Building Online Trust in Retailing Industry in China

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Abstract. In China, online retailing often refers to B2C or B2B2C, is expected to grow up at aggressive rates in the coming years. Since e-commerce stretches transactions over spaces and time, it requires more trust than traditional business does. Therefore, one of the most critical factors preventing the growth of online retailing in China is the lack of trust between consumers and vendors. The model of trust for e-commerce (MoTEC) [7], the categorization framework of trust services [17] and the types of the trust definition [10] will be adopted in this thesis to provide a framework making explicit factors likely to affect customer trust. This paper try to give suggestion in order to use trust service to build the mutual trust relationship between websites and customers, integrating the conclusion of former research with the practical background of e-retailing in China.

Introduction

E-commerce provides new business opportunities, reduces costs, and facilitates exchanges with business partners and customers. As more products and services are increasingly sold over the Internet, it becomes more important to build up overall knowledge on e-commerce-specific consumer-vender trust relationship design.

Because of uncertainties in business transactions over the Internet, trust issue is considered by many researchers as a critical factor influencing the successful proliferation of e-commerce [3,9]. However, with the investigation from China Internet Network Information Center (CNNIC) 2007, the security and privacy concern are the still key factors that prohibiting the successful proliferation of e-commerce. In order to reduce the barriers, vendors must develop a trustworthy relationship to foster customer loyalty [4,14]. Therefore, attempting to build an initial trust relationship with the consumers, the website should enhance their guide and help service, especially trust help services, to their potential customers. At the same time, a certification of trustworthiness from the third party would provide the users a strong sense of trustworthiness.

In this paper, we discuss the trust service and the factors that affect the trust relationship in more detail. We believe that understanding the factors that mechanism of the trust and the trust service is prerequisite to build a trust services system. The goal of this paper is to provide a trust service system to satisfy the consumers and to develop the mutual trust relationship between vendors and customers concerning the practical condition of the online retailing in China.

The paper organized as follows. First we will discuss the relevant concepts, including the types of the trust, the classification of the trust services, and the phases that affect the trust relationship. Then, the comparison of the online retailing environment between domestic and abroad will be presented. At last, based on the comparison and the concepts, we will discuss the trust service system in China and make some suggestion about the system.

Literature Review

In the field of trust relationship building, many researchers have investigated the theories that are related to building trust services on the Internet; most of the researches are focused on the following
three aspects, namely the types of trust, classification of the trust services and the factors that affect the trust relationship. The source of the literature review we adopt is from academic research and industrial report.

**Types of trust**

In the e-commerce background, trust has been investigated in many scopes, such as the “trust pyramid” proposed by Dayal, Landesberg and Zeisser at 1999 [5] and the types of trust proposed by Kim and Tadisina at 2005 [10], which classified the trust into two categories: initial trust and trust based on direct experience.

These two types of trust should be distinguished initially. The first type, initial trust, refers to a new situation where, say, a prospective customer assesses the trustworthiness of a merchant based on third-party information and surface cues. The second type, trust based on direct experience, presupposes an initial transaction, followed by an evaluation of the outcome. As such, it affects the long-term orientation of the relationship.

**A categorization framework for trust services**

The categorization of trust services is characteristic-based, process-based and institution-based trust [14].

Characteristic-based trust services, which are driven by social and cultural similarities, are based on the characteristics of business entities: companies, persons or systems.

Process-based trust services are based on consumer’s experience, which may relate to one’s own experience with the business partner or to the experience of third parties.

Institution-based trust services are based on formal social structures such as laws, certifications and formalized codes of conduct.

**The factors that affect the trust relationship**

The models that constitute the factors that affect the online trust relationship are proposed at many scopes, such as affective reaction model (Figure1) and The Model of Trust for E-Commerce by Egger (Figure2).

The affective reaction model is presented below:

![Figure 1. Affective reaction model.](image1.png)

Figure 1 presents the Affective reaction model which the conceptual framework from which the proposed model is formed. This model explains how the web quality influences the ecommerce trust, including the process of the building of the trust relationship. The perceived Web quality with service contents would influence affective reaction variables in the model. Affective reaction toward interacting with an object (website) is a person’s subjective perception or judgment about whether such interaction will change his or her core affect or his or her emotion toward the object.

The Model of Trust for E-Commerce (MoTEC), initially developed by Egger at 1998 [6] and refined in Egger [7], Egger and De Groot [8] and Egger [9], is widely used to illustrate the factors that affect the process of trust building and the process that how the relationship is built [16]. The definitions of the four phases are modified to be more accurate and the relationship of the four phases is made clearer in the evolution of the model.
Figure 2 presents the Model of Trust for E-Commerce which attempts to regroup an important number of factors observed which affect consumer’s judgment of an online vendor’s trustworthiness. Not only does the model list these factors, it also classifies them into different components or interaction phases. This model applies to the selling of products and services in a B2C situation.

He model is based on the four phases: Pre-interactional Filters, Interface Properties, Informational Content, and Relationship Management.

Firstly in the phase of pre-interactional filters, in this phase, the factors that affect consumers’ trust in an online business can be determined before any online interaction has taken place. In this phase, the vendor’s should pay attention to the characteristic-based trust services to reduce the uncertainty and untrust.

Secondly, as one explores a new site for the first time, in the phase of interface properties, the first impression made by a system, in terms of graphic design and usability, will lead to are-assessment of that trust value.

Thirdly, in the phase of informational content, as one examines cognitively more demanding factors, such as the company’s competence or the risk of a transaction, one’s trust value is bound to change once again.

The fourth phase, relationship management, refers to the handling of inquiries or orders over time. Whether communication happens before or after ordering, the responsiveness and the quality of the help may also affect one’s level of trust. Relationship management reflects the facilitating effect of timely, relevant and personalized vendor-buyer interactions on trust development (pre-purchase) and maintenance (post-purchase). In this phase, the website should provide enough Process-based trust services to enhance and maintenance the mutual trust relationship.

Background of Online Retailing in China

According to the investigation from CNNIC, the environment of e-commerce in China is different in several aspects from that of western countries, such as the constituent of the netizens in China and the application of Internet in China.

The constituent of the netizens in China

The netizens in China refer to the six and older Chinese citizens who use the Internet an average of one hour weekly.

From the statistics report of the Internet development in China [2], most of the netizens are the youth from the age that ranges from 18 to 24 with the education level of high school or vocational secondary school. Low-income (monthly income below rmb1500) Internet users occupy the main part of the whole netizens, mostly are the students and government staffs.

Overall, the constitution of netizens in China is not the same as the constitution of the citizens. Most of the netizens are the youth with low income and education level and half of the netizens are students or unemployed.

The expectation and the application of Internet in China

In China, the most frequent used items involving Internet are Email, news browsing, and Search engine which could rank top three, while online shopping only could rank at thirteenth place [2].

The situation suggests that because of the demographic characteristics of the netizens, Internet users focus more on the recreation and relaxing, such as chatting, Multi-User Dungeon, and communication with friends, which is different from that of US and European countries, where they use Internet mostly as business and communication tools. In these countries, the major uses of the Internet include emails, searching and online shopping. Between 2005 and 2006 in America, search rates increased significantly and online retail sales also posted strong growth. Strong growth in e-commerce and other uses of the Internet is forecast for the next a few years to 2010 [1]. However, Online shopping is still quite new for the majority of Internet users in China, for whom, Internet is rather an amusement centre than a business tool.
Due to the lack of understanding or knowledge about the online business, most Internet users would be confused to identify websites are trustworthy or not while shopping online.

The legal condition of online retailing in China

Online retailing market has raised several complex legal issues associated with online business. For example, the copy right issue raised in the case of the musical site Napster has exposed the inadequacy of existing laws in effectively governing online retailing.

In China, the development of the law regarding online business is far slow in action compared with the development of the practice of online retailing. In the field of online retailing, there are several issues, the payment and online taxation, such as the security of the transaction, need to be regulated. However, in China, all the issues related to consumer trust are not protected and regulated because of lacking of laws concerned.

Concurrently, as the faultiness of the development of the online retailing trade and deficiency of the regulation of the trade, there is little protection of the consumers and restriction of the vendors. Therefore, in these years, online frauds have reported occur repeatedly, making consumers not willing to trust the online vendors.

Simply put, on the account of the lack of legal regulation for the online retailing and information about the fake website, consumers will be in confusion to evaluate the trustworthiness of it to continue the transaction when facing an unfamiliar website.

