

## Trust in e-commerce

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**ABSTRACT:** A necessity that is plays an important role in today's turbulent environment is e-commerce. E-commerce, despite being young has tremendous progress and especially recently, there has been more tendency in Iran. But on the other hand, since e-commerce is not tangible as traditional trade, one important requirement in the buying in e-commerce area is the concept of trust. Hence, this paper tries to investigate the relationship between trust and e-commerce that sometimes considered as a missing link in the e-commerce issues. This paper first discusses the concept of e-commerce and with a glance, explains the beginning of this type of e-commerce in Iran and examines the types and dimensions of trust. Then, the strategy of building customer trust and the importance of confidence in e-commerce was discusses. Building business to business trust and business to customer in e-commerce, the relationship based on mutual trust can be established and facilitate and expedite the process of e-commerce and its growth.

**KEYWORDS:** Trust, E-commerce, Information Technology (IT).

### INTRODUCTION

Nowadays E-commerce is rapidly penetrating into organizations and has profound impact on the businesses as the ordinary lives of people and the boundaries between information systems and electronic commerce is rapidly fading. On the other hand, development of electronic commerce has raised new issues in the international arena. Since buyers and sellers from different countries of the world are linked by communication technologies for electronic commerce, the necessity attention to ethical, cultural and confidence issues become greater. In general, there are more risks in e-commerce and increasingly the challenges of creating and sustaining safe and secure ways for businesses on the Internet are added. For example, how to ensure verify of digital signatures and the legality of the Internet space. These complexities are indicative of the fact that mistakes are possible in e-commerce. Among these, the service for building trust is a major factor leading to greater confidence in using the Internet and always is considered as a major factor in the success of e-commerce. The concept of trust in business is not a new discussion. Rather, business always has been witness to attendance of legal financial and insurance institutions that creates the trust in commercial contract.

### E-COMMERCE

The electronic communication is a set of communication, information management and security capabilities that allows the organizations, agencies, companies, public, and government.... to provide their goods and services Information more efficient, easier and faster using computer communications networks, particularly the Internet. E-commerce is the paperless business. By e-commerce, information exchange for purchase and sale and transportation of goods is done with less effort. E-commerce makes the relationship between the companies, firms and all related entities are doing easier and faster. Many people consider e-commerce sales exclusively doing via the Internet, while this represents only a small part of e-commerce. In principle, e-commerce can take all commercial and economic aspects. Simply any commercial and financial activity

between institutions and individuals may be in the areas of e-commerce. And we can say that e-commerce is a bridge between the commercial centers, buyers and sellers (Baratipour, 2007).

### **ELECTRONIC COMMERCE IN IRAN**

Iran, like other developing countries have many companies for development of their market is related to the Internet. The aim of most of these companies to creating sites on the Internet is indeed, the export development. Unfortunately, there is a lot of expense to net sales and is not affordable for many. Corporate world with macro capital and enough staff have created specialized databases for cases such as export and business sale. Several companies are also in hand to create such facilities, but since there is no authority and central to this phenomenon, these organizations are doing actions island and self-centered that still not encompass business complete process and doing as sectional. No accurate statistics is available from Internet users and users of personal computers and yet not look at it as a national project. So e-commerce is in the early stage and is nascent and need much care and support from the government. The government should provide a national project to change the purchase culture of today's Iranian society. Since 1381, a successful pilot project was started in the name of electronic payment that despite all of the aforementioned problems that has created an appropriate solution for e-commerce in Iran. In this system, at first the buyer enters into the seller's website and selects a product (S) and puts in their shopping basket and after entering the shipping information in pay site finalized its purchase. This information inform dealer to evaluate and decide on the website. If want to send, seller prepare the received orders and after the annunciation in the online system receives its Email from the seller and the transfer it to buyer and will receive the cost of the goods plus the cost of shipping from the buyer. Financial pay unit in specified period of time settle accounts with vendors. All the operating system informs the buyer, seller, branch postal and system management system via the Internet. The system is designed so that it is possible to connect to electronic systems of banks and financial and credit institutions and in addition to payment system at delivery, electronic payment capability also predicted in it. Payment is appropriate infrastructure for e-commerce and trade in Iran. This system has facilitated the e-purchase/sale and even without a credit card formulates new methods of electronic payment. Similar systems have also been established in other countries of which can be pointed to China and South Korea each work according to their economic and social conditions (Baratipour, 2007).

