

Chapter 5.11

Culture and Consumer Trust in Online Businesses

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ABSTRACT

The importance of consumer trust to the success of online businesses is well documented in the literature. Given the global nature of online transactions, an important question is whether trust and trust formation differ across cultures. This study compared Hong Kong and U.S. consumer trust in online businesses. Specifically, the study examined security and privacy risks related to the purchase of products as well as services. The results show that significant differences exist between consumers from the two countries regarding the perceived level of online business risks and the formation of trust via the transference process. These findings reiterate and underscore the significance of including national culture in studies of trust in e-commerce. The results also have potential implications for online businesses as well as third party certification and assurance services.

INTRODUCTION

Concern with the determinants of consumers' willingness to engage in e-commerce has been the focus of numerous studies (e.g., George, 2004; Gefen, Karahanna, & Straub, 2003a, b; Tan & Sutherland, 2004; Jarvenpaa & Tractinsky, 2003; Pavlou, 2003; McKnight, Choudhury, & Kacmar, 2002; McKnight & Chervany, 2001; Jones, Wilkens, Morris, & Masera, 2000). For example, based on the theory of planned behavior, George (2004) finds that trustworthiness is a significant factor in the development of attitudes concerning e-commerce. Similarly, Gefen et al. (2003a, b) used the technology acceptance model (TAM) (Davis, 1989; Davis, Bagozzi, & Warshaw, 1989; Venkatesh & Davis, 2000) to examine the role of trust in consumers' intention to use e-commerce. In a study of repeat customers, Gefen et al. (2003a) find that beliefs about structural assurances such as online seals were significant antecedents of trust, thereby contributing to intended use. In a

separate study, Gefen et al. (2003b) found that familiarity and trust primarily determined the purchase intentions of *potential* as opposed to *repeat* customers. They conjecture that in initial encounters with an e-vendor (with its attendant higher uncertainty), potential customers employ the uncertainty reducing constructs of trust and social norms as primary determinants.

Together, the foregoing studies highlight the importance of consumer trust to the success of online businesses. If consumers do not trust the Internet or specific vendors, they are unlikely to engage in online transactions. Individuals may not trust the Internet or online businesses because of various risks related to issues such as privacy violation and inadequate security when completing online transactions. For example, consumers may be worried about the risk that personally identifiable information they submit to a company's Web site may intentionally or inadvertently be used for unintended purposes.

Given the global nature of online transactions, an important question is whether trust issues differ across cultures (Gefen & Heart, 2006; Tan & Sutherland, 2004; Liu, Marchewka, & Ku, 2004; Jarvenpaa & Tractinsky, 2003). Different cultures exhibit differing social norms and propensities to trust (Srite & Karahanna, 2006; Doney, Cannon, & Mullen, 1998). Thus, it is expected that cross-cultural differences may be observed in the propensity to engage in e-commerce. This is relevant since cross-cultural differences may have potentially significant implications for online businesses. For example, the design of electronic storefronts may be improved to create a better sense of trust among customers by taking into account possible cultural differences in disposition to trust. Similarly, cross-cultural differences in trust issues may have potential implications for the marketing of third party certification and assurance services. Elliott and Pallais (1997) note that the first step in identifying a new assurance service is to focus on user needs. Differences between cultures may call for different marketing strategies to better meet online customer needs.

The purpose of this study is to examine the effect of culture on consumers' trust in online businesses. It is motivated by two related findings in previous research. First, Tan and Sutherland (2004) specifically highlight the lack of research that examines the effect of culture on consumers' disposition to trust. They posit that consumers' disposition to trust influences their trust in the Internet (institutional trust) as well as their trust in specific online vendors (interpersonal trust). Thus, to the extent that cultures differ in dispositional trust, differences would be expected in institutional and interpersonal trust. The present study focuses on interpersonal trust. Second, while two studies (Jarvenpaa & Tractinsky, 2003; Liu et al., 2004) that specifically examined consumers' trust in online vendors have failed to provide evidence of a cultural effect, a more recent study by Gefen and Heart (2006) found cross-cultural differences in the effects of familiarity with, and predictability of an online vendor on trust beliefs. The present study re-examines potential cross-cultural differences in consumers' interpersonal trust in online businesses.

The current research has potentially significant implications for both research and practice. From a research standpoint, it contributes to the literature in several ways. First, it provides insights into the apparent inconsistency in findings among the mentioned studies. Specifically, consistent with the propositions by Tan and Sutherland (2003), the present study finds cross-cultural differences in consumer trust in online businesses. This is in contrast to the findings of two earlier studies (Jarvenpaa & Tractinsky, 2003; Liu et al., 2004) which did not find such cross-cultural differences. Second, similar to the study by Gefen and Heart (2006) that examined the *prediction* process as a mode of trust creation, the current research provides evidence of cross-cultural differences in the effectiveness of the *transference* process as a means of building trust, as postulated by Doney et al. (1998). Third, the current study provides evidence of the generalizability of the recent find-

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