers of traditional commerce (Economist, 1997). For e-commerce it is generally granted that e-commerce can only become a wide success if the general public trusts the virtual environment (Tan & Thoen, 2001). The decreasing number of customers in e-commerce is due to lack of trust (Tan & Thoen 2001; Reigelsberger et al. 2003; Patton & Josang 2004; Pennanen 2005). Trust is more important than in traditional, "real world" transactions (Kim et al, 2007).

There are a few issues that affect trust of consumers in E-commerce and subsequently may affect E-commerce growth. These include security and behavioral issues.

Security Issues in E-Commerce

The weakness of the Internet upon which e-commerce is established, leads to security being the main taxing problem faced by consumers who wish to trade in the e-commerce world. (Suh and Han, 2003). When vulnerabilities are noticed by hackers, they will employ them to their advantage, and disaster may follow (Lee and Rahman, 2003). This will affect consumer's views about the security of any e-commerce website since their privacy has been disclosed. A very recent example was Sony Playstation where a hacker stole all credit card and other personal information. Fundamental requirements for the performance of e-commerce are security control for confidentiality, reliability, and protection of information Suh and Han (2003). In general a consumer is not able to censor the safety and security of sending sensitive personal and financial information. Therefore e-commerce should apply high-tech security mechanisms to guard itself from infringements to defend customers from being indirectly invaded

Technology and policy solutions are two lines of defense that can be resorted to (Laudon and Traver, 2007). There are many used technology solutions for securing communication media between consumer and Internet merchant such as Secure Socket Layers (SSL), Secure Electronic Transfer (SEL), Secure Hypertext Transfer Protocol (S-HTTP), Encryption Approach, Digital Certificate etc. These technologies perform in a different way, but lead to a mutual objective, that is, securing the communication channels from other parties. Some of the policies applied include feedback mechanisms, employing third party services that offer security seals and certificates, affirming a clear privacy policy, presenting company information etc which has been demonstrated to be effective in communicating trust through the online environment.

Consumer Behavior Issues

The characteristic of consumers affect e-commerce. Economic conditions and technological knowledge of online shoppers markedly influence their trust of an e-business (Mahmood et al, 2004). Several authors revealed the relationship between income and trust where trust is lower when consumer's salaries are low (Alesina and Ferrera, 2004; Zak and Knack, 2001).

The trading atmosphere shapes the way consumers act and behave. There is a difference between conventional business and online business activities . It is noted that Internet cyber transactions are blind, borderless, can occur 24 hours a day and 7 days a week, and are non-instantaneous. These will lead consumers to be worried that the seller won't adhere to their transactional obligations (Kim et al, 2007). Therefore, whereas trust in traditional transactions usually is focused on face-to-face personal relationships, trust in an Internet business is focused much more on transaction processes (Kim et al, 2005).

Traditional Vs e-commerce market. In the real world environment, consumers are able to touch the item physically and if they are happy, then they will purchase the item. In addition, an electronic transaction has several shortcomings, and risk. "Since transactions [on the Internet] occur without personal contact, consumers are generally concerned with legitimacy of the vendor and authenticity of products or services" (Chen and Dhillon, 2003, p. 1).

The consumer has to have faith that the seller has both the means and the impetus to deliver goods and services of the quality expected. This belief is usually more complicated for an Internet merchant to create than it is for a conventional merchant. In Internet commerce, merchants rely on an impersonal electronic storefront to act on their behalf. Furthermore the Internet reduces the capital needed to enter and exit the marketplace. Internet merchants may be considered as fly-by-night since there are less guarantees for consumers that the retailer will maintain their business for a while. The appearance of physical buildings and facilities has an effect on the consumer's behavior in traditional commerce (Doney & Cannon 1997). This situation is different for retailers on the Internet where consumer trust might be expected to be naturally low.

In traditional business, consumer trust is usually developed when the consumer has had prior communications with the merchant, relates with a well-informed salesperson with probably a comparable background to the consumer, is sheltered by strong social and legal structures, and anticipates to be shopping at the store for a long epoch (Geyskens et al., 1998). This is a contradistinction to e-commerce where consumers are spread around the world, and where these bases of trust are not easily obtainable for the merchant to exploit.

Trust and Web Design

It is critical to build trust in the website. This usually takes place in a three-stage collective development that institutes (1) trust in the Internet and the specific web site, (2) trust in the informa-

tion displayed, and (3) trust in delivery fulfillment and service (Urban et al, 2000). Urban et al recommended the utilization of virtual advisors in the form of personal shopping consultants. These advisors will interrelate with consumers to grasp their needs and could offer customers guidance.

Lynch et al, 2001 carried out a study of 299 consumers across 12 countries in North America, Western Europe, and Latin and South America. They found that the three vital issues that influenced customer's online purchases included quality, affect and trust.

Initial trust normally is generated by the distinctiveness of the website itself. In e-commerce the website is the only way a company communicates with the customers (Chen and Dhillon 2003p. 310-311).

What is trust?

Trust is a conviction or anticipation that the word or promise by the merchant can be relied upon and the seller will not take advantage of the consumer's weakness (Geyskens et al., 1996). E-commerce as a novel form of commercial activity, implicates more uncertainty and risk than traditional shopping (Lee and Turban, 2001). Therefore trust is more critical in e-commerce. That trust plays a vital role in the relationships between consumers and e-vendors (Fung and Lee, 1999) . Hoffman et al 1999, pinpoints that one of the crucial rationale for people's lack of readiness to provide information or shop online is "the fundamental lack of faith (or trust) between most businesses and consumers on the Web".

