



# The effects of trust assurances on consumers' initial online trust: A two-stage decision-making process perspective



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## ABSTRACT

This research examines the effects of type and displaying phase of trust assurances on consumers' initial trust in an online retailer. We propose a two-stage formation process of initial online trust. The main effects of trust assurances on initial trust and the interaction between type and displaying phase of trust assurances are explored. We conducted a laboratory experiment to test our hypotheses. The results demonstrate that there exist positive effects of displaying trust assurances on initial trust. In particular, general trust assurances perform better when displayed in the information-searching stage, while specific trust assurances lead to higher initial trust when displayed in the choice stage. In the context of providing trust assurances, consumers' knowledge of trust assurances exerts a direct and positive effect on initial trust. High knowledge level of trust assurances helps to generate the advantage of displaying assurances in the right stage. These findings have several important implications for research and practice.

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## 1. Introduction

Consumer trust in a retailer refers to consumers' willingness to engage in a shopping transaction with that retailer (Kim & Benbasat, 2009). It is a prerequisite for successful commerce (Kim, Song, Braynov, & Rao, 2005; Urban, Sultan, & Qualls, 2000). Consumer trust may be even more important for retailers online than offline (Kim, Ferrin, & Rao, 2008). Compared with the traditional commerce, consumers perceive more risk in business-to-consumer (B-to-C) electronic commerce (e-commerce) because they cannot visit a physical store and feel and touch products prior to purchase online (Hu, Wu, Wu, & Zhang, 2010). Many researchers have argued that consumer trust in online retailers plays an important role in determining online purchasing intentions (Gefen, 2002; Hong & Cho, 2011; Kim, Ferrin et al., 2008) and actual buying decisions (Lim, Sia, Lee, & Benbasat, 2006; Pavlou, 2003). Therefore, it is worth promoting online trust.

Both practitioners and researchers have attempted diverse mechanisms to convince consumers of the online retailer's trustworthiness. One mechanism is to provide trust assurances on the B-to-C website (Hu et al., 2010; Kim & Benbasat, 2010). Trust assurance refers to a claim and its supporting statements adopted by

an online retailer to address trust-related issues (Kim & Benbasat, 2010). Previous studies have examined the effects of trust assurances on consumer trust from several aspects, such as information quality (Lala, Arnold, Sutton, & Guan, 2002), source (Noteberg, Christiaanse, & Wallace, 2003), content (Kim & Benbasat, 2006), and function (Hu et al., 2010). Since trust assurances are displayed on the retailer's website, from a webpage design standpoint, one issue is the placement of assurances on the website, that is, when to display assurances or on which webpage. In modern information-rich online environment, one challenge for online retailers is how to persuade consumers with adequate information but not to overwhelm them by too much information on a webpage. Therefore, the practitioners would be interested to know how to effectively place trust assurances on the websites. Additionally, as a typical decision-making problem, the formation of online trust is a dynamic process (Kim et al., 2005). Thus, effects of trust assurances on consumer trust would vary by stage through controlling the placement of assurances. However, little attention has been paid to the process nature of building online trust and examining the effectiveness of different placement of trust assurances.

This study hence intended to fill the research gap by exploring the effects of trust assurances on consumer trust from a decision-making process perspective. This study contributes to the literature by examining the interaction effects of the types of trust assurances and the displaying phases on consumers' initial online trust. We are interested in two types of trust assurances: (1) general trust assurances which are usually provided by third-party organizations (e.g., VeriSign, TRUSTe, and BBBOnline Reliability) and

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(2) specific trust assurances which are provided by online retailers themselves (e.g., warranty and return policy, product quality guarantee, and delivery on time). Accordingly, two displaying phases are the information-searching stage and the choice stage. We focus our study on consumers' initial trust in an online retailer, which refers to the trust in an unfamiliar trustee (Lowry, Vance, Moody, Beckman, & Read, 2008). As McKnight, Cummings, and Chervany (1998) pointed out, a consumer's initial trust would not depend on any kind of personal direct experience or firsthand knowledge of the online retailer, while they could use trust assurances displayed on the website to make trust assessment (Kim & Benbasat, 2009). Therefore, the current study focuses on the period during which a consumer visits a B-to-C website for the first time and falls into the domain of initial trust (McKnight, Kacmar, & Choudhury, 2004). By drawing on the consumer decision-making process model (Engel, Kollat, & Blackwell, 1982; Payne, Bettman, & Johnson, 1988), the image theory (Beach & Mitchell, 1987), and the elaboration likelihood model (Petty & Cacioppo, 1986), we develop a set of hypotheses. A laboratory experiment is subsequently conducted.

