

An Overview of Online Trust Derivatives for E-Commerce Adoption

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INTRODUCTION

With the growing share of electronic commerce in the global economy, distance trust building has become imperative; as a result better models to evaluate, represent, and transfer online trust are required for wider adoption of electronic commerce. Emerging and small electronic merchants, who do not have established brand value, employ a number of techniques to transfer trust from different sources. Trust is a significant stumbling block in the development and wide adoption of electronic commerce. When physically present established merchants enter into e-business environment they face none or little restrictions in capturing online consumer market, primarily because of the trust value already associated with their brand. The total trust value of any merchant is composite of individual and collective trust transfers. In relation to established e-merchants, establishing e-merchants have to heavily rely on different individual and collective trust transferring techniques.

This chapter identifies various individual and collective online trust transferring techniques that e-merchants can employ for their business growth. The individual sources include, Web user interface, provision of alternate dispute resolution, and availability of transaction insurance. The collective online trust transferring derivatives include trusted referrals, online reputation and use of privacy and security seals.

In the next section an overview of each technique is presented. Followed by the overview, a conceptual model is presented which outlines the impact of each trust transferring source on different dynamics of e-business and each dynamic's characteristics. The proposed model targets to assist the e-businesses to select a right combination of trust derivatives. Further assisting the e businesses in enhancing their brand value based on the behavior of their potential customer base.

ONLINE TRUST TRANSFERRING TECHNIQUES

Individual and collective trust transferring practices are the two groups of techniques that can be employed by e-merchants to enhance users trust on them. The recognized techniques are discussed below.

Collective Trust Transferring Techniques

Collective trust transferring techniques rely on combined effort of several users and service providers. Such techniques have much wider impact on potential customers. The recognised collective transferring derivatives are discussed below.

- a. **Trusted referral:** Information regarding a product, physical or online business acquired from either the user's physical, or online trusted social network impacts the user's initial and subsequent levels of trust in an online business. The impact is directly associated with the user's level of trust on the source of information in terms of its credibility, honesty, and ability. Trusted referrals (Kim & Prabhakar, 2000) "are the primary means of disseminating market information when the services are particularly complex and difficult to evaluate. This implies that if one gets positive word-of-mouth referrals on e-commerce from a person with strong personal ties, the consumer may establish higher levels of initial trust in e-commerce" (p. 538). Fullam and Barber (2004) pointed out that the user's belief on information accuracy and certainty conveyed in the information, form the level of trust in the information source. Thus one may conclude that 'a referral from the user's personal trusted source actually transfers trust from the referring source to the referred entity.'

While analysing the impact of trusted referrals Fullam et al. identified that users' prior confidence in the information source that is, users' perceived trustworthiness of the information source, contents of the reported information, number of sources reporting similar information, certainty conveyed in the information and age of the information affect the users' belief on acquired information. Besides aforementioned factors, the existence of trusted referrals in small isolated segments, if any, is an obstacle limiting the capability of new and emerging merchants to fully utilize their business potential. Any new and emerging online merchant will have relatively lower brand value and small existing customer base in relation to established existing e-merchants. Therefore they have to rely more on other individual and collective trust transferring sources to further increase potential customers' trust in them.

- b. **Online reputation:** In the absence of trusted referral, online reputation is one of the main sources used by customers to establish relations with online service providers. Zacharia (1999) states "reputation is usually defined as the amount of trust inspired by a particular person in a specific setting or domain of interest" (p. 163). Online reputation regarding an e-business is built by collating the past experiences of the users who have previously interacted with the same service provider. This technique in the form of reviews, feedback and point ratings, is also used by several online auction sites like eBay.com and some Web retailers like Amazon.com to enhance user's level of trust in Web merchants. In an empirical study by Sarah, Choon-Ling, and Kai (2002) it was identified that most users give high value to the previous customers' endorsements to evaluate the ability of the Web merchant, even more than third party affiliation. In the study 80% of the respondents reacted positively to establishing trust on online merchant, due to the positive feedback from the previous customers. Resnick, Zeckhauser, Friedman, and Kuwabara (2000) identified that, from potential customer's perspective, the absence of a process to validate and assure the honesty of feedbacks, acts as a hurdle in wide acceptance of the online reputation system. In the same study, the absence of a mechanism to exchange/share online feedback

information between reputation systems was identified as an effectiveness limiting factor of such systems. This lack of inter-integration makes the collection of information from all trusted sources expensive and a tiring activity for the potential customers. Resnick et al. (2000) also recognized that mostly previous customers do not bother to provide any feedback and if they do, they usually only provide feedback if they go through very bad experience.

Moreover the new and emerging online merchants have relatively small existing customer base, therefore they cannot fully rely on online reputations systems to build trust. Thus online reputation building should be a parallel process which the e-merchants should execute as they establish their brand and online business.

- c. **Third party privacy and security seals:** Third party Web seals are used to provide consumers with a trusted view of an e-merchant. Such seals are mostly used by new and small businesses. The dominant trust seals used on the Internet include BBBOnline Privacy (2006a), BBBOnline Reliability (2006b), TRUSTe (2006), and WebTrust. While evaluating the impact of WebTrust (2006) on users perceived trustworthiness Portz (2000) identified that 94% of the participants noticed the presence of WebTrust seal. A recent study by Egger (2003) identified that the Web-based trust seals contribute significantly to trustworthiness in case of US respondents. The same study recognized that Americans consider the presence of familiar brands and credit card companies' logos, like MasterCard or Visa, as less of an indication of trustworthiness than Web-only trusted third parties like VeriSign or TRUSTe. Cheskin Research (2000) investigated the international validity of online seals. Cheskin research concluded that the VISA brand is most trusted in Latin America while TRUSTe is most trusted in US. However contrary to other studies, Princeton Survey Research Associates (2002) survey estimated that only 19% of respondents identified seals as important factor in their trust formation. The third party seals are mostly used by new or small businesses, as it only makes sense to use them when the trust value generated by the seals used on the Website exceeds the trust value



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