

A trust-based consumer decision-making model in electronic commerce: The role of trust, perceived risk, and their antecedents

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Abstract

Are trust and risk important in consumers' electronic commerce purchasing decisions? What are the antecedents of trust and risk in this context? How do trust and risk affect an Internet consumer's purchasing decision? To answer these questions, we i) develop a theoretical framework describing the trust-based decision-making process a consumer uses when making a purchase from a given site, ii) test the proposed model using a Structural Equation Modeling technique on Internet consumer purchasing behavior data collected via a Web survey, and iii) consider the implications of the model. The results of the study show that Internet consumers' trust and perceived risk have strong impacts on their purchasing decisions. Consumer disposition to trust, reputation, privacy concerns, security concerns, the information quality of the Website, and the company's reputation, have strong effects on Internet consumers' trust in the Website. Interestingly, the presence of a third-party seal did not strongly influence consumers' trust.
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1. Introduction

Despite the recent difficulties experienced by dot-com companies, according to the Forrester report¹, Business to

Consumer (B-to-C) Internet commerce enjoys a steady growth rate (about 19% per year), and it is a familiar mode of shopping for many consumers [1]. Many scholars have argued that trust is a prerequisite for successful commerce because consumers are hesitant to make purchases unless they trust the seller [62,77,82,135]. Consumer trust may be even more important in electronic, "cyber" transactions than it is in traditional, "real world" transactions. This is because of some of the characteristics of Internet cyber transactions — they are blind, borderless, can occur 24 h a day and 7 days a week,

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¹ Forrester, US e-business Overview: 2003–2008, July 25, 2003.

and are non-instantaneous (payment may occur days or weeks before delivery is completed) — can cause consumers to be concerned that the seller won't adhere to its transactional obligations. Consequently, trust in an Internet business is focused much more on transaction processes [82], in contrast to that of traditional transactions involving brick-and-mortar stores where trust tends to be focused on face-to-face personal relationships. Quite possibly, the key to success in Internet business is the establishment of trusted transaction processes where e-sellers create an environment in which a prospective consumer can be relaxed and confident about any prospective transactions [66]. Since trust is likely to play an essential role in online transactions, it is important to identify the antecedents of a consumer's trust in the context of an Internet transaction.

In prior research, trust has been viewed through diverse disciplinary lenses and filters: economic [43,65,132], social/institutional [26,39,58], behavioral/psychological [47,70], managerial/organizational [9,79,112,125,135], and technological [23,27,96]. Trust is considered essential in exchange relations because it is a key element of social capital [98] and is related to firm performance, satisfaction, competitive advantage, and other economic outcomes such as transaction cost [9,41,68] and search cost reductions [67].

Because trust has been studied through these different disciplinary lenses, previous research related to trust in the e-commerce context tends to be disjointed, case-specific, and/or loosely integrated. For example, most studies on technological trust have focused narrowly on issues of privacy, security, public key infrastructure, and other technical aspects of trust [13,16,72,94]. Some recent studies [64,82,115,117] have focused on the social and behavioral elements of trust in an e-commerce context, however these were again narrowly focused (e.g., they focused on a limited number of trust antecedents, or focused on trust in the community of sellers as a group), and therefore researchers have not yet developed a comprehensive understanding of the factors that predict consumer trust in the e-commerce context. Given the increasing prevalence of B-to-C Internet commerce, there is an urgent need to analyze an online consumer's decision-making process from a holistic standpoint which can provide an understanding of the complex and dynamic phenomena of trust in online exchanges. Accordingly, the specific research questions for the present study are as follows: What are the roles of trust and risk in a consumer's B-to-C online purchasing decision? Are they critical in B-to-C online transactions? And what antecedents can be identified that affect a consumer's trust and risk toward a B-to-C online transaction?

Since research on trust has been conducted from a variety of disciplinary perspectives, many definitions of trust have evolved. Prior research on traditional commerce focused primarily on interpersonal trust such as a customer's trust in a salesperson. Plank et al. [120] recognized that consumer trust could have multiple referents — salesperson, product, and company — and accordingly defined trust as a global belief on the part of the buyer that the salesperson, product, and company will fulfill their obligations as understood by the buyer. Similarly, in the e-commerce context [7,11,15,24,42,62,69,76,101,103,115,122,135], researchers have tended to define describe trust as a subjective belief, a subjective probability, the willingness of an individual to be vulnerable, reliance on parties other than oneself, or a person's expectation. In our study, we will focus on the trust that a consumer has in an Internet vendor. Logically, this should include trust in the Website (e.g., www.amazon.com), the Website brand, and the firm as a whole. Accordingly, in this paper an online consumer's trust is defined as *a consumer's subjective belief that the selling party or entity will fulfill its transactional obligations as the consumer understands them*.

This paper provides several contributions. First, in order to uncover the role of trust, risk and their antecedents in B-to-C Internet commerce, this study develops a holistic trust-based consumer decision model to describe the decision-making process that a consumer uses when making a purchase from a given site. Second, to the best of our knowledge, most studies in the e-commerce environment have collected data concerning a consumer's successful purchasing experiences. Yet, because successful cases represent only a fraction of all consumer transaction behaviors, these past studies may have painted an incomplete picture (i.e., a biased view) of B-to-C electronic commerce transactions. Accordingly, in the present study we present a research design that enables us to examine transaction experiences that resulted in non-purchases in addition to completed purchases. In other words, we collected data from both "successful" cases and "unsuccessful" cases, and therefore can provide a more complete picture of a consumer's B-to-C decision-making process. Third, our testing of the proposed model with the Partial Least Squares (PLS) Structural Equation Modeling technique [48] provides empirical evidence that trust, perceived risk, and perceived benefit are strong determinants of a consumer's e-commerce transaction decision. Finally, the findings of this study provide several insights which should help practitioners better understand the role of trust and its antecedents in e-commerce, and ultimately add trust-building mechanisms into e-retailers' Websites.

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