

Conveying Trustworthiness to Online Consumers: Reactions to Consensus, Physical Store Presence, Brand Familiarity, and Generalized Suspicion

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Abstract

Etailers have been losing market share to brick and mortar retailers that also sell products online. Two related studies investigate means by which etailers can convey trustworthiness to consumers and thereby increase purchase intentions relative to hybrid firms. Study 1 examines whether consensus information (i.e., the extent of satisfaction agreement among previous customers) and brand familiarity exert independent or interactive effects on consumer perceptions across retailers that possess, or lack, a physical presence. Study 2 tests a potential boundary condition of the effects of consensus information and brand familiarity by introducing generalized suspicion, which is a common condition for online buyers. Results suggest that consensus information provides a broad cue that conveys trustworthiness and leads to greater purchase intentions for both familiar and unfamiliar brands, as well as hybrid and etailer firms. In comparison, the effects of physical presence and brand familiarity were somewhat narrower in scope. However, we find that consensus information alone is not sufficient to buffer against active, generalized suspicions online. Instead, a combination of high consensus and brand familiarity is necessary for this purpose. The paper concludes with recommendations on how etailers can convey trustworthiness in online exchanges and how future research can build upon these findings.

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Online retailers such as Amazon and eBay are losing market share due to a growing threat from venerable brick and mortar firms that have migrated to the web. “Hybrid” retailers (i.e., firms that have both an Internet and physical retail presence) like Wal-Mart, Target, and Best Buy are among the top 10 most visited retail web sites (Vara and Mangalindan 2006). Meanwhile, the share of online sales by pure etailers has fallen 8% since 2004, causing some firms (e.g., Overstock.com) to post revenue shortfalls for the first time. These shifts in online retailing may reflect the premium that consumers place on trust in their online transactions and the failure of conventional online

trust signals, such as privacy and security policies, to reassure consumers.

One possible explanation for the success of hybrid retailers is that the physical presence associated with their brick and mortar outlets assures customers and increases their trust in the online operation (Vara and Mangalindan 2006). Trust is seen as a crucial factor in the academic literature, as exemplified by statements such as “price does not rule the web; trust does” (Reichheld and Schefter 2000, p. 107) and “website trust is going to become a key differentiator that will determine the success or failure of many retail web companies” (Urban, Sultan, and Qualls 2000, p. 40). Claims such as these suggest that etailers should look at broad and persuasive trust cues that can be leveraged to compete with hybrid retailers that have strong brands and numerous physical outlets.

Beyond the effects of physical presence and branding, one potentially important way to enhance trustworthy beliefs online is by making non-marketer controlled information more accessible to potential buyers. With this goal in mind, the current research examines *consensus information* as an additional means

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Overview of Conceptual Models and Research Study Objectives

