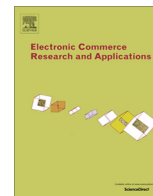




Contents lists available at ScienceDirect

# Electronic Commerce Research and Applications

journal homepage: [www.elsevier.com/locate/ecra](http://www.elsevier.com/locate/ecra)

## Carefully choose your (payment) partner: How payment provider reputation influences m-commerce transactions



Antonia Köster, Christian Matt\*, Thomas Hess

*Institute for Information Systems and New Media Ludwig-Maximilians-Universität München, Ludwigstr. 28 VG, 80539 Munich, Germany*

### ARTICLE INFO

#### Article history:

Received 28 March 2015

Received in revised form 7 November 2015

Accepted 8 November 2015

Available online 25 November 2015

#### Keywords:

Mobile payment provider

Online vendor

M-commerce

Reputation

Transaction intention

### ABSTRACT

Due to the fragmentation of the mobile payment market, vendors have a plurality of mobile payment providers they can choose to execute payment processes in the mobile versions of their shops. Besides differences in transaction fees, mobile payment providers can also differ in respect of their reputation. However, it remains unclear how the reputation of mobile payment providers and online vendors interact and affect consumers' risk perception and transaction intention. Therefore, our study analyses different combinations of mobile payment provider and online vendor reputations and finds that consumers attribute distinct trusting beliefs towards these two types of market players and that these substantially affect consumers' intentions to transact. While online vendors with low reputation can profit from embedding reputable mobile payment providers, reputable online vendors do not increase transaction likelihood by integrating reputable mobile payment providers compared with less reputable payment providers. For research, the results provide a novel understanding of the interaction of two market players in the m-commerce value chain subject to varying degrees of reputation. For online vendors, our results give direct guidance in the process of selecting external payment entities to establish consumer trust and facilitate transactions.

© 2015 Elsevier B.V. All rights reserved.

### 1. Introduction

Given the increasing use of mobile devices and consumers' needs for convenient payment methods, mobile payment is becoming an important channel for payments on the Internet (Au and Kauffman 2008, Slade et al. 2013). Although most online shops nowadays offer mobile versions of their websites, abandonment rates at the checkout are about 85 percent for mobile consumers and 70 percent for "desktop" users (eMarketer 2015). Although both rates are undesirably high for online vendors, the higher abandonment rate for mobile transactions might be caused by the circumstance that a part of an m-commerce transaction is handled by a third-party when online vendors use an external mobile payment provider to fulfil the transaction. Consequently, consumers have to rely on two different parties to complete the transaction: the online vendor and the mobile payment provider.

The impact of third-parties has received considerable attention in the IS literature and in e-commerce, but usually focusing on trusted third-parties, such as BuySafe, that evaluate online vendors and serve as a signal for their trustworthiness (Clemons 2007, Kim

and Kim 2011). In addition, prior research has examined the influence of affiliated trusted entities, such as the Yahoo portal, on the trustworthiness of online vendors (Lim et al. 2006, Stewart 2006). Trusted third-parties are used as a signal to increase trust in an online vendor and can be particularly helpful for online vendors without a strong reputation. The difference in m-commerce is, however, that many mobile payment providers are relatively small startups with a non-established reputation and thus their reputation might be less established than that of the online vendor. As a result, instead of an external positive signal, the less reputable mobile payment provider might even have a negative effect on consumers' perceived risk and their transaction intentions. On the other hand, less reputable mobile payment providers might offer lower transaction fees to online vendors than players with a higher reputation. Hence, given this potential trade-off, it has yet to be understood how different combinations of online vendor and mobile payment providers with varying degrees of reputation interact and what the effects on consumers are.

Our review of the extant literature indicates that no former studies in IS research have quantitatively assessed these types of interactions between different market players that jointly process a transaction. Therefore, empirical evidence is essential, since online vendors with different levels of reputation might be able to pursue different strategies when embedding external payment providers at

\* Corresponding author.

E-mail addresses: [koester@bwl.lmu.de](mailto:koester@bwl.lmu.de) (A. Köster), [matt@bwl.lmu.de](mailto:matt@bwl.lmu.de) (C. Matt), [thess@bwl.lmu.de](mailto:thess@bwl.lmu.de) (T. Hess).

the checkout. For example, less reputable online vendors could embed reputable mobile payment providers on their websites to provide additional confidence for consumers at the checkout (Chandra et al. 2010, Mallat 2007), whereas reputable online vendors might not profit from reputable (and potentially more expensive) mobile payment providers. Hence, they could choose to integrate less established mobile payment providers to save on transaction fees. These scenarios illustrate how important it is to understand the interactions between the reputations of online vendors and payment providers from consumer's point of view. It is therefore not sufficient to focus solely on the online vendor's reputation in m-commerce. Instead, we expect that the reputation of mobile payment providers and online vendors jointly affect consumers' behavior. Hence, we pose the following research question:

- What effect do the reputations of online vendors and payment providers have on consumers' perceived risk and transaction likelihood?

