

Chapter 69

Third Party Internet Seals: Reviewing the Effects on Online Consumer Trust

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ABSTRACT

Buying online is still perceived as risky. A key strategy of online marketers to increase consumer trust in online ordering is to display privacy and security seals on their web sites. Although research indicates that these Internet seals do not necessarily mean better safety for online consumers, findings of several other studies demonstrated that these safety cues do influence consumer responses. The goal of this chapter is to provide the reader with an overview of findings regarding the persuasiveness of Internet seals and to reflect upon possible explanatory mechanisms for these effects. Future research directions and managerial implications for e-business are provided.

INTRODUCTION

Consumers perceive buying in online stores as more risky than buying in conventional stores (e.g., Miyazaki & Fernandez, 2001). Third party verification and Internet seals are important means to convey a sense of safety to potential customers. For example, many online sites show their Verisign or Trustwave security seal to convince consumers that transactions can be done safely. Similarly, many online stores proudly show their Bizrate top-ranked

store awards on their homepage, or display their membership of the CNET certified store program. All these safety cues serve to persuade customers that the online store is a safe environment to conduct a purchase. The questions at hand are whether these third party security seals are indeed effective in reducing perceived risk, what determines their effectiveness, and whether a lower sense of risk as a result of encountering a third party seal is substantiated by objectively lower risks for websites carrying such a seal.

DOI: 10.4018/978-1-61520-611-7.ch069

BACKGROUND

Many web stores display third party Internet seals on their homepage to inform consumers about their adherence to rules regarding privacy and security. Well-known examples include Verisign, Trustwave, BBBOnline, Trust.e, Validated Site, and Trust Guard. Third party Internet seals serve to promote a sense of safety among online consumers. A great body of research has shown that considerations regarding safety and risk are an impediment for shopping in an online environment (e.g., Jarvenpaa, Tractinsky, & Vitale, 2000; Miyazaki & Fernandez, 2001; Pavlou, 2003; Ranganathan & Ganapathy, 2002). Most of the risks that consumers experience on the Internet can be categorized as privacy risks and security risks. Privacy risks pertain to attempts of the online retailer to collect, use and distribute information about consumers without prior permission or even awareness of the consumer. Security risks refer to either the security of the Internet itself, or to concerns about the competence and integrity of the online retailer (Miyazaki & Fernandez, 2001).

Despite the inherent insecurity of online shopping, consumer spending on the Internet is rapidly growing. Apparently, consumers have established ways to find places that they consider safe. To establish whether a web store is safe, consumers typically do not study the privacy regulations or the conditions of use (Milne & Culnan, 2004). Instead, they rely on online cues that provide information about website privacy and security and that can be processed in a relatively effortless manner. In information economics, cues that inform the other party about characteristics such as quality or safety that cannot easily be observed, and that are relevant to a sale or an agreement are called signals (Spence, 1973). Signaling theory assumes a rational consumer that takes into account that for a firm it would be economically ill-advised to send signals that imply product or service qualities that cannot be substantiated.

Third party Internet seals are signals sent to consumers to inform them that the firm adheres to certain standards regarding security and /or privacy, and that there would be adverse consequences of not adhering to these standards. Aiken and Boush (2006) note several problems in the use of third party Internet seals as signals: most consumers are unfamiliar with the (firms issuing the) seals, and the firms issuing the seals are paid by the firms carrying the seals. Others raise the question whether the most commonly used seals really denote different practices in dealing with Internet security and privacy. The evidence regarding this last question is mixed. Miyazaki and Krishnamurthy (2002) coded the privacy policy compliance of 60 major commercial websites that displayed either a third party privacy seal or no privacy seal. Their main finding was that the actual privacy policy did not differ between seal holders and non-seal holders. More recently, LaRose and Rifon (2006) compared 200 websites that either carried the Trust.e privacy seal, the BBBOnline seal or no privacy seal. The Trust.e and BBBOnline websites provided consumers with more information about their privacy regulations, deposited fewer cookies, reported more often a formal procedure for consumer complaints and provided more assurances for data security. Interestingly, websites displaying privacy seals asked for more personal information (last names, credit card number, email addresses) than websites without privacy seals. Thus, the question remains whether carrying a third party Internet seal is a reliable signal of web store safety and security.

ARE ONLINE SAFETY CUES PERSUASIVE?

Even though an Internet seal does not necessarily mean better safety for online consumers, it might still have the effect of lowering the perception of risk among consumers. Several studies have been

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