



Should new online stores invest in social presence elements? The effect of social presence on initial trust formation



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ABSTRACT

Online shopping has become increasingly popular in business development and the number of new online stores is ever increasing. Many of these online stores, however, fail. Research has indicated that one of the biggest reasons why these online stores fail is because of consumers' lack of trust. One solution that has been proposed is for online retailers to increase their level of social presence.

This study investigates the impact of social presence, in its extreme form of online chat boxes, on initial trust formation for an online retailer. An experimental design was used and a structural equation model is tested using PLS-SEM (partial least square based structural equation modeling). Social presence was found to not only influence initial trust in the website, but also participants' enjoyment and perceived usefulness of the site. Therefore even though managers might think that there is no ROI in their investment in social presence, it still has a notable impact on consumers' perception of an online retailer they have not seen or used before. This is especially relevant to new online stores.

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1. Introduction

Online trust is key to the success of online retail outlets as it increases online purchase intention, which in turn, increases online sales (Gefen and Straub, 2004). Koufaris and Hampton-Sosa (2004) state that trust is the most common reason why consumers do not make purchases online—a problem which, Wang et al. (1998) believe presents one of the biggest obstacles to the growth of e-commerce worldwide. Online trust can be defined as “an individual's belief in the competence, dependability, and security of the system under the conditions of risk” (Kini and Choobineh, 1998:9).

New companies wanting to enter the online retail market, especially suffer low levels of trust (Oxley and Yeung, 2001). In these contexts, one might argue that online trust is especially important for the future success of these new online retailers entering the market. Rousseau et al. (1998) categorize the process of trust creation into three distinct stages—the exploratory, building and disbandment stages. In terms of new retailers entering the market, initial trust relates to the exploratory and building phase of trust, when the parties involved first meet or interact and the initial trust is formed (McKnight et al., 1998; Rousseau et al., 1998).

Any tool that can increase consumer trust levels is therefore important for the success of an e-commerce store (Wang and

Emurian, 2005). Social presence is one of these potential tools (Cyr et al., 2007; Gefen and Straub, 2004; Hassanein and Head, 2004). Online social presence can be defined as the perception of personal, sociable, sensitive human elements of a website (Gefen and Straub, 2004; Short et al., 1976). Social presence, under this broad definition, can then range from socially rich text and descriptions that evoke emotions to live interactive online chat boxes. One could argue that the greater the need for online trust, the greater the level of social presence an online retailer should invest in. Marketing managers are however struggling to see the value of a tool (for example online chat boxes) that so seldom gets used in practice. Two opportunities for studying the effect of social presence on online trust exist: (1) the majority of current research on the effect of social presence used existing online retail stores, and (2) many marketing managers are reporting a low level of uptake of social presence tools like live chat boxes.

This study aims to fill this gap in existing research by investigating the influence of social presence, in the form of live chat boxes on an online retail website, on initial trust formation. Fictitious websites were built for a high involvement product, and various influencing factors were controlled for in the experiment, in an attempt to isolate the influence of social presence on initial trust. This study therefore aims to answer the following research question: What is the effect of social presence on consumers' initial trust in an e-commerce website?

The model for initial trust formation, proposed by Hassanein and Head (2004), is extended to include individuals' propensity to

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trust as well as their institutional trust in the web. This paper shows that these two constructs are critical in better understanding initial trust formation in online stores. The major contribution of this study, therefore, lies in the extension of this model. In the following sections, a theoretical background of the model used to measure the effect of social presence on online consumers is discussed, followed by the methodology and findings. The paper concludes with a discussion of the findings, managerial implications, the limitations of the study as well as recommendations for future research. First, however, the literature review will provide a discussion of online trust in a new e-commerce website.