It is crucial that websites incorporate features that provide the confidence required for consumer's to know that their personal information is being protected. Che-Hussin et al (2003), have identified the ten top ranked trust attributes which can be included at the first page of an e-commerce website so as to convey the trustworthiness of the e-commerce website.

Table: Top ten trust attributes (Che-Hussin et al, 2003)

Trust Dimension Rank	Trust Attributes
1.	Company telephone number
2.	Company e-mail address
3.	Privacy Policy
4.	Company address
5.	Merchant-Trust
6.	Third party for secure transaction (e.g. VerSign)
7.	Third party for personal data protection (e.g. Truste)
8.	Consumer feedback form
9.	Recommendation of website by a third party (e.g. Shop-safe)
10.	Specific staff name, Photo of staff

Doney and Cannon (1997) label trust as an order qualifier for buying decisions. Whereas Quelch and Klein (1996) conjecture that in the early stages of Internet development, trust is a critical factor in inspiring purchases over the Internet. Keen in 1997 stressed that trust is not only a short-term factor but the most important long-term barrier for fulfilling the capability of Internet marketing to consumers.

There are a number of factors contributing to online trust including quality, customer support, on-time delivery, convincing product presentations, convenient and reasonably priced shipping and handling, clear and trustworthy privacy policies (Reichheld and Scheffer, 2000), company reputation (Quelch and Klein, 1996;), online transaction security (Palmer et al, 2000), or information privacy (Hoffman and Novak, 1996).

Considerations of Culture

A definition of culture is complex. According to Matsumoto (1994), "culture is characterized as the degree to which people share attributes, values, beliefs and behaviors." Hofstede defines culture as "the collective programming of the mind which distinguishes the members of one group from another" (1984, p. 21). Doney et al (1998) note culture is "a system of values and norms that are shared among a group of people and that when taken together constitute a design for living" (1998, p. 67).

A number of researchers (Dawar et al, 1996; 1999; Yamagishi and Yamagishi, 1994) refer to Hofstede's (1984) look at the connection between culture and trust. They noted that in an individualist society such as the U.S., Canada or Germany individuals are anticipated to regard personal interests over interests of the group and individual decision-making is appreciated.

There are questions about the vigor of trust effects across cultures. The forerunner of consumer trust is affected by culture; where consumers in different cultures might have differing views of what makes a web site trustworthy. Among different populations and races, the primary bases of trust may diverge. Hofstede (1980) found that one dimension of culture is individualism-collectivism and is one which has the strongest variation across cultures. It is noted that consumers coming from individualistic nations might have an elevated trusting stance in general and be more willing to base their trust in the merchant on characteristics that are inferred from an impersonal web site, than consumers from collectivistic nations.

The wishes, morals and goals of individuals in individualistic cultures, take preference over the group. In collectivistic cultures, the wishes, morals, and goals of the group take preference over those of the individual (Gudykunst, 1997).

In individualistic cultures people are self-reliant, competitive, trusting of others, and focused on utilitarian views of exchange and competence (Bhawuk & Brislin, 1992). Therefore, individualists are much more likely to trust others until they are given some reason not to trust. On the other hand, those high on collectivism are more likely to base their trust on relationships with first-hand knowledge (Triandis, 1989).

It is shown that culture also influences how an individual reacts to a possible risk of being exploited by others (Weber and Hsee, 1998; Yamagishi & Yamagishi, 1994). In addition to trust and risk perception, culture has been claimed to influence the relative strength of the sources of trust (Doney et al., 1998). So in collective culture there is a higher propensity to trust than in individualist cultures. It was shown that Chinese collectivists are least risk averse when selecting risky financial options than participants from the U.S., Germany or Poland.

Individualistic societies have normally less trust and cooperation in relationships that are temporary. Between cultures, the propensity to trust is reversed. Individualists are more optimistic than collectivists concerning benevolence from strangers (Yamagishi and Yamagishi, 1994).

Website Satisfaction and Culture

E-satisfaction is defined as the satisfaction of the customer in regard to his or her former purchasing experience with a given electronic firm (Anderson and Srivanan, 2003). Linking e-satisfaction to e-loyalty, Devaraj et al (2003) assert "repeated satisfaction with purchases eventually leads to customer loyalty" (p.185). Additionally, Szymanski and Hise (2000, p. 318) found "positive perceptions of site design are important to e-satisfaction assessments".

It is expected that online consumers will be more happy with websites that are localized to their distinct cultural inclinations. This will help in improving the site to offer a "technologically, linguistically and culturally neutral platform from which to launch global e-commerce initiatives while allowing a framework that incorporates local content and functionality" (Shannon, 2000). This will lead to the site matching the target users in diverse areas (Lagon, 2000). So it is critical to create culturally and consumer sensitive sites rather than creating a universal site (Simon 2001 p.32).

Website Design and Culture

Successful website design connects and draws online consumers. Design elements normally considered embrace architecture of the information, familiarity of metaphors, transparency of terminology, ease of access, and level to which the site is customer centric (Hoffman and Novak, 1996).

According to Gommans et al (2001, p. 51), "A website has to be designed for a targeted customer segment... Local adaptation should be based on a complete understanding of a customer group's culture." When cultural essentials are respected in website design, they will influence the way a user interacts with the site (Barber and Badre, 2001).

There are different user preferences on some of the design characteristics considered such as color or screen images across cultures (Del Galdo and Nielsen, 1996). It is anticipated that Web users will sense design elements of a local website as more culturally suitable and therefore are favored over design elements of a foreign website. There is little research in the area that links trust, satisfaction and e-loyalty and their relation to design preferences of differing national cultures.

In conclusion e-commerce will eventually grow further in the future. Both building trust and improving technological safety will play a major role in allowing E-commerce to reach its full potential.

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