Conceptual Framework and the Model

Our research extends previous research by integrate the types of the trust, the classification of the trust services and the factors influent the trust relationship into one method in order to make sure what types of trust services can be applied and when the different trust services and corresponding information are useful with the online retailing environment in China.

From the conceptual model and the classification of the trust service mentioned above, another practical framework to build mutual trust relationship is proposed (Table 1).

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<th>Table 1. The Framework of Building Trust Service System.</th>
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<td>Interface Properties</td>
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Based on the concept and the theory discussed above, this framework is also based on the four phases of the MoTEC, concerning the different types of the trust services in each phase of the
business. In each phases of the trust relationship, different types of the trust services are investigated to make a description that at each phase of transaction, which kind of trust service and trust will be more effective and valuable to the customers. Different types of trust are also distinguished, providing which type of trust is efficiency at each kind of trust services and the corresponding phase of trust. The tick in the blank means that the trust service will develop the types of trust listed above in the corresponding phase of trust. And if there is no tick in the blank, it means that the trust service will not develop a trust relationship listed in the corresponding phase of trust.

From this table and the practical situation of the online retailing environment in China, such as the netizens and the legal environment, we can make some suggestion that help the vendors to build the trust relationship with the customers as follows.

**Use trust service to build online trust in the phase of pre-interactional filters**

To build trust relationship in this phase, characteristic-based trust services here include advertisement and a uniform visual identity (VI) system in order to reduce the uncertainty.

At the same time, the institutional trust service, means the business information from the third party, especially the certificate of the trustworthiness from the third party, would provides the information that can decrease the untrust before any online interaction has taken place.

**Use trust service to build online trust in the phase of interface properties and information content**

In this phase, firstly, the vendor should use the characteristic-based trust services such as the familiarity related to on and offline companies, the same scheme and guide style, and communication services to reduce the uncertainty of the customers.

Then, the vendor should focus on the process-based trust services such as rating services providing information on the performance of products, services and companies, business information should be provided appropriate to provide factual information of partners (track records, quality estimates, complaint history, creditworthiness), branding services providing information on the branding of companies by means of logo’s and slogans etc. (e.g. Intel inside), and trial services providing buyers the possibility to gain experience with products and services.

At last, the website should provide institutional trust services to make sure that their policies on privacy issue warranty services, insurance services are clear to the customers, to ensure their users having confidence on their rights.

Concerning the characteristics in China, the services should be consistent, professional and easy to access and understand. The website should provide easy means to access and modify the data the users’ submitted.

**Use trust service to build online trust in the phases of relationship management**

In the phase of pre-purchase, the vendor should provide different means of contact information. That is, the website should provide such traditional means of contact information as postal address, phone and fax numbers and online means of contact information as well: e-mail addresses or instant messenger.

Secondly, the website should handle customer inquiries in an efficient manner, provide feedback that inquiries are queued for processing, reply to e-mail inquires within 24 hours, and provide more complete and personalized responses.

At last, the seller should provide tracking and tracing services providing information on the status of the transaction, including the delivery status (e.g. mail confirming shipment) and the payment status (e.g. mail confirming payment) and after sales services (e.g. filling in a form to be used in rating services).

All these services should be easy to access and in the control of the customer in order to make sure these services will decrease the uncertainty in consumer’s side.

Concerning the characteristics of the environment of the e-commerce in China, the offline support system is advised. Most of the Internet users are not acquainting with the online support
system, nor are they not bothering to learn about it. Instead, they want an on-site guide from a professional to deal with all the trouble they encounter. Therefore, to build a trust relationship with consumers, an effective offline support system is necessary.

**Conclusion and Discussion**

We believe that proper understanding of the MoTEC and the mechanisms of trust services is a prerequisite to develop and use trust services effectively in business transactions. This is especially important in first time or short-lived business engagements that will occur more frequently in dynamic e-business networks. Merely appreciating the importance of trust is not enough. In the specific environment of China, a practical guideline should be introduced to suit the features of the market.

However, there are still limitations about this research. The affecting factors in reality to mutual trust relationship are far more complicated than that in theory. Concurrently, the environment in China is evolving continuously, and the certificate from the third party is not authoritative and reliable in China.

We hope that this discussion could be assistance for enterprises in successfully employing trust services, and that trust and security could both find their right positions in business practices in Chinese market.

**References**


