



## **Chapter 8**

# **Trust in Internet Shopping: Instrument Development and Validation Through Classical and Modern Approaches**

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*Despite the phenomenal growth of Internet users in recent years, the penetration rate of Internet shopping is still low and one of the most often cited reasons is the lack of consumers' trust (e.g. Hoffman et al., 1999). Although trust is an important concept in Internet shopping, there is a paucity of theory-guided empirical research in this area. In this paper, a theoretical model is proposed for investigating the nature of trust in the specific context of Internet shopping. In this model, consumers' trust in Internet shopping is affected by propensity to trust and two groups of antecedent factors, namely, "trustworthiness of Internet vendors" and "external environment". Trust, in turn, reduces consumers' perceived risk in Internet shopping. As an important step towards the rigorous testing of the model, the necessary measurement instrument has been developed with its reliability and validity empirically tested. The psychometric properties of the measurement instrument have been investigated using both a classical approach (based on Cronbach's alpha and exploratory factor analysis) and a contemporary approach (based on structural equation modeling techniques), as a way of methods triangulation for validating instrument properties. The resulting instrument represents a rigorously developed and validated instrument for the measurement of various important trust related constructs. This research contributes to the*

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*development of trust theory in e-commerce and add to the repository of rigorous research instruments for IS survey researchers to use.*

## **INTRODUCTION**

The growth of the Internet and its user base in recent years has been truly phenomenal. As of November 2000, the estimated number of people online has exceeded 407 million<sup>1</sup> and the annual growth rate remains high. Enormous potential therefore exists for the use of the Internet for the purchase of goods and services ("Internet Shopping"). However, this potential remains largely untapped as market surveys<sup>2</sup> have confirmed that many Internet users are still reluctant to make purchases on the Internet. One of the most often cited reasons for consumers not purchasing from Internet shops is the lack of trust, which stops or discourages consumers from entering into exchange relationships with Internet shops (e.g. Hoffman et al., 1999). Despite the importance of trust in consumer-based electronic commerce, little theory-guided empirical research has been undertaken to understand the nature of trust, its antecedents and consequences in the specific context of Internet shopping. The few research papers available (e.g. Jarvenpaa et al., 1999) tend to focus on very small models, ignoring many potentially important constructs (e.g. trust propensity, privacy and security) suggested by the rich but distant literature on trust. Thus, more research is called for. In addition, the study of e-commerce trust has been hampered by a lack of validated measurement instrument in the literature. As a step towards bridging this gap, this paper proposes a research model of trust in Internet shopping and presents the development of an empirically validated measurement instrument for testing the trust model.

This paper is presented as follows. The first section reviews the literatures on Trust. Then we present the research model and propositions and describe the instrument development and validation process, and results. Finally, conclusions of the findings and suggestions for future research are provided.

## **TRUST**

The notion of trust has been examined under various contexts over the years, e.g. in bargaining (Schurr & Ozanne, 1985), industrial buyer-seller relationships (Doney & Cannon, 1997), distribution channels (Dwyer, Schurr & Oh, 1987), partner cooperation in strategic alliances (Das, 1998) and the use of market research (Moore et al., 1993). Different theoretical perspectives have been used in these studies, which may be aggregated into three categories (Lewicki & Bunker, 1995):

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