The purpose of this study is to examine (1) whether displaying trust assurances can always enhance consumers' initial trust, no matter what type of assurances or when to display them; (2) whether one type of trust assurances outperforms the other type when displayed in some specific phase; (3) whether trust assurances can work more effectively when displayed in one phase than in the other phase; and (4) whether consumers' knowledge of trust assurances affects their initial trust.

## 2. Previous research on trust assurances

A wide variety of trust assurances have been introduced to help build trust in B-to-C e-commerce. Based on source of assurances, trust assurances can be categorized as (1) self-proclaimed assurances which are provided by online retailers themselves (Noteberg et al., 2003) and are also called "internal provided e-assurance" (Bahmanziari, Odom, & Ugrin, 2009), (2) assurances from consumers on the basis of their feedback and satisfaction (Pavlou & Dimoka, 2006), and (3) third-party web assurances which are provided by third-party organizations (Noteberg et al., 2003) and are named "external provided e-assurance" as well (Bahmanziari et al., 2009). Kim and Benbasat (2010) provided another categorization of trust assurances, categorizing them based on trust-related concerns covered in assurances, such as personal information, product quality and price, customer service, and store presence.

Among the three sources of trust assurances, self-proclaimed assurances and third-party web assurances have been extensively studied in recent years. Several studies treated assurance as a whole and concentrated on its effects on consumer trust and behavior. Wu, Hu, and Wu (2010) conducted a laboratory experiment and found that consumers' perceived third-party web assurance positively influenced their initial online trust. Using real-life data, Park, Bhatnagar, and Rao (2010) found that consumers' satisfaction and repeat-purchase intentions for online vendors with third-party web assurance seals were higher than for vendors without seals. On the other hand, some studies analyzed the characteristics of trust assurances and attempted to examine the effects of these characteristics on consumer trust. Lala et al. (2002) focused on information quality of trust assurances. Their findings showed that information quality of trust assurances increased consumers' purchasing intentions. Kim and Benbasat (2006) conducted an in-depth analysis on the content of trust assurances. They identified three elements of trust-assuring arguments: claim, data, and backing. Three forms of arguments were developed through combining these three elements. Results from a laboratory experiment demonstrated that

trust-assuring arguments that included claim plus data and backing led to the highest level of trusting belief among the three forms of arguments. Additionally, Hu et al. (2010) examined third-party web assurance seals from a functional perspective. The impacts of three major assurance functions (i.e., transaction security assurance, consumer privacy assurance, and transaction-integrity assurance) on consumers' initial online trust were assessed. Findings suggested that trust assurances with multiple functions were not necessarily more effective than single-function assurances with regard to enhancing consumer trust.

Previous studies have made important contributions toward our understanding of how trust assurances help to build consumer trust; however, none of them has examined building trust through a process-oriented approach. Therefore, based on consumers' decision-making theories, we open the black box and propose the two-stage formation process of initial online trust.

## 3. The formation process of initial online trust

On first visiting an online retailer's website, the first question that must be resolved by a consumer who tends to transact on the website, is whether the retailer is trustworthy enough to transact with (Liu & Goodhue, 2012). Whether to trust in an unknown online retailer or to what extent to trust is a typical decision-making problem (Kim et al., 2005). Due to the process nature of decision-making, we initially propose the two-stage formation process of initial online trust by drawing from the literature on decision.

### 3.1. The image theory

A pervasive phenomenon regarding making decisions in complex environments is that individuals are often unable to evaluate all available alternatives in great depth before making a decision (Beach, 1993). Instead, they tend to use two-stage processes to reach their decisions, where information that is required and processed varies in different stages (Payne, 1982; Payne et al., 1988). One descriptive theory from the two-stage process perspective is the image theory (Beach & Mitchell, 1987). This theory suggests that people prefer intuitive and automatic decision-making, compared to analytic decision-making with the goal to maximize profit. It proposes a type of decisions called adoption decision, which is about adopting or rejecting potential candidates to be new principles/goals/plans. Furthermore, adoption decision is a two-stage decision-making process: the first stage is compatibility test which examines the compatibility between candidates and existing principles/goals/plans and the second stage is profitability test which compares the potential gains and losses offered by a goal/plan (Beach & Mitchell, 1987).

### 3.2. The two-stage formation process of initial online trust

Applying adoption decision in the context of building initial trust in an online retailer, a typical two-stage process may unfold as follows. First, the consumer explores the online retailer's website, looks for the website's information, and uses some standards to assess the trustworthiness of the retailer. The standards may originate from the memory of a known trusted website and/or from an ideal view of a trustworthy website (Liu & Goodhue, 2012). They correspond to existing principles in compatibility test. In this stage, the consumer is concerned for some general trust-related issues, such as information transmission security through the website, personal information protection, and credit card shopping safety. In other words, the consumer evaluates the retailer through a lens of online shopping medium. Lee and Turban's (2001) trust model identified trustworthiness of the online shopping medium as an

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