

# WINNING BACK TRUST IN E-BUSINESS

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## ABSTRACT

*As IS researchers, we are interested in exploring the possibilities of rebuilding trust and relationships through a fit between technology and management processes. With increased richness and reach of information facilitated by technology in e-commerce, the rectifications, which were earlier very difficult, are now becoming achievable. This study examines whether the combination of technology and policy in feedback mechanisms along with the specific characteristics of the sellers in online environment, is able to influence aspects like the rebuilding of trust and reputation. Using feedback mechanisms as an artifact, we set out to study its relationship with rebuilding of trust.*

**Keywords:** *trust-repair, e-commerce, feedback mechanisms, reputation*

## INTRODUCTION

Online consumer-to-consumer e-commerce transactions has grown exponentially with forecasts indicating the continuance of its growth [1]. The backbone of such transactions is the trust among the participating actors. Customers in general are not willing to conduct business with non-trustworthy vendors, a situation further exacerbated by lack of face-to-face interaction in online environment. In such a situation, while gaining trust is a difficult step, losing trust is relatively quicker and a lot easier.

Online marketplaces facilitate the trust building through their reputations/feedback mechanisms. Extant literature in the IS area has focused a lot of attention on the trust building mechanisms in online marketplaces. Various models have been proposed to capture the determinants of trust in the e-commerce area [2]. Studies have even investigated the effects of trust violations on online transactions [3, 4]. The findings of these studies highlight the need for the actors to take precautionary measures and avoid losing trust. However, what if, unknowingly or mistakenly the trust is lost. Is it possible to repair it? What are the facilitators of the repair of trust?

Though violations of trust in online marketplaces are present, researchers have paid scant attention to the repair of the damaged trust. Obviously, when there is violation of trust, there exists a need to repair the trust or otherwise it can have detrimental effects. Recent research in the management area has highlighted the importance of trust repair [5]. The process involved in

repairing damaged trust is different from the process of building trust in the first place [6]. This phenomenon deserves attention from a distinct perspective.

This paper contributes to both IS theory and practice. It advances the stream of research on e-commerce trust by examining the nascent area of trust repair in online transactions. To practitioners, the factors behind the repair of damaged trust would help them gain a better understanding of the ramifications of trust violation and its subsequent repair. To study this emergent phenomenon, we first review the literature on e-commerce trust in general and trust repair process in particular. Next, we present the model for trust repair that includes both antecedents and consequences of repair. Finally, this paper concludes with future research directions.

## LITERATURE REVIEW

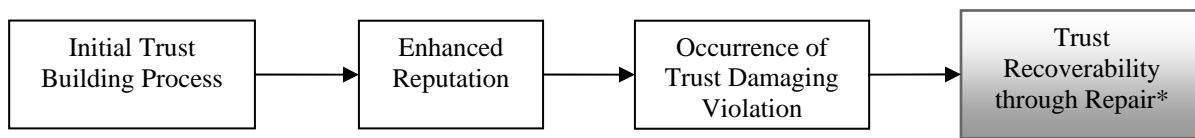
### Trust

Trust is an important phenomenon studied across a variety of disciplines including philosophy, psychology, management, and information systems. Researchers have defined trust in many ways, such as: (1) a set of expectations shared by all those involved in an exchange [7]; (2) confidence in another's goodwill [8]; (3) confidence or predictability in one's expectations about another's behavior and confidence in another's goodwill [9]; (4) a common belief that another individual makes good-faith efforts to behave according to commitments is honest and does not take excessive advantage of another even when the opportunity is available [10]; and (5) one party's confidence that the other party in the exchange relationship will not exploit its vulnerabilities [11]. While it takes a long time to build trust, it can be lost very quickly even by a (simple) mistake. At times, the mistake might be unintentional, but proves to be costly and it takes a long time and much effort to win back trust.

### Trust and E-commerce:

A lot of times online transactions tend to take place between parties that have never interacted in the past, or when there is insufficient information about the service provider, and the goods and services offered [12]. E-commerce also entails the consumer to share his personal information and involves some element of risk. The absence of face-to-face interaction often makes it difficult for the actors to trust each other. Trust is important for e-commerce since it helps in reducing consumers' perception of uncertainty and risk involved in interaction with online vendors [13]. According to Quelch et al. [14], trust is very critical to stimulate online purchases. While initial, trust-building process can enhance reputation and hence the sales, an occurrence of trust damaging violation can endanger the reputation and affect the sales. The following figure 1 presents a stage model that illustrates the repair of trust.

