

## Chapter 8.12

# Millennials, Social Networking, and Trust

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### ABSTRACT

Trust in exchanges is an important concept in business and has become of topic of some interest in e-commerce. Substantial work has been done on how institutional mechanisms, technology, word-of-mouth, and numerous other variables affect trust in a website and potential customers' willingness to conduct business there. This study continues that line of research by considering how the millennial generation perceives the trustworthiness of three types of online sites: a retailer, an auction site, and a social networking site. Little work has been done on whether social network sites have more or less trust than other types of websites and what aspects

of trust are affected. Given the broad trend toward utilizing these social network sites for commercial purposes, it makes sense to assess how targeted users view and interact with them. This study presents preliminary data on all of these issues, suggesting that there do appear to be differences between social network sites and more traditional online vendors.

### INTRODUCTION

The advent of the Internet has thrust the concept of trust into a number of new and exciting contexts. Specifically, the ability to communicate and interact on an on-demand basis though without face-to-face contact has created a variety of new situations and issues with which we have never before had to deal.

DOI: 10.4018/978-1-61520-901-9.ch017

Virtual commercial relationships have been a topic of special interest, as a number of things taken for granted in the physical world are more problematic when buyer and seller do not meet face-to-face. A substantial literature has developed on trust and Internet transactions, a literature we will reference. But relatively little scholarship has considered the impact of social networking sites on trust, particularly within the millennial generation most comfortable with a Web 2.0 world and targeted by such sites.

This paper examines the differences in trust levels between different types of websites, specifically those offering traditional e-commerce transactions with an established retailer, those based on more of a peer-to-peer relationship, and those based on a social network. The comparison of the three allows a mix of factors such as institution, website characteristics, word-of-mouth, and others. In particular, we can review whether reviews and recommendations from social network site peers matter more or less than those found at an established retail site or those at an open exchange.

## **BACKGROUND**

As trust issues have developed as a key and much-studied topic in e-commerce, our literature review will concentrate chiefly on the established scholarship in that area. Initially, however, we can define some of the major issues regarding trust, particularly in business relationships, from a more general perspective.

The conceptual basis of trust came out of sociology (e.g. Gambetta 1988). Garfinkel (1963) established a number of critical ideas: trust is apparent in individual action; it is interactive in terms of relationships, expectations and behavior of others; and it is based on symbiosis and exchange. Further, trust is dependent on situation and circumstance (Baier 1986), and individuals develop routines based on the conditions of a particular trust relationship (Giddens 1991).

This general framework has then been applied to the more business-oriented applications including organization to organization, organization to individual (employees), and organization to individual (customers). Under such conditions, a more rational view of trust developed, particularly from the aspect of calculative self-interest (Coleman 1990). The reduction in transaction costs and deeper relationships accomplished through trusting an opposite party can be weighed and evaluated by both individuals and organizations, leading to more cooperation and more efficiency when trust is present (Axelrod 1990).

Specifically in the field of marketing and exchange, trust also has a long history. Obviously again, a situational application that defines the nature of trust involved, marketing typically looks at a commercial exchange and the trust found in the trading partners. Trust can be defined in this context as expectations concerning the behavior of the opposite party (Mayer, et. al. 1995). And it is conceptualized as having three parts (Bakker, et. al. 2006; Collins & Smith 2006; Marshall, et. al. 2005):

- Capability, a belief that an exchange partner is able to perform as promised,
- Benevolence, a belief that an exchange partner wants to perform as promised, and
- Integrity, a belief that an exchange partner will live up to the agreement.

The overall level of trust is further influenced by factors such as strength of the relationship (Collins & Smith 2006; Foos, et. al. 2006), shared fields of experience (Lin 2006), power (Collins & Smith 2006; Nielsen 2005), and virtuality (Choi & Lee 2003).

Strength of relationship and the closely related concept of social capital (Vainio 2005; Tsai 2000) also have an impact on trust. Strength in a relationship builds up over time as partners successfully complete transactions, also referred to as repeated interactions (Lewis and Weigert 1985). Partners

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