



No Trust, No Transaction–The Implications For The Internet Suppliers

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Abstract. Building customers' trust is essential for Internet supplier in acquiring consumers' loyalty, increasing their satisfaction, encouraging customers to move their spending from traditional to e-market. The authors identify the key factors which have an effect on building customers' trust. They analyse two groups of factors: strictly connected with the process of making transactions (e.g. communication before purchase, the security of payment, the delivery costs, the means of dealing with claims and returns) and not related directly (e.g. law regulations, protection of consumer rights and privacy, technical infrastructure, transfer of external trust).

1 Trust as a Irreplaceable Element of The Internet Transaction

The goals in trading are to convince customers to buy products from a particular supplier and persuade them to buy it again. The key factors influencing customers' decision to buy goods via Internet are the wide assortment, the reliability of the retailer, the safety of the transaction with the security of personal data and clear information about products (Gregor, Stawiszyński, 2002). Except for the wide variety of available goods, all indicated causes of buying are connected with trust. The Internet retailers perceive a lack of trust in electronic shops as one of the main barriers in the development of the electronic market. Among the traditional marketing tools in selling¹, for electronic retailers two seem to be the most important: reputation and building long lasting relationship with customers. Both of them are directly based on trust. Erkki Liikanen – member of the European Commission, responsible for issues of Information Society, in one of his speeches about perspectives of the eCommerce development said: „No trust, no transactions” (Liikanen 2000a).

For the Internet suppliers building customers' trust means:

- decreasing the uncertainty and risk of clients related to transactions,
- encouraging clients to buy on-line,
- building loyalty of clients,
- increasing the Internet customers' spending,
- building relationships with clients,
- improving customers' satisfaction,
- collecting personal data for building relationships with clients.

So, how can the Internet vendors build their customers' trust? To answer this question we examine different aspects of selling and buying via the Internet.

¹ localization, reputation and image, environment of selling, assortment, price, promotion, customers service and relationship management with customers (Sullivan, Adcock, 2003).

2 Factors Influencing Customers' Trust

The supplier should consider all factors that effect the customers' trust in each stage of process of selling: during acquiring new customers, during transaction (receiving order, payment, delivery of goods) and after-sale service. But not only did transaction process have influence on building customers' trust, but also factors which were not directly connected with transaction. We categorize the factors into three main groups .

Table 1: Transactional and non-transactional areas influencing customers' trust.

before purchase	<ul style="list-style-type: none"> • good communication
the process purchase	<ul style="list-style-type: none"> • payment, • delivery of goods,
after sale service	<ul style="list-style-type: none"> • receiving of returns, • technical service, • service of claims and guaranties.
not directly connected to transaction	<ul style="list-style-type: none"> • security of users privacy, • law regulations, • security of the Web-site, • technical infrastructure, • transfer of external trust, • other elements.

3 Transactional Factors Building Customers' Trust

We should highlight the role of building communication before purchase, because improper communication can easily deter customers from making transaction.

Communication with customers:

- should build a good first impression – to make clients interested in an offer and to demonstrate that they are dealing with a reliable partner ,
- and also should deliver to a client full information needed to make a decision on a purchase.

The elements of communication which build customers' trust are:

- trust signs on the Web site e.g. credit card organization signs, privacy seals,
- certificates of Web site,
- information about company,
- information on connection with physical world,
- accuracy of products and service data,
- recommendations,
- information on privacy policy,
- easiness of navigation.

According to Forrester Research, about two third of initiated transactions were broken, because consumers were not able to find full information to make decisions on purchase (Wolfenbarger, Gilly 2001). Customers' feeling in making a good decision increases as a result of gathering additional information, although it does not mean that they actually decide better (Antonides, Fred van Raaji, 2003). Some contents of the web-site can subvert the customers' trust. Such as:

- too many advertisements,
- asking for personal data before purchase,
- not easily available prices for products,

- not accurate information about products,
- availability of ordering product which is out of stock. (Bajdak, 2003)

Polish customers are reluctant to buy on-line because:

- they can not check the product before buying,
- they have not previous experience in buying via Internet,
- transactions are perceived as unsafe,
- high price,
- too long time for delivery,
- narrow assortment,
- they do not have credit card (Gregor, Stawiszyński, 2002)

Some perceived inconveniences can be removed by retailers offering e.g. guarantee, telephone service, a different way of delivery and payment. Also good communication with customers can reduce their reluctance to buy.

In the payment process, the most important is security. Security is frequently pointed out by Web users as the weakest point of eCommerce (BBDOOnline). However, the electronic cash systems offer the high level of security.

In delivery of goods, the most important is the safe and in-time delivery. E.g. delivering of Christmas gifts after the New Year completely destroys consumer's trust forever. Some products may be delivered through the Internet (it's possible only for several goods, like computer programmes), which is the easiest, cheapest and fastest. If "physical" transport is necessary, the following solutions may be applied:

- taking the product by a consumer from an appointed place, like a shop,
- delivery by courier,
- sending by post.

