The Role of Trust in e-Business: Understanding the Customer

SEPPO SIRKEMAA
Pori Unit
Turku School of Economics at the University of Turku
P.O. Box 170, 28101 Pori
FINLAND
seppo.sirkemaa@utu.fi  http://www.tse.fi

Abstract: - Customer’s decision to buy is in high degree based on the trustworthiness of the company offering products and services. It is widely acknowledged that understanding customer needs is a critical success factor in business. Here we look at the needs of the e-business customer. It is noted that trust is a critical issue in this context.

Key-Words: - electronic services, customer needs, trust, e-business, development

1 Introduction

Internet is increasingly being used as a platform for selling and buying. More and more computer users are browsing the web, making it appealing for companies to offer their products and services through the internet. The choice of merchandise and services is huge, and companies are challenged to think in what way to take advantage of the potential of e-business.

In this paper we look at the risks involved in using internet for selling and buying. The focus will be on selling to customers - e-Shopping - even though the idea of risk is present in all types of e-Business transactions. In general, there are risks in using internet for buying and selling. Typically, associated with any electronic business transaction are flows related to material, cash and information with payment being a critical part of the transaction [39]. For example, buyers are concerned that after payment has been made does the ordered product arrive or meet expectations. It is argued that there are two main factors affecting the consumer’s use of internet for commercial purposes, for e-shopping [25]. These are trust and ease of use. Both factors need to be understood from the user’s perspective.

2 Trust and e-Business

Trust is a key concept in internet, both in e-shopping made by consumers and in e-business that takes place between companies. In internet-environment perceived site trust dictates whether potential consumer shall make purchases or not [43]. Consumers that purchase over the internet not only need to have trust in the site offering products or services, but also has to have trust in internet itself as a media for commerce, communication and distribution [14], [2]. Typically, risks related to misuse of customer information, reliability, fraud and payment are holding users from making purchases on the internet [33], [2].

It is argued that the e-commerce infrastructure, containing both the internet as such and individual sites form a social institution [28]. Here institution-based trust is further divided into two subsets, structural assurance and situational normality [28]. Structural assurance refers to a belief that there exists “protective structures” which ensure that a transaction can be successfully done in the internet, for example. The other component of institution-based trust is situational normality which means that it is expected that situations, transactions and processes will lead to expected outcomes. In internet-transactions this can be understood that transactions will proceed as they would in real-life, there are similar steps involved in applying for baby-care whether this is being done using a e-service or filling the application in a office. As a result, there is a embedded belief that internet is a platform that is a communications and shopping environment involving predictable processes and outcomes, ultimately leading to trusting commercial behavior [40], [1].

The buyer has to have some confidence when using internet and making transactions in the digital environment. This does not mean, however, that businesses and services in the internet can be trusted blindly. If the organization has operations also in real-life (brick-and-mortar company) the users are likely to create their opinions also based on real-life experience with the organization in question. In pure internet-companies the trust can develop only from digital experiences. In internet trust develops from past behavior, track of “keeping promises”. Koehn [23] speaks here of calculative trust which refers to parties judging each other history of keeping promises, and knowledge-based trust that develops when parties are familiar with each other and interact frequently. Hence,
the reliability of the service provider deals with user’s perceptions of the provider’s honesty and ability to perform as promised [1].

3 Focusing on structure and content

In general, designers of web sites should pay attention to issues like usefulness and ease of use. The web-site is the most important communication channel between buyers and sellers. The web-page is the primary vehicle where a seller can earn the trust of potential buyers, and has an impact on the decision to buy [27], [11]. As a result, the layout and usefulness of the site becomes crucial for the sales made in cyberspace [41]. Grouping the content, and using white space can improve readability and the overall credibility of the site [42]. When the content is presented with simplicity and consistency the result is increased trust among the customers [30].

Internet buyers put a lot of importance on the trustworthiness of the seller. The credibility of the web-site is one element that affects the perceived trustworthiness. This means that e-Business companies should minimize any suggestions of a transaction risk for potential customers by setting up a well-designed and functioning web-site. Wang and Emurian [41] suggest a scheme with four web-site design dimensions in which aim to gain the trust of potential customers:

- graphic design,
- structural design,
- content design and
- social-cue design.

In web-site the structure, design and layout are important. Issues like graphics and web-page colors have a direct impact on customer’s feeling of a web-site [22]. The quality and professionalism are likely to increase the degree of trust by the customers. Basso et al. [6] note that attractive graphics grabs the potential buyer’s attention, as well as good design demonstrates the professionalism and capability of the online seller.

Content design relates to how the web-site presents the content to the potential buyer. Here four aspects should be considered [41]. The first is the brand image of the web-site including the company logo, business background, description of operations and contact details. The second aspect is management of customer relationship. When doing business most buyers are concerned about security and privacy, packaging and delivery services, tracking of delivery, the refund policy. This kind of information should be clearly available on the web-page [9], [16], [30].

