



Chapter III

Consumer Trust and Confidence in Internet Commerce

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INTRODUCTION

The Internet network is rapidly becoming more and more popular among companies as an avenue to do business. It has made it easy for them to advertise, market their products and services, and communicate with their customers. Advertising and marketing on the Internet offers the promise of huge profits. Sellers, though, are not the only ones to reap benefits from the Internet. Purchasing products over the Net has also become extremely beneficial. It is faster than the traditional process of mail ordering, and various on-line support forums provide advice that is not found in manuals, catalogs, or brochures.

Over the last few years, retail and computer experts have called the Internet the hottest marketing trend and the new consumer market. There are a number of benefits which Internet commerce could potentially deliver to consumers—convenience, wide choice of products, better product information, new types of products and services, and even lower prices. Nevertheless, the actual volume of consumer buying on the Internet is still small, a tiny fraction of worldwide consumer purchases. At the heart of this phenomenon of Internet commerce are the most essential concerns of the consumer—trust, confidence, and protection.

Trust, itself, represents an evaluation of information, an analysis that requires decisions about the value of specific information in terms of several factors. Methodologies are being constructed to evaluate information more systematically, to generate decisions about increasingly complex and sophisticated relationships. In turn these methodologies about information and trust will strongly influence the growth of the Internet as a medium for commerce.

In this new business environment, consumers find themselves increasingly in the driver's seat, holding a tremendous amount of purchasing power over providers and sellers. They are empowered because they now have access to a worldwide assortment of suppliers—the Web gives them the power to buy from anyone, anywhere, anytime. The consumers, therefore, want to have control over the collection and use of their personal data and to have appropriate redress mechanisms available in the event of a problem.

The explosive growth of the Internet has promised a new shift of power to consumers. This chapter takes a look at the changing environment of the Internet and its opportunities for consumers, and examines the issues that Internet commerce throws into sharp focus—trust, confidence, and protection of consumers.

The Consumer Is the Major Player

The Internet has offered a breakthrough in marketing efficiency. Where traditional marketing often treats customers as an undifferentiated mass, the Internet allows the seller to discover and exploit the buyers' individual interests. Traditional marketing relies on disparate media for advertising, research, sales, promotional activities, coupon distribution, and customer support. The Internet, by contrast, permits the sellers to put these separate channels of customer communication into a single, focused, coherent response mechanism. Sellers or merchants can create awareness, educate, generate trials, reward loyalty, provide customer support, and generally simplify the customer's life. As Godin (1999) says, the Internet is surely "the greatest direct marketing medium of all time." Indeed, the Internet gives customers an unprecedented degree of control over the entire marketing process.

As consumers become proficient at using the Internet, they'll take the lead in satisfying their own needs. This is particularly true of the devoted customers of particular companies, but mainstream consumers will eventually jump in, too. (Hill and Rifkin, 1999). The Internet gives consumers the ability to access a great deal of information about the benefits and prices of various products and services. For instance, in the publishing business, when a particular topic interests them, consumers will use the powerful search engines available to contact whoever has the content they need—whether it's a bookseller, a book publisher, a magazine, or even an author. Not only will customers grant these providers permission to send additional information; they'll actively solicit information. They will engage in dialogue very much as equals with marketers—and they will be eager to buy when they have found the right match.

Thus, in this global, hyper-competitive environment, those who can survive are the ones who understand the shift away from today's pushing of products and services, to a more pull-oriented model. Because consumers are faced with an ever-increasing choice of products and services to buy from an ever-increasing number of vendors, their expectations shift from selecting what they want to buy to defining it. The economy will, thus, become increasingly demand-driven with the customer dictating the rules of trade.

Internet commerce has been revolutionary for business as it potentially shifts greater power from the business to the consumer. Nevertheless, many problems impede its growth. Central to these problems are consumer's trust and confidence. Some of the greatest areas of concern are security and privacy of personal information, the safety of international trade, and the lack of a uniform payment system.

Though there are many obvious advantages for consumers and organizations to do business on-line, consumers have learned to be wary of Internet commerce. "Many businesses are reporting that the level of sales over the Internet has been disappointing" (Survey Net).

Currently, marketers can only segment their audiences, conduct onetime targeted campaigns, or make crude attempts at personalization, where consumers open a piece of mail that addresses them by name in the cover letter. A few companies such as Amazon.com have begun to grasp the importance of learning about and catering to their customers. Amazon.com "remembers" its customers' reading preferences and alerts each with an

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