

Chapter 18

Trust in Online Customer–Firm Interaction: A Literature Review and Directions for Research

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ABSTRACT

Trust is a key element in developing customer-firm relationships in the virtual marketplace. The peculiarities of the online setting, however, threaten firms' capability to exploit opportunities derived from such environments. This can lead to customers mostly using the online setting as an information source rather than as a place to conduct transactions. Trust is a key antecedent of online transactions. In this chapter, the authors focus on trust's role in the virtual marketplace by reviewing a series of relevant studies and proposing directions for future research.

INTRODUCTION

The development of Internet technology has led many authors to emphasize the relevance of trust in the online context – a context in which there is spatial separation between the retailer and the consumer, and a temporal separation between pay-

ment and delivery (Gupta, Yadav and Varadarajan 2009). This separation threatens firms' effective interaction with customers, as requires the latter to trust the vendor. Trust is therefore a critical element in enabling online relationships and information exchange.

This chapter thus focuses on the concept of trust and its role in the online setting. It also has a twofold

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objective: firstly, we underline the relevance of trust in the online setting by analysing the threats and opportunities in the virtual marketplace and presenting a brief review of the literature on trust in the online context. Secondly, we pose what we believe are key research questions on this topic, developing hypotheses for testing. The chapter concludes with a report on the results of a preliminary study that tested some of the hypotheses and a description of potential research directions that could develop the study more realistically.

THREATS AND OPPORTUNITIES IN THE VIRTUAL MARKETPLACE: THE CRITICAL ROLE OF TRUST

At the turn of the century, the development of technologies and the consequent increase in the use of electronic channels led to an excessively positive forecast of the virtual marketplace's short-term potential. In turn, this led to the now well-known 'Internet bubble' phenomenon and its subsequent crash. Following that collapse, many studies investigated its causes. Their results converged, revealing that online transaction problems are mainly due to the high level of risk and uncertainty characterizing this marketplace and the lack of trust that might otherwise have overcome this. Customers seem to increasingly rely on the Internet as an information tool, but do not actually purchase anything (MacGraw, 1999; Everard and Galletta, 2005).

For online retailing to succeed, firms must receive extremely sensitive customer information, including names, street addresses, and credit card numbers. Furthermore, data on customers and their habits are frequently required to provide them with quality service. Indeed, customers almost always need to assist with the service production process. This assistance often originates from information that customers provide. If a client, for example, orders an item of clothing, such as a dress, she has to provide details of her dress

size, taste, and so on. Customization – whether the classic version or mass-customization – requires even more detailed information.

Marketing theory increasingly emphasizes the strategic management of customer relationships (e.g., Payne and Frow, 2005), which requires a strong flow of information, specifically from the customer to the firm. The information and communication technologies (ICT) evolution has provided firms with the opportunity to acquire a huge quantity and variety of data from Web visitors and shoppers (Cespedes and Smith, 1993; DeCew, 1997). However, the ease with which data can be acquired and disseminated across the Web, and the peculiarities of the electronic setting, have led to growing concerns about consumer privacy (e.g., Culnan, 1993; Milne and Gordon, 1993; Milne, 2000; Phelps, Novak and Ferrell, 1999).

Furthermore, online transactions often do not involve a simultaneous exchange of goods and money, as a spatial and temporal separation between the partners is common (Gupta, Yadav, Varadarajan, 2009). Consequently, the delay between payment and delivery creates uncertainty about Internet shopping as well as increasing its risk (Hee-Woong et al., 2004). These are exacerbated by the anonymity of the transaction (Grabner-Krauter and Kalusca, 2003) and the information asymmetry between the involved parties (Hee-Woong et al., 2004), which can easily lead to a perceived lack of control and fear of opportunism (Grabner-Krauter and Kalusca, 2003). Furthermore, when information is directly requested from consumers who are unsure about how information will be used, this is regarded as a subtle form of privacy invasion (Milne, 2000). This kind of threat is becoming progressively more prevalent with the development of transactions that require the provision of information. Consequently, one of the key questions that concerns managers, academics, and policy makers is online consumers' response to the constant requests for information (Equifax-Harris, 1996; Milne, 2004).

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