**Figure 1.** Trust Building to Trust Repair



Note: \* focus of this study

### **Feedback Mechanisms and Reputation:**

The abundance of commerce on the internet with no face-to-face communication between trading parties has prompted providers to develop powerful tools in assisting users make their decisions. In the context of e-commerce, reputation systems foster trusting environment [15]. In many of the e-commerce portals, reputation systems are based on feedback forums. The online feedback mechanism tools help to differentiate one vendor from another vendor providing similar services. These feedback forums allow the buyer and seller to post feedback after a transaction. When making a transaction on sites like *ebay.com* and *hotels.com*, online shoppers are using “quasi-word of mouth” proxies in the form of feedback mechanisms to make educated decisions. Pavlou and Dimoka have attempted to find the economic value of trust, which is brought about by these feedback mechanisms [16]. Feedback profiles affect both the price and probability of sale of an item [17]. Online feedback mechanism has the ability to influence trust among trading partners and will have a much more implications to policy makers in organizations [17]. It becomes imperative on our part to understand this phenomenon and its implications on behavioral factors like trust and reputation. In our model, we use extractions of feedback scores as surrogates for trust – violation and trust-repair.

### **Trust Violation:**

Most of the published work on e-commerce concentrates on the antecedents and consequences of trust. Inherent in any transactions is the likelihood of trust violations. Violations of trust occur when the trustor feels that the trustee did not meet his expectations of service. Pavlou and Gefen examine the impact of psychological contract violation (PCV), which is closely related to trust violation as it is found to reduce trust in community of sellers [4]. PCV occurs due to various factors such as fraud/deception, product misrepresentation, contract default, product delivery delay, product guarantees, and payment policy [4]. Primarily, trust violation occurs when the trustee is unable to fulfill the expectations of the trustor.

Trust violations lead to abandonment of a transaction, switching sellers, reduced future transactions with community of sellers, lower price premiums [3, 4]. It is interesting to note that the literature has hitherto examined the perspective of trustor and its responses while ignoring the actions of trustee in such trust violations.

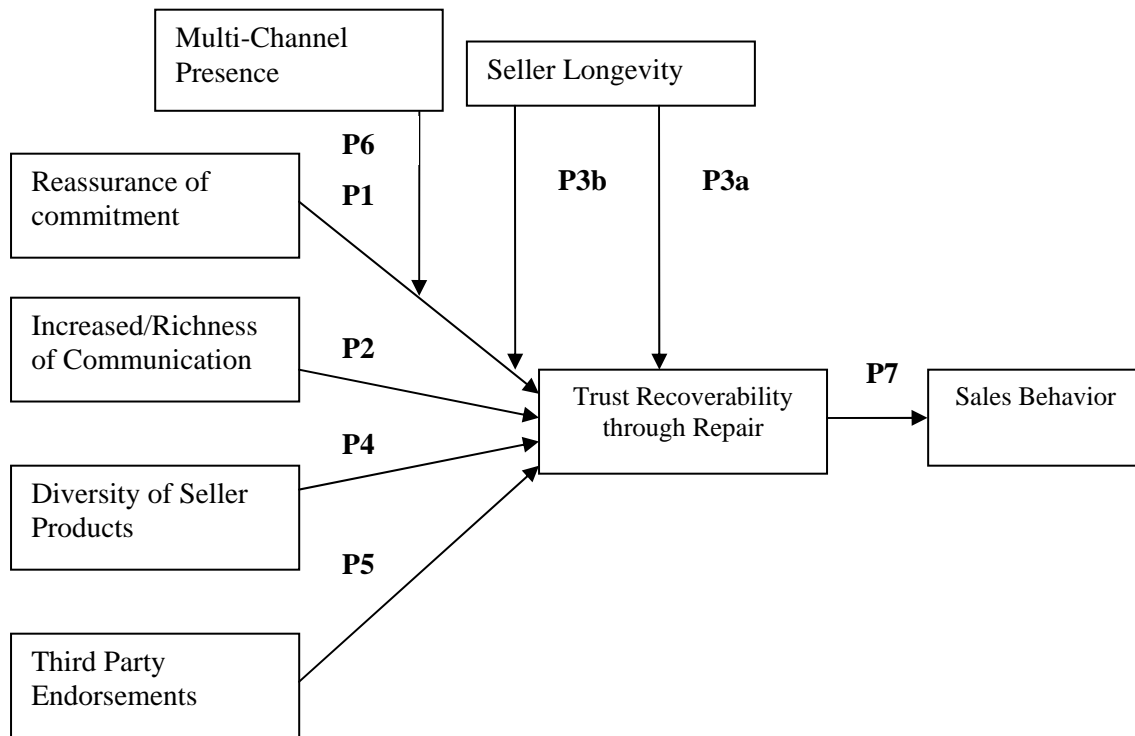
### **Trust Repair:**

Considering the negative consequences of trust violations on the community of sellers, it is imperative to examine the concept of trust repair. Research on the nascent area of trust repair is sparse and has prompted Schoorman et al. to call for research in this area [5]. *Academy of Management Review* is planning to publish a special issue on Trust Repair in the near future. While the formation of initial trust starts from a neutral perspective, the curative action of repair entails the need to change the negative affect to neutral, or to the more desirable positive affect. Therefore, the process involved in reputation creation is not same as the process involved in repair of reputation after the occurrence of any reputation-damaging event [6].