2. Theory

2.1. Initial trust in e-commerce

Rousseau et al. (1998) state that even at its most basic level, there is significant disagreement on the academic definition of trust, with Kini and Choobineh (1998) attributing this to the extreme multidimensionality of the construct. Early literature by Deutsch (1958) describes the most basic definition of trust as a notion, predictability or expectation of reliability. However, more recent literature by Rousseau et al. (1998) defines trust as a deliberate acceptance of vulnerability by one party due to the positive expectations regarding the actions of other involved parties. In an online environment, trust can be defined as an individual's belief in the competence, dependability and security of the online system, under the condition of risk (Kini and Choobineh, 1998) and forms in three stages: exploratory trust, trust building and the disbandment stages (Rousseau et al., 1998). It must be noted that although this is a well cited and popular definition of online trust, there is disagreement about the exact components of the construct (McKnight et al., 2004; Jarvenpaa et al., 1999). The majority of research on online trust, however, uses the approach of the Technology Acceptance Model's (TAM), as developed by Davis (1989), when investigating online trust (Cyr et al., 2007; Gefen and Straub, 2003; Hassanein and Head, 2004) where perceived usefulness, perceived ease of use, enjoyment and social presence are all contributing factors to online trust. This study will therefore focus on initial trust formation in an online retailer, using the TAM model.

There are criticisms of TAM-based models, with Chuttur (2009) stating that the relative simplicity of the model limits its exploratory and predictive ability. However, in response to these criticisms, Hassanein and Head (2004) have redefined the model in terms of online trust formation, and included the additional variables of social presence, perceived usefulness and perceived ease of use in order to improve the model in an e-commerce context. In order to attempt to further increase the predictive power of the model, this study will also include the additional variables of *institutional trust* of e-commerce, (Corbitt et al., 2003; McKnight et al., 2004) and *propensity to trust* (Gefen and Straub 2004; McKnight et al., 2004). Both of these variables were prevalent in the other examined literature regarding online trust, but not included in Hassanein and Head's (2004) original model.

Rousseau et al. (1998) propose that an individual's *propensity to trust* will influence how much trust one individual A will have in individual B prior to being able to assess any other determinants of trust, such as individual B's integrity and benevolence. In the context of e-commerce, the potential link between propensity to trust and initial trust is apparent due to the fact that initial trust refers to the trust formed during the initial interactions between the user and e-commerce website. *Institutional trust*, on the other hand, can be defined as an individual's expectation of the predictability and intentions of a system (Rousseau et al., 1998; Shapiro, 1987). This concept is closely related to propensity to trust but refers to the degree to which an individual can trust the web as an online environment.

The effect that these variables have on initial trust, however, is influenced by the level of social presence in the e-commerce website.

2.1.1. Social presence in e-commerce


The first operational definition of social presence was penned by Short et al. (1976), who defined it as the existence of a personal, social or human element in a medium. A more recent definition is that of social presence as the perception of personal, sociable, sensitive human elements of a website (Gefen and Straub, 2004). This definition is more relevant to an e-commerce context as opposed to the more general definitions of social presence in a human context (Gunawardena and Zittle, 1997; Sallnäs et al., 2000; Short et al., 1976) and was thus used in this study.

In the context of e-commerce, social presence is particularly relevant due to the restriction of direct human interaction between the vendor and consumer in an online environment, particularly when compared to that of offline shopping (Cyr et al., 2007). Social presence can be embedded in a website in various ways and social presence functions on a continuum from no social presence, to actually having a person present (on the other side of the screen) during your e-commerce interaction (see Table 1).

Social presence is often used as a tool that enables interaction between users and customer service representatives in an e-commerce environment (Qiu and Benbasat, 2005). However, it must be noted that there are a wide variety of social presence tools which still present an element of human interaction, but do not necessarily directly relate to customer service, such as pictures of a person or pieces of socially descriptive text (Hassanein and Head, 2007; Qiu and Benbasat, 2005). The most extreme or visual form of social presence, however, is online chat boxes. Online chat boxes are when technicians or experts are available, live, to customers to answer any questions that they might have regarding the product or service. Typically, when a customer comes online, a live chat box pops up on the screen, indicating to customers that there is somebody available online to help them. For this study, we wanted to test the full impact of social presence on initial trust formation and consequently built a website where researchers were made available to respondents in the form of live chat boxes.

This study has therefore used specific social presence tools to alter the perceived social presence on a website in order to investigate its effects on trust formation. The potential of a relationship existing between social presence and online trust

Table 1
Comparison of types of social presence.

Level of social presence	Type of social presence	Source
Higher perceived level of social presence 	Face-to-face video chat with online customer service representatives	Qiu and Benbasat (2005)
	Live customer support through instant messaging	
	Social rich photographs shown interaction with products in dynamic environments	Hassanein and Head (2007)
	Socially rich text and descriptions which evoke positive emotions	
Lower perceived level of social presence	Basic Website	

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