Chapter 68

The Effect of Trust on Customers’ Online Repurchase Intention in Consumer-to-Consumer Electronic Commerce

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ABSTRACT

As e-commerce is steadily increasing every year, trust building has become an important research topic in e-commerce research especially in developing countries. In this study, trust in intermediary and trust in online sellers are separated. Antecedents of trust and trust transference between online sellers and the intermediary are also explored. Analysis of the data collected from a questionnaire survey shows that seller performance, buyers’ past positive experiences, and psychological contract violation each have a significant effect on trust in online sellers. Meanwhile, information quality and service quality each have a significant effect on trust in intermediary and consumer satisfaction toward the intermediary. Trust is also transferred from the intermediary to online sellers. In turn, trust and satisfaction each have a positive impact on the repurchase intention. Theoretical and managerial implications are also discussed.

INTRODUCTION

E-commerce happens in online marketplaces (Pavlou & Gefen, 2004) or electronic markets (Chen, Zhang, & Xu, 2009), which are commercial websites on which buyers and sellers can exchange relevant information and finish the transaction process by using the Internet (Pavlou & Gefen, 2004). To avoid the confusion, the word intermediary is used to express the same meaning as online marketplaces and electronic markets. E-commerce is steadily increasing every year.

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According to the World Payment Report 2011 (Lassignardie, Barton, & Desmarès, 2011), online payments for e-commerce activities totaled 17.9 billion ($) in 2010 and are expected to grow at a sustained 19.1% rate a year to total 30.3 billion ($) in 2013 (Lassignardie et al., 2011). Online sellers can earn five times more profit from repeat customers than from new customers because repeat customers are less sensitive to price and spend more at online stores (Gupta & Kim, 2007; Reichheld & Schefter, 2000). It is wise for online sellers to retain repeat customers. According to a report of iResearch (2011), only a small minority of website visitors (about 6%) return to make purchases in the Consumer-to-Consumer (C2C) electronic market of China. Hence, consumers’ online repurchase behavior attracts attention of IS researchers and becomes an important topic of IS research.

There are some obvious differences between e-commerce and traditional markets. These differences include the spatial and temporal separation between buyers and sellers (Ba & Pavlou, 2002), the common misusage of consumers’ personal information (Pavlou & Fygenson, 2006), and the implicit uncertainty of using both an open technological infrastructure for transaction and the newness of the transaction medium (Pavlou, 2002). Trust becomes an important factor in stimulating customers to adopt the e-commerce channel and go towards the final purchase behavior because of these differences (Lee & Turban, 2001). C2C e-commerce refers to “the electronically-facilitated transactions between sellers and buyers through an online platform, whose function is to match consumers” (Zhang, Lu, Shi, Tang, & Zhao, 2012). C2C is a growing area for interactions and transactions in e-commerce (Leonard, 2012). Jones and Leonard (2007) have indicated that C2C e-commerce is deserving of its own research stream because it is different from other categories of e-commerce. One difference between C2C and other kinds of e-commerce is the higher level of potential risk because the sellers are individuals but not companies. Thus, trust building becomes critical for C2C e-commerce. Research has analyzed the competition between eBay (China) and Taobao in China. Taobao surpassed eBay (China) in 2005 to be the biggest C2C e-commerce platform in China (Chen et al., 2009). This study focuses on trust in C2C e-commerce and uses Taobao as the research object.

Trust building is still attracting attention of IS researchers nowadays. McKnight, Cummings, and Chervany (1998) combined four trust building research streams, which are personality, institutional, calculative, and cognitive, and proposed the initial trust building theory. It is one of the most commonly used trust building theories in the e-commerce environment. McKnight and Chervany (2006) responded to some new developments of the trust building studies in the online environment and encouraged IS researchers to explore antecedents of institution-based trust. Pavlou and Gefen (2004) also suggested that future research should examine the antecedents of “trust in the market-maker,” because trust in the market-maker was the strongest trust-building factor. Additionally, although researchers realized the importance of trust in e-commerce, they neglected the difference between trust in intermediary and trust in online sellers. Moreover, psychological contracts refer to an individual’s belief in mutual obligations between that person and another party (Rousseau & Tijoriwala, 1998). Psychological contracts exist between buyers and sellers in C2C e-commerce. Violation happens when one side of the psychological contract feels that what he/she received is not what the other side has promised. There are more and more credit crises, frauds, operational problems and cognitive problems in C2C e-commerce (Lu et al., 2010). Consumers may hear or experience psychological contract violations during their online purchase, affecting their trust in online sellers. However, psychological contract violation has been largely overlooked by e-commerce research.