Chapter 3

Trust Restoration in Electronic Commerce

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ABSTRACT

This paper proposes a model addressing the rebuilding of post-violation trust in B2C electronic commerce. The model uses expectation-confirmation theory and provides empirical verification for the factors affecting post-violation trust rebuilding and the association between them. The factors are perceived trustworthiness, confirmation by trust restoration, satisfaction and continuance trust intention. In accordance with exiting literature, perceived trustworthiness was found to have significant impact on continuance trust intention. The study also showed that confirmation by post-violation trust restoration activities had strong impact on satisfaction but satisfaction did not lead to post-violation continuance trust intention.

INTRODUCTION

The last decade or so has witnessed an explosive growth of electronic commerce. While the extensive use of Internet provides a new arena for marketers and retailers, the long-term profitability and survival of business to consumer (B2C) electronic commerce depend on the continued online buyers rather than the first-time users. According to Parthasarathy and Bhattacherjee (2001), it costs as much as five times more to acquire new customers than keeping the existing ones. For example, a 5% increase in customer retention in the insurance industry typically translates into 18% savings in operating costs (Crego & Schiffrin, 1995).

Trust is important for keeping continued buyers (Brynjolfsson & Smith, 2000). A customer has to trust the online business to disclose his/her private information in order to finalize a transaction. He or she has to trust the quality of the products or...
services because in most of the transactions the seller and buyer may have had never met. There are many studies that have investigated on how trust affects consumer behavior in electronic commerce (Kim & Benbasat, 2006; Morrison & Firmstone, 2000; Pennington, Wilcox, & Grover, 2003; Schoder & Haenlein, 2004). In an effort to mitigate online distrust, online companies have been using third party seals, customer feedback or comments board, reputation advertising, privacy statement and insurance to engender trust over their customers and differentiate themselves from untrustworthy competitors (Lee, Ang, & Dubelaar, 2005). Additionally, in risky online environments where information fraud and breach may exist and thereby deteriorate consumers’ trust, the online merchants should also understand how trust can be rebuilt should there be a violation of trust.

While previous research has shed light on the antecedents of trust, this study focuses on the process of trust rebuilding using the expectation-confirmation theory. A theoretical model of post-violation trust rebuilding has been developed and empirically tested with data collected from a survey of online consumers. The specific research questions that we would like to address in this study are as follows: 1) what are the factors behind the online users intention to continue trusting the site even after a trust violation? 2) how do these factors influence continuance trust intention?

The paper is arranged as follows. The next section describes trust, expectation-confirmation theory and the concept of trust violation. It is followed by the development of the hypotheses and the research model. The third section outlines the research methodology that we used for this study. The fourth section presents the statistical findings, and the fifth section presents the discussions and managerial implications of the research. The last section concludes this study by mentioning the notable findings.

LITERATURE REVIEW

Trust and Trust Bebuilding

Trust has been one of the most significant research phenomena across a variety of disciplinary fields including philosophy, psychology, sociology, management, and information systems etc. Theoretical underpinning of trust has been demonstrated through a plethora of perspectives. Lumann (1979) indicates that trust refers to the belief that other people will react in predictable ways. From a social-psychological point of view, Cremer, Snyder and Dewitte (2001) argue that social interactions are pleasant and cooperative if individuals take into account others’ interest because understanding trust is important in promoting cooperation across different social interactions. Trust is a bilateral relation that involves an entity manifesting trust called the trustor and an entity being trusted called the trustee. In this research, we adopt the universally acknowledged definition of trust from the work of Mayer, Davis and Schoorman (1995), who refer to trust as the willingness of a party/trustor to be vulnerable to the actions of another party/trustee based on the expectation that the other (trustee) will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party (trustee).

Trust is believed to exist when one party has confidence in an exchange partner’s reliability and integrity and is the perceived credibility and benevolence of a target of trust (Doney & Cannon, 1997; Morgan & Hunt, 1994). It has been considered essential for understanding interpersonal behavior because of uncertainty and information asymmetry. In conventional or offline commerce, trust stems from the expectation of positive consequence as well as the acceptance of vulnerability, and is of crucial importance due to the difficulty of confirming another’s identity and the information asymmetry between trustors and trustees. The importance of trust has been