



## **Chapter XVIII**

# **Privacy, Trust, and Behavioral Intentions in Electronic Commerce: A Comparison of American and Taiwanese Perceptions**

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## **ABSTRACT**

*Although the Internet has opened the door for businesses and consumers around the globe, many issues and challenges remain in order to take full advantage of this unprecedented opportunity. More specifically, businesses engaged in electronic commerce can take advantage of current technologies that allow them to collect vast amounts of information about their customers. Although many companies use this information to tailor products and services to improve their relationship with their customers, many people simply do not trust most organizations that require the exchange of personal information. Recent studies suggest that many people either decline to provide this information over the Internet or simply provide false information. As electronic commerce companies extend their reach globally, the issues concerning*

*privacy and trust must be extended beyond a single national culture. This study proposes and tests a Privacy-Trust-Behavioral Intention Model from a global perspective. More specifically, this study compares American and Taiwanese perceptions concerning online privacy and how it relates to the level of trust with a company's electronic commerce Web site. In turn, the model suggests that trust is an important intermediary variable that influences behavioral intentions for online transactions.*

## INTRODUCTION

The Internet has opened the door for global e-commerce. Although the United States has the lion's share of Internet users, it is estimated that Asia will have more than 188 million Internet users in 2004. In particular, China is expected to have 51 million users, while India and Indonesia are expected to have 10 million and 5.1 million users, respectively (CIO Metrics, 2001). Moreover, Latin American e-commerce revenues are expected to grow from \$3.6B in 2000 to \$67B in 2004 (Direct Marketing, 2001). There is no doubt that the number of potential global buyers is dramatically increasing.

E-commerce provides a considerable amount of product-related information to customers so they can make better-informed purchasing decisions. On the other hand, a vast amount of personal information about customers is being created and used by many companies. Customer information can be collected both explicitly through registration forms, order forms, online contests, and/or survey forms; and implicitly by using tracking software and/or cookies that allow businesses to follow customers' online activities and gather information about their personal interests and preferences. This data has become extremely valuable to online companies, because it not only enables them to sell products and services that are tailored to customers' demands, but it also provides an opportunity to boost their revenues by selling advertising space on their Web sites at a premium (Gilbert, 1999). This premium on advertising space may result from an opportunity to use customers' personal information to help advertisers better target consumers.

Many e-commerce customers, however, are concerned about privacy issues regarding the personal information that is being collected (Alderman & Kennedy, 2000; Whiting, 2000). In fact, a US study by Hoffman and Novak (1999) revealed that almost 95% of the Web users surveyed declined to provide personal information over the Internet. Moreover, 40% responded that they tend to make up personal information when online. It appears that many customers simply do not trust most Web sites enough to engage in "relationship exchanges" that involve the exchange of personal information.

Internet-based e-commerce activities on a global scale compress time and space and permit the duplication and sharing of scarce corporate resources. In recognition of the international marketplace afforded by e-commerce, organizations have begun to produce a number of products that assist in customizing sites for use outside of their native language audience. Moreover, Forrester Research predicts a growth rate of 50% a year for those companies who provide multilingual versions and other interpretation tools (Engler, 1999).

Customized language alone, however, is not enough. Web site builders also must consider political, cultural, social, and legal differences. For example, China has comparatively more lenient rules regarding the use of customer data (D'Amico, 2001). Yet in other

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