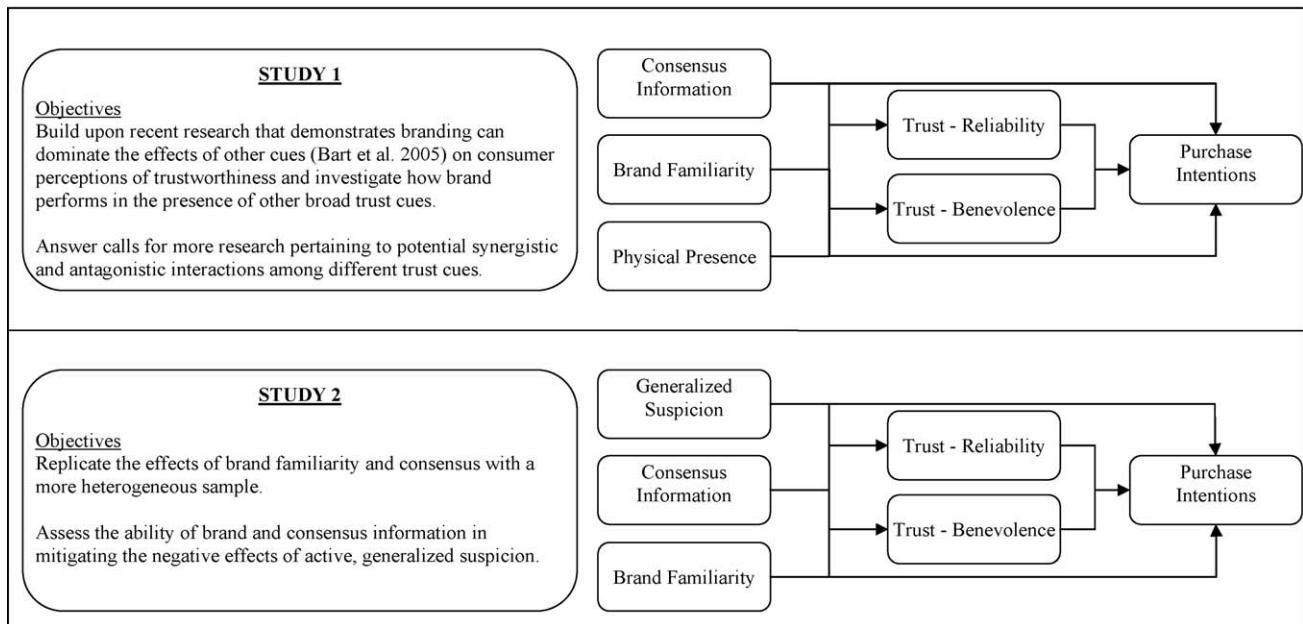


Fig. 1. Overview of conceptual models and research study objectives.

of establishing consumer trust. Broadly speaking, consensus information concerns whether the majority of consumers have had positive or negative experiences with the same product or retailer in the past (Darke, Ashworth, and Ritchie 2008). Online, consumers can access such information in many forms, including aggregate customer satisfaction/service ratings provided by third-party websites like epinions.com, yelp.com, and tripadvisor.com. Consensus information can also be accessed directly through retail websites, in the form of product and reseller ratings. The current research focused on consensus information pertaining to past experiences with retailers, which is most commonly found on third-party sites. Preliminary research suggests that 62% of online consumers consult customer feedback before making a purchase, and 82% report that their purchase decision is affected by this feedback (Deloitte and Touche 2007). Despite this, little is known about the relative effects of consensus information in the development of consumer beliefs about trustworthiness. More specifically, prior research does not consider whether the effects of consensus information are additive or interactive with other broad trust cues like brand familiarity and physical presence.

This gap in our understanding of online trust cues leaves several important questions unanswered. For example, little is known about the relative strength of consensus information in the development of trustworthy beliefs compared to the strengths of brand and physical presence cues. It is also unclear whether consensus information is similarly important for online and hybrid retailers; it may be that the trustworthiness conveyed by the presence of a physical retail channel is redundant with a second trust cue like consensus scores. Answers to these and other similar questions have important implications for retail managers and address recent calls in the retailing literature concerning the joint effects of retailer reputation (e.g., a familiar brand) and other

information cues (e.g., consensus information, physical presence) on perceptions of retailers (Grewal, Levy, and Lehmann 2004; Puccinelli et al. 2009), as well as the role of different retail formats (e.g., hybrid versus Internet-only) in the consumer decision making process (Grewal, Levy, and Kumar 2009).

We investigate these issues in two experimental studies. Our first study examines the main effects and interactions of consensus information, physical store presence, and brand familiarity on trustworthiness and purchase intentions. In Study 2, we extend our query to examine the effects of consensus information and brand familiarity when consumers are actively suspicious and less inclined to trust sellers in general (Darke and Ritchie 2007). Manipulating generalized suspicion provides an especially challenging test for the effectiveness of consensus and brand cues in reassuring consumers, and also allows for the examination of a potential boundary condition. Results of both studies establish consensus information as a broad cue with effects on trustworthiness that are comparable to those observed for well-established cues, like brand familiarity. Trust is identified as a mediating factor for the effects of the manipulations on purchase intentions in both experiments. A broad overview of the models tested in both studies is provided in Fig. 1.

Conceptual background

Trust

Understanding the factors that convey trustworthiness is particularly important for online firms (Gupta, Yadav, and Varadarajan 2009), as trust and related constructs are key determinants of purchase intentions on the Internet (Schlosser, White, and Lloyd 2006; Yoon 2002). Moreover, trust in the seller is said to mediate the effects of important website characteristics like

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