Given that relatively new and less reputable online vendors encounter considerable difficulties in persuading consumers to engage in online transactions, we account for individual differences and incorporate – in line with previous research – the role of consumers' disposition to trust (Grabner-Kräuter and Kaluscha 2003). Disposition to trust is especially relevant for initial trust building. Accordingly we analyze whether relatively unknown vendors compared with reputable vendors may be able to overcome these difficulties in order to attract consumers by persuading especially trusting consumers through reputable mobile payment providers to perceive less risk in the transaction and to engage in a transaction. An understanding of how to increase m-commerce transactions by decreasing risk perceptions both fills an important research gap, and provides practitioners with valuable insights into the selection of external partners.

The remainder of this paper is structured as follows: The next section outlines the theoretical background of this study. Following this, we present our hypotheses. We then describe the research method, after which we report and discuss our results. Finally, we outline theoretical and practical implications, the limitations of this research, and directions for future research.

## 2. Conceptual foundations

### 2.1. Mobile payment and perceived risk

Mobile payment refers to payments for products, services, and bills via mobile devices using wireless or other communication technologies (Au and Kauffman 2008, Dahlberg et al. 2008). Mobile payment applications can be classified into two types: proximity payment and remote payment (Chandra et al. 2010). Proximity payment means that consumers conduct payment transactions while the mobile device communicates through technologies such as near field communication with the vendors' contactless payment-capable point-of-sale terminals. Remote payment means that consumers can conduct transactions independent of their location. Examples include mobile banking and mobile internet payment services.

We focus on remote payment and view perceived risk in the transaction as consumers' fear that the transaction partner behave opportunistically (transaction-specific uncertainty). In the case of m-commerce transactions, this can be the online vendor and mobile payment provider. Following Grabner-Kräuter and Kaluscha (2003), this study distinguishes transaction-specific risk from the risk associated with the underlying technological infrastructure (system-dependent uncertainty), which refers to security or privacy concerns associated with the mobile Internet connection (Li and Yeh 2010, Lu et al. 2011). Specifically, Zhou (2013) states that, compared

to offline and online payment, mobile payment may also involve greater uncertainty and risk because of vulnerable mobile networks. In addition, users' experiences may be negatively affected due to the constraints of mobile devices such as small screens and inconvenient input options. Therefore, risk assessment and trust building are important factors, when consumers conduct mobile transactions (Chandra et al. 2010, Zhou 2013).

### 2.2. Triadic trust relationship in m-commerce

Previous research has predominantly focused on trust in a dyadic relationship between consumers and specific online vendors. Trust in a dyadic sense has been described as the belief that the online vendor behaves in accordance with the consumer's expectations (Jarvenpaa et al. 2000, Mayer et al. 1995). Pavlou and Gefen (2004) expanded this view by examining trust in online vendors as a group. In m-commerce, however, the consumer has to deal not only with the online vendor, but also with the payment provider. As shown in Fig. 1, consumers are the trustors and both the online vendors and mobile payment providers are the trustees (Mayer et al. 1995). Consumers order products and services at the online vendor and provide personal information such as financial data to the mobile payment provider. Accordingly, the payment provider as additional transaction partner might also influence consumer perceptions and behavior. We do not intend to discount the importance of dyadic trust, when a consumer visits a website, but we believe that the nature of m-commerce makes this triadic relationship deserving of attention, especially when the consumer enters the checkout process. Therefore, this paper deals with online vendor reputation and payment provider reputation, as opposed to taking into account only the online vendor's reputation.

### 2.3. Reputation

The previous literature has identified several factors that consumers use to assess the relative trustworthiness of different online vendors, including reputation (Jarvenpaa et al. 2000), online vendor guarantees and promises (Clemons et al. 2013), a trusted third-party's evaluation (Clemons 2007, Utz et al. 2012), an associated physical store (Lee et al. 2007), online ratings and online testimonials (Pavlou and Gefen 2004) and website design (Li and Yeh 2010). Pavlou and Gefen (2004) note that reputation as a key antecedent of a company's trustworthiness may be more effective than perceptions of legally binding structures, such as guarantees, to boost the trust of consumers and facilitate transactions. Reputation is a valuable asset and companies need to invest resources and make sustained, long-term efforts to build reputation successfully (Jarvenpaa et al. 2000). These companies are expected to be reluctant to put their reputational assets at risk by exploiting the consumer's vulnerabilities for short-term gains (Chiles and McMackin 1996, De Ruyter et al. 2001, Smith and Barclay 1997). In general, online vendors might strive to increase their own reputation by themselves, but they might also cooperate with third-parties.

We propose that the positive impact of reputation should also apply to mobile payment providers. To our knowledge, no previous study has directly measured trusting beliefs in the mobile payment provider based on different reputation levels. Exploratory results suggest that consumers are more willing to conduct payments with trustworthy transaction parties and perceive established financial institutions and telecom operators as reliable mobile payment providers (Mallat 2007). Specifically, reliable and well-established mobile payment providers are better appreciated and trusted than unestablished and smaller mobile payment providers. In the present study, we consider the reputation of the mobile payment provider, in addition to the online vendor's reputation, and compare reputable mobile payment providers with unknown

Download English Version:

<https://daneshyari.com/en/article/379624>

Download Persian Version:

<https://daneshyari.com/article/379624>

[Daneshyari.com](https://daneshyari.com)