The accountability of the company is the third aspect [41]. Here issues like protection of customer privacy, guarantee of the transaction’s security, product or transaction warranty and statements of credibility and testimonies of customer satisfaction are elements that increase company’s stability and credibility [19]. The fourth aspect in designing web content is to provide product and service information accurately. Brand and company name should be displayed, they differentiate the site from others and make it more attractive, increasing the perceived trust and potential buyer’s understanding of the product [16].

In web-sites communication is often limited to text and graphics displayed on user’s screen. Lack of face-to-face interaction is problematic, it is likely to create a gap between company and it’s customers. Social-cue design in can help here, and it can further increase customer’s trust in company and it’s services [32]. Basso et al [6] found that the interface that uses a interactive design can indirectly influence customers to share information about the company and its products, and to make customers visit the site in the future and purchase again. Web-site interface might contain social cues and thus increase customers trust in the company. Elements like pictures or photos that show company workers are a simple and effective way to strengthen the customer connection [36]. Other common elements for the social-cue design include lists of phone numbers or internet address. Providing the physical address of the store and listing operating hours can further create the image that Internet customers can trust the business.[17]

4 Towards customer satisfaction

Internet is a demanding environment for companies doing e-Business. This is because services and products are consistently evaluated by consumers, judged, rated and discussed in various forums that are beyond the reach of the e-business managers. Because e-business owners and managers have very little control over what is being said about them in the internet reviews, ratings, certificates made by third parties and consumers are important in trust development [13], [1].

Ease of use is a key issue in successful e-business. Usefulness and ease of use have been found having a positive impact on information system usage and internet usage [20], [24], [25]. When the visited sites are enjoyable and entertaining the sites will probably be visited more often and more time will be spent browsing the sites that offer the user pleasurable internet experience [34]. However, as found by Lim et al. [25] when studying users who visited e-shopping sites with the intention of making purchases through the web sites perceived enjoyment itself may not motivate user to
increase the e-shopping web site usage. Security and perceived trust are a necessary condition but not a sufficient condition of successful e-commerce web site [26]. The results of Lim et al. [25] indicate that perceived ease of use affects more usage of e-shopping web sites than perceived usefulness and information risk. In the long run it is still important to develop privacy protection, and to provide information on privacy policies. The importance of perceived enjoyment and usefulness may also be understood so that sites should not contain excessive amounts of entertaining elements at the expense of slow responsiveness and useful site content.

It is generally accepted that customer satisfaction is one of the most important determinants of customer loyalty [31], [37], [15]. Shankar et al. [35] found that customer satisfaction and loyalty have a reciprocal relationship, and they reinforce and strengthen each other. In e-business context there are various tools and functionalities which make the site more useful, and empower the user to do e-shopping. These include possibility to make comparisons between different products, customizable searches, transaction tracking and interactivity [3], [18]. However, it has been noticed that the relationship between satisfaction and loyalty is relatively complex [31], [29]. For example, customers can be satisfied but they are not necessarily loyal to any specific company. It is a fact that it is very easy to search for lower rates and alternatives in the internet. This is a significant challenge for e-business companies – how can one keep customers when it is easy to switch between suppliers? It is argued that switching costs can explain customer loyalty in internet which is challenging environment for developing customer relationships [5], [35]. Higher level of customer satisfaction reduces perceived benefits of switching behavior, and satisfaction is likely to generate higher level of customer loyalty [12], [4], [10]. Customer satisfaction and switching costs have equal importance on determining customer retention [38]. There is empirical evidence that switching barriers increase customer retention when customer satisfaction is low [21], [5]. This highlights the risks of creating switching barriers – they are notorious if dissatisfaction is temporary and customers feel being entrapped.

Customer satisfaction and switching costs may interact negatively with each others in driving customer intentions in the future. When switching costs rise intentions to stay as a customer with a given partner may decrease and vice versa. Jones et al. [21] found evidence on this negative interaction surveying different samples of bank and hairstylist clients. In these cases high switching barriers decrease intentions to repurchase. However, Burnham et al. [7] made interviews of business consumers of a credit card firm and found no support for the negative interaction between customer satisfaction and switching costs. This indicates that switching costs vary across industries, and there are large firm-level variations in switching behaviour [8].

5 Conclusion

Here it is argued that successful e-Business relies on trust between the buyer and seller. From customers perspective it is vital that the business partner is reliable, honest and able to perform as promised [2]. These are building blocks of trust and needed in order to build customer loyalty.

There are also other important factors that developers of e-Business should take into account. The user interface of the web-site providing services and products should be straightforward and easy to use. Customer satisfaction is a key issue also in the internet environment. Trying to keep customers loyal by building barriers for switching is a risky strategy. Switching costs may not eventually prevent customer retention, especially if customers are not happy the results are likely to be poor.

References:


