

## Chapter 4

# Trust in E-Commerce: Social Networks vs. Institutional Credibility

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### ABSTRACT

*E-Commerce's virtuality poses questions concerning trust between buyer and seller. Web 2.0 formats have provided new complications for these questions. Companies are creating more social networking sites, experimenting with ways to use such networks for marketing purposes. This paper explores the issue of trust in social networking site transactions vs. those at more established e-commerce sites. The authors apply the Technology Acceptance Model (TAM) to assess the level of trust in different types of e-commerce sites. TAM measures trust along several dimensions and includes potential explanatory factors, such as ease of use, perceived usefulness, search and research capabilities, security, value of product recommendations, and value of customer reviews. The authors directed the respondents to assess amazon.com, Facebook, and eBay—sites with different levels of institutional credibility and social networking affiliations. The data suggest definite differences exist between the sites, perhaps explained by institutional credibility and social networking.*

### BACKGROUND

Ever since the dawn of e-commerce, there have been issues of trust as buyers and sellers had to conduct business in virtual environments without face-to-face contact. As a consequence, interest has always been keen in determining what envi-

ronmental conditions tend to increase or decrease trust. The first wave of e-commerce yielded a number of success stories, organizations able to instill trust in customers and participants because of the nature of the merchandise offered, outside certifications, reviews from users, and, eventually, an established brand name. As we have entered a

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second wave of internet innovation, Web 2.0, we have seen much more interactivity and the growth of social networks promoted by social networking sites. Marketing through social networks or social media is a rapidly growing trend as businesses look to take advantage of these changes. But the trust issues involved with businesses looking to enter and market through social networks have been little explored.

This paper looks to add some empirical data to that issue. Trust is a heavily researched topic in the marketing literature and has been extended to e-commerce in recent years. We review the basics of trust theory, both generally and in specific relation to both marketing and e-commerce. One particular application that has been growing in use in recent years is the Technology Acceptance Model (TAM). Originally developed to explain the adoption of new technology in the workplace, it has been applied with success (and with some adaptation) to e-commerce. The base version looks specifically at perceived usefulness, perceived ease of use, and intended use as related to trust.

The adaptation employed here extends intended use to include several activities related to e-commerce and related online interactions, including search, product recommendations, product reviews, and privacy concerns. We apply the model to a homogeneous population and a single product to eliminate any effects from personal differences in the sample or purchase circumstances. To gauge the impact of the institutional credibility of a website vs. the social networking effects, we chose three online entities reflecting one or none of these characteristics (amazon.com, eBay, Facebook). The results are processed using exploratory Factor analysis, leading to a discussion of preliminary insights from the process.

## **LITERATURE REVIEW**

The notion of trust had a long history before the business and marketing disciplines got a hold of it. This literature review will give a nod to that

lengthy tradition but, in the interests of space, will focus more specifically on marketing, e-commerce, and technology acceptance. All have derived from the wider conceptualization.

The bulk of the theory concerning trust in marketing applications came out of sociology (Gambetta, 1988). At its base are concepts such as its interactivity based on relationships, expectations, behavior of others, symbiosis, and exchange as well as the idea that trust becomes apparent in actions over time (Garfinkel, 1963). Relatedly, individuals then develop trust-based routines as they assess an ongoing relationship (Giddens, 1991). And, on a more immediate level, the particular environment, including situation and circumstances within which trust can form, is also critical (Baier, 1986).

Many of these concepts clearly apply to business situations as interactivity and exchange are at the basis of internal and external transactions. And businesses gain trust through routines, repeated transactions, and environmental cues. But more specifically, the research in trust related to business has focused more on rationality and how individuals and organizations perceive and assess their own self-interest, acting according to those calculations (Coleman, 1990). Drawing from economics, the benefit from reducing transactions costs and establishing closer relationships through trust can be weighed against the potential costs of opportunistic behavior by the opposite party. When trust is confirmed through expected performance, such cooperation leads to increased efficiency (Axelrod, 1990).

Marketing, an entire field based on exchange, has a particularly long and detailed literature concerning trust. Most of the research focuses on commercial exchanges and trust between buyer and seller. Each party has expectations about the performance of the other (Mayer, Davis, & Shoorman, 1995). When each is willing to leave itself vulnerable to the results of that performance, trust exists. In this application, trust is typically conceptualized as having three parts: capability, benevolence, and integrity (Bakker et al., 2006;

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