### **ADVANTAGES AND DISADVANTAGES OF E-COMMERCE**

Use of e-commerce, intentionally or unintentionally is inevitable and due to its numerous benefits, ignore this kind of exchange is not possible in today's world. If we want to briefly analysis its benefit and defects, the following can be mentioned:

- Lack of broker
- Better communication and service to customer
- Reducing the cost of goods international advertising
- Fast delivery of product to customer
- Youth entrepreneurship in the long run
- Cost savings
- Ease of doing business
- Rapid and timely information
- Increase the welfare of the people life
- Shortening delivery time
- Its potential impact on social relationships and loss of face to face communication
- Mastery of English and American Language and Culture

Increased competition and economic superpower dominance and finally, because the Internet is a network of non-owner and policymaking and is uncontrollable makes E-commerce risky (Kotler, 2000).

### **TRUST**

It should be noted that there is no single and clear define on the factors that affect trust. But usually the trust is considered as synonymous with confidence, belief and relies. Oxford Dictionary is defined trust as:

- Certainty or reliance on certain characteristics or traits of a person or organization
- Accept or give credit to the person or organization without review and receive evidence

- Believe or trust or rely on the integrity of a person or organization
- Having certain expectations from the individual or organization
- Honesty, integrity and loyalty

"Rogers' is defined trust by ensuring that activities are consistent with their speech. In another definition, he says: Trust means that the people with whom you are working are interests towards your interest and welfare without that you have the ability to do something for them. "McGregor" writes: Trust means that I know you intentionally or inadvertently, not take advantage of me. "Rocky" defined trust as: Trust is the ability to calculate, reliability and predictability. "Kely" express about trust as: Trust is generally defined in terms of expectations or beliefs.

Believes is that, others have characters such as benevolence, integrity, competence and predictability.

So if only one of these beliefs is the base, this relationship may be very unstable. Trust is a mixture of sense and rational thinking (Pennanen, 2009)

## TYPES OF TRUSTS

Trust can be dividing into trust in individual, trust in the group and trust in organization. There is close relationship between these three categories of trust with each other. Trust in organization can form from the trust in person or persons working in the organization. Trust in person can because of trust in organization where person works. Trust in person and trust in organization through tasks and situations in which individuals have and the roles they play in the organization are connected. In a general classification, trust is divided into two calculus-based trust and identification-based trust:

**Calculus-based trust:** This type of trust is dependent on continued good behavior of trustee. In other words, calculus-based trust is due to the assumption that person serves against his/her items because they are rewarded for consistent their words and deeds or are fear from the results of their lack of action. So the fear of punishment is the main factor shaping trust. This appears more in market interaction.

**Identification-based trust:** This type of trust is associated with the intention and desire of others. The reason for trust formation in this level is mutual understanding between the parties and respect to their wishes, desires and values. Basically, this kind of trust is formed in interpersonal relationships. In this regard, once people understand each other's interests, with respect to the other party and achieve mutual understanding between them, mutual trust is formed.

"Bunker" believes that trust find mean with its perspective. For example, in the institutional perspective business trust is creating among the people who have the same job. Because they have similar interests and needs that form inter-organizational trust between them. Ross has mentioned this type of trust as network trust. Mollering theoretical analysis of trust indicating three types of trust: 1) Reasonable perception- based trust of trust in a context 2) Institutional trust that is the image of trustier from trustee in certain positions and 3) Active trust from the development of trust level in times of rapid change.

In summary, we can say that six pillars of trust include:

- 1) Capabilities or competencies of trustee
- 2) Principles and standards of practice
- 3) Expectations of the trustee from benefits obtainable from trust.
- 4) Situation or context in which the concept of trust is placed
- 5) Dynamic nature of trust (the trust can change over time)
- 6) Compliance risk adventure

## CHARACTERISTICS OF VIRTUAL TRUST

Wang and colleagues place four characteristics for trust, these specific concepts include:

### A) Trustier and trustee

There are two specific parties in any trust-based relationship: trustier and trustee. These two roles of trust can a charge on a person, a company or a product. Develop trust based on the ability to trustee to perform activities is according to the

trustier interest. In virtual space unlike the real time, trustier is a customer or one who deal with e-commerce through Website. And in contrast, trustee is the intended website (Marcella, 1999).

#### B) Vulnerability

Trust is including to accept vulnerability by trustier. In other words, trust may be manifested only when the environment is uncertain and risky and trustier present them as vulnerable or in other words, risk acceptance.

Because of the complexity and risk in e-commerce vendors can behave in ways unpredictable on the Internet. Buyers and consumers are uncertain about the risk when using the site as well as at the risk of online transactions. As asserted by Gefen even when consumers only evaluate internet site and do not buy it, again the data automatically collected from the activities which can then be exploited (Gefen, 2002).

#### C) Behavior of trust

Trust leads to actions and behaviors that are often associated with the risk. The form and type of action depends on the concerned position and this behavior can be tangible or intangible. Customer trust in e-commerce can lead to two types of action by the customer:

1- Virtual buy that is associated with presenting credit card and personal information.

2- Watching electronics stores. These actions can lead to positive outcomes for electronics retailers that can be seen as potential sale.

#### D) Subjectivity

Trust is a subjective matter directly related to and affected by the difference between personal and environmental factors. Different people differently evaluated the role of trust in different scenarios and they have different attitude from them. Trust in virtual environment as well as trust in the real environment is a subjective concept. The level of trust needed to establish transactions due to the individuality of each person is different. The people have different attitudes towards that technology (Kraeeter, 2002).

### **STRATEGIES TO BUILD TRUST IN CUSTOMERS**

#### **1- Preliminary testing strategy**

This means that customer uses the product of the individual or organization temporarily or buys his goods. But it not sure if the seller upon return of the product or intended use of the warranty may accept the product. Customers use from the preliminary test widely in traditional shopping and e-commerce in order to reduce risk (Kotler, 2000). There is a debate that instead of just using preliminary test in order to reduce risk, customers can use it to evaluate the reliability of e-seller in e-commerce. For example, in order to convince him to trust electronic supplier, customers can examine e-buyer and seller before any purchase or exchange. In addition, the customer can use the preliminary test to assess the electronic reliability. For example, customer may be detecting high risks associated with trust to buy goods and services and before any actual use of the trust must test it. Consequently, the preliminary test will help to both individual and organizational trust. It can be used to evaluate the reliability of the e-supplier (interpersonal trust) and trust in technology (organizational trust) and to provide preliminary tests of products and services on the Net use as a strategy to build trust in customers (Pennanen K, 2009)

#### **2 - Exploration Order strategy**

This means that customers used different purchase rules for solving problems or decisions making. Faced with the exploration order (initiative), Mike and Furnier suggests that customers purchase the latest models of products offered and models with less complex and more expensive models and better known brands. There is also evidence that customers also use exploration order in fields of e-commerce. For example, it found that brand reputation of an electronics shop directly related with the level of perceived trust in the brand and well-known brand is an important factor to reduce and remove the risk to customers (Serva et al, 2005). Customers can assess the reliability of e-commerce by purchase from the seller with well-known brand. One can be considered a customer buying books through electronic. The customer can seek electronic bookstore and for example, Amazon's website and a lesser known Web sites identified and compared with each other. In such case, known as Amazon can convince customers that the website is more reliable than other stores. The result is that the customer buying from Amazon. Thus, consumer evaluate different electronics vendor reliability and Amazon well-known brand has convinced the customer about reliability of the site (Personal trust) and as a reliable channel (institutional trust) (Pennanen, 2009). Consequently, using a well-known brand and brand can be an important factor in establishing trust in e-commerce and positive assessment of consumer from the reliability of e-vendor.