The key factor in goods delivery is cost, which often, especially in the case of small purchases, may affect on giving-up shopping. It is cheaper, but not convenient, if a consumer takes the product from an appointed place, because he must visit the shop. Delivery by courier is fast, the consignment is insured, but it is quite expensive.

Sending by post is cheaper, but lasts longer. So, in the case of a big purchase, the best solution is courier. In the case of a small purchase it is more difficult to show the best solution; it depends on client preferences – what is more important, reliability or price?

Return of purchases should be guaranteed by law – e.g. in Poland a client of the virtual shop may return goods within 10 days after obtaining the purchase, whereas according to EU regulations, minimum within 7 days. Client covers only the cost of delivery and return. Return can be made by sending or delivering goods to the point indicated by a seller.

In technical support, the most important thing is the fast response to problems and convenience. Use of an electronic channel makes possible both. However, possibility of another contact than only through the Internet is necessary as well (e.g. call center), because it is not always possible to use Internet. Moreover, some people prefer verbal contact than virtual, which allows neutralising bad emotions. Research conducted by Hepworth has shown that clients who had problems which were solved by a call centre were more loyal to brand than clients who have never had any problem (Newell 2002).

In the case of service of claims and guaranties, as well as receiving of returns, the most important is the response time and convenience of a client; however, it is not possible to give back or repair goods through the Internet (computer programmes can be exceptions), so a very important element, which builds trust, is possessing the proper back, which allows necessary service, receiving of returns etc. Such backs possess companies using parallel channels of distribution, electronic and physical. The client may go for e.g. to the nearest shop. It is one of the reasons why companies with well developed both channels of distribution are more effective than those with only virtual one.

The Internet supplier should take care receiving wide information about requirements, needs from both dissatisfied and satisfied customers. Dissatisfied customers can easily share negative opinions with other

consumers e.g. on chat room, internet forum, their own web-site. According to Hart, Hesketh, Sasse dealing with customers' claims the supplier should:

- act quickly,
- consider value not cost,
- tend to keep customers, not to change products (Sullivan, Adcock, 2003).

All the above indicated factors can create customers' trust. It also increases the probability of buying. But for Internet suppliers acquiring new customers is only the first step to build long term relationship with them. The high cost of acquiring new customers renders many customers relationships unprofitable during the early years. Only in later years, when the cost of serving loyal customers falls and revenues rise, are relationships profitable. Internet shops can also extend their range of products, because Web customers tend to consolidate their purchases with one supplier. It is particularly apparent for business clients (Reichheld, Schefter 2000). Loyal customers also often refer new customers, by using e.g. e-mail to broadcasting recommendations. Forrester Research shows that 90% of satisfied customers probably visit the web –site again and 87% of them gives their positive opinion to family and friends (Gregor, Stawiszyński, 2002).

4 Non - Transactional Factors Building Customers' Trust

The last group of identified factors influencing the level of customers' trust is not related directly with the transaction process.

Table 2: Tools of building customers' trust in each area

Area	Tools of creating trust
security of users privacy	law instruments – establishing proper law protecting privacy. self-government with help of proper NGO – voluntary keeping by companies the rules of privacy programs created by NGO. market mechanisms – avoiding by consumers webs that do not care properly about the privacy of users.
law regulations	protection of consumer rights, protection of privacy, making transactions in the Web, law frames for Alternative Dispute Resolution, localisation of the responsibility for materials in the Web, regulations for international eCommerce
security of the Web-site and technical infrastructure	access to web side 24h per day
transfer of external trust	external references, transfer of brand from the physical world, operating on the market where is rigorous law, or recognising jurisdiction of the ADR bodies, placing the shop in the Web passage.
other elements	actions connected to building of Internet communities, like establishing markets for trading of used products, forum of users, forum of advices. Another element is Public Relation activity, like sponsoring - crucial in crisis situation

Security of users' privacy means security and confidentiality of user's data. The consumer has the right not to fear about the security of his data and its availability to other organisations. Research of Jupiter Communications indicates that 58% of American customers worry about selling their personal data and 78% of them are reluctant to buying via the Internet because of necessity using personal data (Bajdak, 2003)

Why should the customer trust the Internet company about which he knows almost nothing? There is a necessity to help him. This can be done with the declaration of proper *Privacy Policy*. But it is only, also in the case of the most rigorous policy, the declaration of goodwill. Researches shows, that leaving this problem to shops only is not a good solution. It would not ensure keeping proper practices (Infocomm Development Authority of Singapore 2001). As data of clients are most valuable good, there must be also instruments for protection of privacy, independent from the companies. We can indicate two models of privacy protection: based mainly on law instruments or market instruments, and on self-regulation of the market.