## RESEARCH MODEL

Based on an extensive research we propose a model for the repair of trust in online commerce. Proposed model also includes various important characteristics of the seller. Although some of these characteristics have been found to induce trust formation, it is also important to ascertain their differential effect on repairing trust after a reputation-damaging event. Are these characteristics significant enough to rebuild trust or is their impact is only limited to initial trust formation on a clean slate? The proposed model sheds light from another perspective.

**Figure 2.** Proposed Model for Trust Recoverability through Repair



### Reassurance of commitment:

Sellers can resort to variety of mechanisms to enhance their commitment in the online market place. One of the main reasons for an online seller to lose reputation and hence trust in an online market is the unmet expectation with regard to the product or services offered [18]. It is important to note that customers are willing to forgive a mistake if duly admitted. Sellers can show their commitment by changing the conditions surrounding the product delivered. For instance, they can include product return capability. Based upon this, we propose the following:

***Proposition 1: Reassurance of commitment in the market place after reputation-damaging event increases the chances of reputation repair.***

### Increased/Richness communication:

Online commerce affords many modes of interaction with the customer such as instant messages, voice chats, e-mails, telephone dialers, etc. These interaction channels may have positive impact

on the recoverability of trust. When reputation is damaged, the onus is on the seller to establish its trustworthiness in the minds of the customers. Lack or improper communication with the customer is one of the reasons to significantly damage the reputation [18]. The admittance of mistake can be made via enhanced communications. Borrowing from the marriage literature, lack of communication is a big factor in married relationships, or other close relationships [19]. In situations when couples want to go for separation, counselors always recommend them to try reconciliation by enhancing communication and better understand each other. In the online environment, the frequency of communication and richness in communication is much more important. The capabilities of various IT artifacts enhance communication. Improvement in communicability with the customers should help in the regaining of reputation thereby positive trust. Therefore, we propose:

***Proposition 2: Use of multiple communication modes with buyers after reputation-damaging event increases the chances of reputation repair.***

### **Seller Longevity:**

Longevity of seller on a particular e-commerce platform may also aid in the repair of trust. Seller longevity is found to be one of the factors that influence trusting intentions of buyer [20]. Consumers may be more forgiving when the seller is having a longstanding presence in the market place while simultaneously less forgiving for newer operators in the market. In addition, the longevity of the seller can moderate the relation between reassurance of commitment and the trust recoverability through repair

***Proposition 3a: Sellers longevity in the market place increases the chances of reputation repair.***

***Proposition 3b: Sellers longevity in the market place moderates the relation between reassurance of commitment and the chances of reputation repair.***

### **Diversity of Seller Products:**

Sellers on online marketplaces may offer variety of products in different categories or specialize in a particular type of category. Specialization or generalization may have differential effects on the repair of trust after a violation. Rhee and Valdez note that it is relatively easier for specialized organizations to repair their reputation [6]. A specialized vendor caters to a specific niche market via its product. Based on this argument we state:

***Proposition 4: Sellers specialization in the type of products offered increases the chances of reputation repair.***

### **Third party endorsements:**

Third party entities endorse products through variety of means in online commerce. Organizations such as *Better Business Bureau Online*, *SquareTrade* endorse and vouch for the sellers accredited by them. The presence of seals given by the third party agencies are found to increase trust, thereby increasing the chances of buyers making a purchase [21]. Rhee and

Valdez argue that the continued endorsements of external agencies would have positive impact on trust repair [6]. Based on this we propose:

***Proposition 5: Endorsers' continued support of a firm after reputation-damaging event increases the chances of reputation repair.***

### **Multi Channel Presence:**

Some of the sellers online may have physical presence and this may have positive effect during trust repair process. Lee, et al. [22] have found trust in offline presence to be transferred to online environment. Consumers may be willing to overlook transgressions of trust when the sellers having offline presence through a retail unit or through other means. Therefore, we propose:

***Proposition 6: Multi channel presence of the online seller moderates the relation between reassurance of commitment and the chances of reputation repair.***

### **Sales Behavior**

Trust is a major factor for the online transactions taking place between various actors. The recovery of trust will motivate the buyers to “at least” give another chance to the vendor. This is reflected by an increase in the number of buyers for a given vendor (sale transactions done by the vendor). Therefore, we propose:

***Proposition 7: Repair of reputation increases the sale behavior of the vendor***

## **CONCLUSIONS**

Feedback systems have become a standard feature in all sites dealing in bringing sellers and buyers together. In this study, we propose a model that explores potential antecedents to the recoverability of trust based on prior literature... It will not only provide the researchers with a framework for future studies, but will also provide the practitioners' who are intent on exploiting this overlooked phenomenon. The relevance of this study lies in the identification of possible antecedents to recoverability of trust. Organizations intent on rebuilding trust with their trading partners can use this model to understand the trust scenario. In addition, valuable insights from the empirical evaluation of the proposed model will help develop policies regarding the same.

## **REFERENCES**

References available upon request from Anil Singh, anil.singh@utb.edu.