

# Chapter VI

## Building Consumer Trust for Internet E-Commerce<sup>1</sup>

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### **ABSTRACT**

The growth of the Internet is increasing the deployment of e-commerce B2C services within such areas as e-retailing, e-learning, and e-health. However, a major impediment to the growth of e-commerce on the Internet is the lack of consumer trust in the provider of the e-service (Van Slyke, Belanger, Comunale, 2004). This chapter presents a literature survey of recent contributions to building trust in e-commerce, followed by a description of seven ways for the B2C Internet service provider to build trust in the use of its services among consumers.

### **INTRODUCTION**

Accompanying the growth of the Internet has been the availability of a diverse number of e-services. Most consumers are familiar with online banking or online retailing via the Internet. Other Internet-based services such as e-learning (online courses), e-government (online government services such

as tax information), and e-health (online medical advice and others) are becoming more commonplace as well. Yet, the pace of such growth can be many times the current rate if consumers found these services trustworthy. According to Van Slyke et al. (2004), worldwide Internet commerce was expected to reach \$8.5 trillion in 2005, of which online retail sales is the most evident, with U.S. consumers spending \$51.3 billion online in 2001, \$72.1 billion in 2002, and a projected \$217.8 billion in 2007. However, Van Slyke et al. (2004) also report that not all forecasts are as rosy: while total online spending is increasing, per person online spending is quickly declining. These authors indicate that concerns over privacy and trust are among the most important factors that turn an online buyer into a nonbuyer. Kim and Prabhakar (2004) examine the role of trust in consumers' first adoption of Internet banking. They report that consumers' initial trust in the e-banking service is necessary for making use of the service and that this initial trust is based on trust for the "e-channel," the electronic channel through which service transactions are conducted

(i.e., the Internet). Kim and Prabhakar (2004) state that trust of the e-banking service calls for trust in the provider of the service (the bank) and trust in the e-channel.

This chapter has two main objectives. The first objective is to present a literature survey of recent contributions to building trust for e-commerce. The second objective is to provide a description of seven methods that can be taken by the B2C Internet service provider to increase consumer trust in its services. These methods are (1) branding, (2) seal of approval (including privacy seals), (3) trustable user interface, (4) trusted subproviders, (5) reputation, (6) insurance, and (7) economic incentives. Thus, the reader will gain from this work: (a) an awareness of what research has been done in the area of building trust for e-commerce, and (b) knowledge of seven practical approaches that can be used to make B2C services trustworthy to consumers (and thereby increase sales and profits).

It is useful in a chapter on “trust” to define the meaning of trust. Gefen (2002) defines trust as “a willingness to be vulnerable to the actions of another person or people” or “the expectation that commitments undertaken by another person or organization will be fulfilled.” Gefen (2002) also states that “overall trust is the product of a set of trustworthiness beliefs” that are primarily about the ability, integrity, and benevolence of the trusted party. “Integrity is the belief that the trusted party adheres to accepted rules of conduct, such as honesty and keeping promises. Ability is beliefs about the skills and competence of the trusted party. Benevolence is the belief that the trusted party, aside from wanting to make a legitimate profit, wants to do good to the customer.” Of course, trust is important for many social and business relationships, setting the stage for interactions and expectations. Trust is even more important for e-commerce than ordinary commerce, since the business environment of the Web is less verifiable and less controllable. When

consumers supply private information needed by a Web service, they expose themselves to possible unethical use and disclosure of their data.

The remainder of this chapter is organized as follows. The “Literature Survey” section summarizes the content and findings of recent works on building trust for e-commerce. The section “Seven Ways to Build Consumer Trust for Internet E-Commerce” describes the seven methods mentioned above for building trust. The section “Future Trends” discusses the likely evolution of trust and e-commerce in the coming years. Finally, the section “Conclusion” concludes the chapter.

## **LITERATURE SURVEY**

Many papers describing trust and e-commerce have appeared in recent years in response to the growth of the Internet and e-commerce. We present a nonexhaustive review of some of the more recent papers here (Table 1), categorizing them according to the following focus areas: “overall trust factors,” “trust models and frameworks,” “aspects of trust or methods for trust,” “trust in specific sectors or geographic areas,” “privacy and security,” and “user interface issues.” It is recommended that the reader peruse this table to find entries of interest and then read the corresponding original papers, as the summaries and key findings in the table may not do the original papers justice. In addition to the review here, we will refer to these papers in the remaining sections of this work as appropriate.

The above survey indicates that much work has been done in terms of trust models and frameworks for understanding the role of trust in e-commerce. All studies point to the same conclusion, that trust plays a key role in consumers’ decisions to adopt e-commerce. Some of the more interesting conclusions arrived at by these authors include (i) consumers’ private information

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