Law that is guaranty of protection of personal data undoubtedly increases trust to eCommerce, because it secures minimum consumer's rights (Liikanen. 2000, Infocomm Development Authority of Singapore 2001). For opponents of strict regulation, an alternative is establishing the system of NGO's. Such organisations analyse users' needs and can react in a much more fast and flexible way to any changes and also obligate companies to voluntary keeping rules (TRUSTe 2001). Such a system should ensure and execute applying proper practices, especially concerning protection of privacy. However, lack of law rules and dependence only on self-regulation may be not enough efficient. Organisations awarding trust markers ensure that Webs fulfil defined requirements concerning privacy protection, but they can be more liberal to breaking those requirements by big companies, that strongly donate them by taking part in their programs. Solution proposed by Infocomm Development Authority of Singapore (IDA) is accrediting of privacy programmes by state bodies. Main task of law regulations is creating friendly environment, where minimum of consumers' laws, especially concerning privacy as well as security, is protected by state. It should increase trust to the Web and encourage using it.

Because of specific position of the consumer in the Web, law regulations should secure especially high protection of their rights. Law regulations in Poland and E.U. fulfil this condition, e.g. assure possibility to return goods in defined time after purchase. Law extorts that offers published in the Web should include full information concerning offered goods, conditions of contract and guaranty, payment process, final price including taxes and cost of delivery.

In the case of privacy protection, law should ensure the minimum level of security of personal data of the Web users. There should be regulated especially rules of registration and transmission of files with personal data, defining information which may be collected, and indicating where data may be transferred, as well as how they should be kept to ensure proper security.

Special law regulations are needed for the protection of children as e-customers. For instance the act - Children's Online Privacy Act (COOPA) obliges the Internet suppliers to inform parents of children under 13 about collecting personal data and requires parents' agreement to use children's personal data (Bajdak, 2003).

In making transactions, the most important thing is to define the moment, when transaction is contracted, elements necessary for validating transaction, as well as establishing frames for legal recognition of the electronic signature.

Law should also establish frames for Alternative Dispute Resolution (ADR), like mediation on-line, arbitration. Because of lower cost and quickness, they better fit to specific conditions of eCommerce (Schulze, Baumgartner 2000).

To improve efficiency of law disputes, law should also regulate responsibility of Internet service suppliers and intermediaries, which transfer data to the client.²

The Task for the International eCommerce is especially defining of the supplier seat, as well as jurisdiction. Now, if you click on the address in the domain *.com*, you may deal with the Web site registered in an exotic

² In E.U. those problems are regulated by Directive 2000/31 of the European Parliament and of the Council of 08.06.2000 r. on Certain Legal Aspects of Information Society Services, in Particular Electronic Commerce, in the Internal Market, eCommerce Directive.

country, with liberal law concerning eCommerce, which tricks out the number of your credit card to steal your money.

Previously, security was assessed mainly in terms of technology and money, eventual mistakes were considered as financial losses, but it had rather a small influence on the main activity of an enterprise. Now, more important is the aspect of non-material losses, strongly connected with the reputation of an enterprise and losing trust of clients and stakeholders, which is much more valuable and difficult to rebuild (Ernst Young 2001).

Important for building trust is the quality of technical solutions used to building the Web site. Security and availability of the site must be ensured 24h per day. The Web site that is often inaccessible, especially in case of e.g. stocks trading, can't be trustworthy. If the client were not sure that in critical situation he would be able to sell his stakes, he would not use such a Web site.

Transfer of the external trust can be made through:

- external references,
- transfer of brand from the physical world,
- operating on the market where is rigorous law, or recognising jurisdiction of the ADR bodies,
- placing the shop in the Web passage.

External references may be imported by placing on the Web site the trust markers: references from another users (e.g. client's friends), specialists, trade organisations or certificates of organisations.

Transfer of brand from the physical world can be used by companies that are active in physical and virtual world at the same time. Pure Internet players can join strategic partner with famous brand or have significant stakeholder to be quoted on the stock exchange, what obligates to fulfil a lot of rigorous conditions.

If the company has a seat in the country with rigorous law, or recognised jurisdiction of the ADR bodies, there is possibility for clients to dispute their rights when trust was broken. If the shop is in an Internet passage, it must often fulfil a lot of conditions; e.g. must use safe protocols SET and SSL for processing transactions, if an order is not realised, the shop must prove that it has fulfilled all duties, in the other case the bank gives back money taken from the account of a client.

5 Building Image of Trustful Company

The Internet supplier can use different marketing tools influencing customers to buy and ensure their satisfaction. But gaining customers' trust must be perceived as the main factor in building long-lasting relationship. Although consumer's behaviour depends on many different factors (e.g. the type of decision, internal and external factors - profile of customer, group of influences, cultural environment, accepting novelty, ability of learning), in all cases customers only want to buy from reliable suppliers. The Internet suppliers should remember that each element of their strategy can be perceived and interpreted by customers as a message "It is trustful company or not" and become a factor which has a crucial impact on the decision of buying. In creating image of trustful company, the Internet vendors should carefully monitor indicated in this article two groups of factors: transactional and non-transactional. In these groups we found factors which are connected strictly with company's marketing activity (such as communication, payment, delivery, after sale service, security of web-site) and also connected with the external environment, such as law regulations.

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