Building Initial Trust in an Intermediary in B2C Online Marketplaces: The Korean Evidence From Interpark.com

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ABSTRACT

The author develops and tests a consumer trust model for building first-time buyer’s trust in an intermediary in Korean online marketplaces. Data was collected via a questionnaire survey using 218 respondents. Results from an empirical analysis indicate that while all the three factors of trustworthiness were found to be a predictor of overall initial trust in the intermediary, ‘integrity’ turned out to have the strongest association with overall trust. The author’s findings suggest that trustworthiness beliefs and trust are conceptually distinct from each other and that the former is a predictor of the latter. The article offers implications for both academics and practitioners of online marketplaces.

KEYWORDS

Consumer Trust, Digital Storefront, E-Marketplace, Intermediary, Interpark.com, Trustworthiness

INTRODUCTION

An electronic marketplace (or e-marketplace) is an interorganizational information system that allows the participating buyers and sellers in some market to exchange information about prices and product offerings (Bakos, 1997; Hong & Cho, 2011). It is an intermediary that brings together sellers and buyers by providing an online marketplace. Buyers in an e-marketplace are exposed to an even greater risk of opportunistic seller behaviour than those in an online storefront. In fact, the Internet Crime Complaint Centre (2018) received 26,967 consumer auction fraud complaints between May 2014 and December 2017 with an adjusted dollar loss of $54,032,396. The reasons that online marketplaces are riskier than digital storefronts are twofold. Foremost, e-marketplaces typically consist of SOHO (small office home office) sellers who process a limited volume of transactions daily and handle returns or exchanges with limited manpower resources. Moreover, e-marketplace buyers routinely engage in transactions with a community of unknown sellers within the marketplace with whom they have little or no prior interaction, whereas buyers on a digital storefront develop business relationships with the single seller over time to the extent that they get to place trust in the e-commerce firm. Therefore, trust remains a key to the success of online marketplaces today. From the standpoint of consumers, buying from an online store that is not trustworthy is like accepting foreseen risks of financial or other possible losses. For that reason, it is critical for vendors to successfully build trust to overcome consumer perceptions of uncertainty and risk.
The literature on consumer trust in electronic commerce reveals a rich body of knowledge on the antecedents of trust, which predominantly focuses on the context of digital storefronts. However, little work has been dedicated to understanding what affects consumer’s trustworthiness beliefs in an intermediary in an online marketplace especially when a consumer has no buying experience with that e-marketplace. While Kim & Ahn(2001) investigated the antecedents of trust in an online marketplace, their study is not applicable to a situation where a consumer has no transactional experience to form trusting beliefs concerning the e-marketplace. A trust model for an online storefront is distinct from that for an e-marketplace. While trust in a single vendor is of importance in an online storefront, consumers in an e-marketplace have a prime concern with trust in the marketplace intermediary. Thus, consumer trust in an intermediary will be first formed, and then trust is transferred from the intermediary to the vendors selling within the marketplace (Hong & Cho, 2011). To help online marketplaces successfully build consumer trust, a consumer trust model specifically tailored to e-marketplaces that articulates the sources of trust for this particular type of e-commerce firm is needed. In particular, the way initial trust is formed in online marketplaces differs from the way subsequent trust is developed; development of subsequent trust can be importantly influenced by consumer’s buying experience (i.e., length of relationship). In order to examine how trust is formed with first-time buyers, this paper will focus on initial trust that consumers have to deal with who have not yet shopped in a given e-marketplace.

In addition, one trend that is noticeable with some of the recent trust-related research is that the trust concept is interpreted and used in two different ways. While trust can be measured by a single dimension such as reliability, the trust construct can be viewed as multi-dimensional (Ou, Pavlou, & Davison, 2014). The first view focuses on the concept of general trust, which is not related to a specific behaviour of the other party, or any component of trust (Chen & Dhillon, 2003). On the other hand, the second view assumes that trust is comprised of such differing dimensions as competence, integrity, and benevolence, which are termed factors of trustworthiness in the literature (Mayer, Davis, & Schoorman, 1995). Based on the second view, some researchers tend to identify trust with trustworthiness and measure the trust construct using items created for the trustworthiness construct. While the aggregate perception of the three dimensions may influence the overall trust of the consumer (Chen & Dhillon, 2003), trust can by no means be conceptually equated with trustworthiness. In particular, the magnitude of influence of the individual attributes of trustworthiness on the overall trust may be unequal to one another in e-marketplaces due to the very nature of the online-marketplace business model. It is imperative to examine the association between the attributes of trustworthiness and overall trust.

This paper aims at examining the influence of e-commerce firm and site characteristics on the formation of trustworthiness beliefs in an intermediary in online marketplaces and at exploring the relationships between trustworthiness attributes and initial trust in an intermediary. To this end, we will first conduct an extensive review of the related literature to discover factors that are central to e-commerce firm and site characteristics and to trustworthiness beliefs in an intermediary. Next, we will conduct an empirical examination to take an in-depth look at the relationships between e-commerce firm characteristics and trustworthiness attributes and between site characteristics and trustworthiness attributes. At the same time, we will empirically analyse the linkage between trustworthiness and overall trust in the context of e-marketplaces. The findings of this research are expected to contribute to our understanding of how initial trust in an intermediary is formed in business-to-consumer online marketplaces, enabling practitioners to formulate strategies to build trust for first-time buyers on such marketplaces.
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