Social Networks and Trust in e-Commerce

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ABSTRACT

Online retailing has always had trust issues because of the absence of face-to-face contact and other contextual factors that usually enhance confidence in an exchange. Over the years, institutional credibility solutions such as external certifications, user reviews, and brand building activities have helped to build trust in virtual environments, resulting in the recent rapid growth of e-tailing. With the advent of Web 2.0, and especially social networking sites, firms are looking at new avenues to connect with consumers. This paper compares trust levels and more specific aspects of trust across various items related to institutional credibility and community. The data suggest that users perceive differences in websites and that these perceptions influence their trust in those sites.

Keywords: E-Tailing, Online Retailing, Perception, Trust, Virtual Environments, Web 2.0

INTRODUCTION

Face-to-face assessments of trustworthiness have traditionally been an important variable in exchange, in particular in commercial exchanges such as retailing. The growth of virtual retailing on the internet has raised a number of new and interesting issues related to trust, precisely because of the different context surrounding such exciting potential. E-tailers have the ability to offer choice, information, customizability, and other things to their consumer appeal, but since it all takes place in a virtual environment, there are natural questions about how to instill and reinforce trust.

The latest manifestation of this trend is the growth of social networking sites. With the explosion of interest in such sites (Facebook just passed Google as the most visited site as this paper was being written) has come increased activity by firms looking for commercial applications. More and more organizations have not only a marketing communications presence on social networking sites but also provide a direct link to purchase. As a result, the social networking sites are starting to develop some of the same offerings as online retailers.

As social networking sites are still a fairly recent phenomenon, especially in a commercial role, very little research exists on the question of how to develop and reinforce trust in these social networking sites.
of trust. Trust in e-tailing has been a major issue since the form took flight in the 1990’s, in large part because of the virtual nature of the activity. New and unfamiliar institutions were often behind e-tail sites (though familiar retailers also had their role), no opportunity was available to handle or personally assess offerings, and there was also no ability to evaluate trustworthiness through an assessment of face-to-face contact or contextual cues. To overcome such concerns, e-tailers worked hard to build in third-party certifications and recommendations, provide reassuring peer and expert feedback mechanisms, deliver product and service quality, and otherwise build credible, trustworthy brands. The biggest and most successful e-tailers have established substantial institutional credibility in the market, with consumers trusting the firm behind the brand.

Social networking sites pose some different questions. The institution behind the site doesn’t necessarily back the commercial activity that may be conducted on it or be connected to it. Instead, there are social networks that develop, and users may trust their network of peers and contacts, but that may or may not extend to commercial communications or exchanges. In this study, we seek to directly assess the nature of trust in three different types of websites, with varying levels of institutional credibility and social community. In doing so, we can begin to provide guidance to marketers looking to social networking or other sites for relationships with customers, particularly the generation most active with Web 2.0.

LITERATURE REVIEW

As background, we will consider the literature regarding trust, both in general and more specifically applied to commercial exchanges, especially virtual relationships. As might be expected, a lot of the conceptual basis of trust theory came out of sociology (Gambetta, 1988). Trust is encompassed in interactive exchanges in which both parties look to benefit, relies on expectations about behavior (and the follow-through on that behavior), and often builds over time through repeated interactions (Garfinkel, 1963). Context is important, as environmental circumstances and situation matter (Baier, 1986). And the repeated interactions in a specific relationship can lead to trust-based routines between opposite parties (Giddens, 1991).

Specific applications to business include organization-to-organization and organization-to-individual transactions (both typically commercial) as well as internal organization-to-individual relationships (e.g. human resources). With the advent of Web 2.0, individual-to-individual relationships are now also of interest. When the context is business-oriented, trust is typically modeled more rationally than in some other applications. The rationality is approached from the perspective of individuals or organizations assessing how their self-interest is improved by an exchange (Coleman, 1990). If a relationship can be built upon repeated exchanges, then trust can enable reductions in transaction costs. The result can be tighter cooperation and increased efficiency. The benefits can be weighed against the potential costs of vulnerability when trust is extended to complete a given exchange (Axelrod, 1990).

Marketing, in particular, has been a field of extensive scholarship related to trust, principally because the discipline has exchange at its core. In these applications, researchers explicitly model exchange and delve into the specifics of expectations of behavior from the opposite party (Mayer et al., 1995). These expectations are generally accepted to be founded on three beliefs (Bakker et al., 2006; Collins & Smith, 2006; Marshall et al., 2005). Initially, exchange partners must be viewed as capable, that they are able to behave as promised. Secondly, exchange partners must be perceived as benevolent, that they are motivated to behave. Finally, exchange partners must have integrity, an intention to behave as promised.

Further scholarship has yielded insights into the variables that affect these assessments of capability, benevolence, and integrity. One critical variable is the strength of the relationship between the parties in the exchange (Collins &
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