### 3- Developed decision-making strategy

The third strategy that customers can use it to evaluate the trustworthiness of e-commerce is developed decisions. Mike and Furnier defined developed decisions as seek and perseverance to obtain detailed information about the product brand and then order the most appropriate and most cost-effective option. Also there are other ways for customers to develop their knowledge and reduce perceived known risk (Grönroos et al, 2000). For example, customers can get advice from their friends about their product. In the field of e-commerce, customers can obtain their knowledge using the information contained in the Web site to derive information about the product which they are willing to buy. In building trust, customers can use developed decisions to evaluate the reliability of electronic vendor (interpersonal trust) and technological trust (organizational trust). For example, customers can use opinions and experiences of other customers in order to evaluate the reliability of e-commerce and magazines and newspapers can be a good resource for customers to access the information. As a result, valuable information needed for customer on the website, can be an important factor in establishing consumer trust in the Internet (Pennanen, 2009)

### 4- Strategies for maintenance and warranty contracts

The last strategy to build trust in a customer is maintenance and warranty contracts. Many researchers have stated that customers use various warranties to reduce the perceived risk. Three different categories of warranties are: Warranty contract, Maintenance contracts and money-back guarantees. As "Mike and Furnier" have expressed warranties and maintenance contracts reduces the customer perceived risk. The money-back guarantees are considered as an important strategy to reduce risk and build trust in customer. Customer used guarantees and maintenance contracts in e-commerce. "Tan" found that customers' perceived risk in e-commerce is reduced with the money back guarantee. Customers can able to assess the trustworthiness of an Internet marketer by analysis of whether the e-seller offers money-back guarantees or not. If the e-seller does not offer money-back guarantees, it is possible that customer comes to the conclusion that the seller may not reliable. Therefore, considering the types of guarantees and maintenance contracts and money back guarantees is an important strategy to build e-trust in consumer to online retailer in e-commerce (Pennanen K, 2009).

## THE NECESSITY AND IMPORTANCE OF TRUST IN ELECTRONIC COMMERCE

Use the Internet to purchase goods and services has several advantages. The Internet enables customers to carry out transactions and interact with organization. But a global survey indicated that using the Internet to shop on-line has a slow increase and marketers specified the lack of trust as the main factors preventing on-line purchase. Previous studies also indicate that lack of customer trust is the main obstacle in using online shopping. Internet users have not enough trust to share and communications and information with Internet vendors (Lee M. K. O, 2006). Trust plays a major role in making satisfaction and achieving the expected results in the on-line transactions. Building e-trust is considered as a first step of forming the basis of an electronic interaction. The reason for the importance of trust in electronic commerce and electronic transactions is higher level of economic uncertainty in e-commerce transactions over traditional business and lack of the applicability of many solutions creating the traditional world in e-commerce space. Economic transactions in the Internet world associated with numerous risks. These risks either associated with the use of technological infrastructure in information exchange (uncertainties associated with the system) or factors associated with Internet transactions (transaction-related uncertainty). The researchers also found a close relationship between trust and risk perception by customers. Perceived risk means the condition, situation, or event with the potential ability to create economic problems for data or as a network resource as destruction, disclosure, modification of data, denial of service or fraud or misuse of user data. On the other hand, risks related to e-commerce is divided into four categories of risks related to personal data, risks relating to product quality and price, risks associated with providing personal service and risks related to the business reliability. On-line trust reduces the perceived risk associated with the exchange process. Web sites can upgrade on-line customers trust by reducing environmental risks and enhance security. Because customers may disclose their personal information on the web site when recognize its reliability and validity and reduced their concerns about security and privacy and felt trust to the website (Chen and Dhillon, 2003). Uncertainty arises from the fact that service provider is not completely predictable and customers are required to understand suppliers' actions. Trust in the electronic work is more important than the other transaction. The fact is that in the electronic activity, uncertainty and risk are inevitable and the parties are absent in the process of communication. Internet environment has all these features that caused uncertainty and there is no possibility to see the other side. Due to the importance of trust in the Internet environment, trust is a major factor in the growth of electronic commerce (Eastlick and Lotz, 2011).

**TRUST IN E-COMMERCE PLATFORM**

Trust is seen as a vital component in e-commerce. Trust creates a social atmosphere where organizations can work in that space. Trust is one of the ways to reduce social complexity and is replaced to regulation. Trust in promote communication within the organization and between the organization through virtual collaboration environments like the Internet is a very effective. Development of trust level in organizations increase the loyalty and reliability of the values in contact with and organizations can benefit more and from the consumer's perspective, higher levels of trust leads to greater commitment to customers. Web environment destroys to examine the product, dealer direct observation and guarantees mechanism which people have gotten used to it over years. As "Delarukas" says: Greater spatial and temporal differences between the two sides of the business relationship is more, the level of risk goes up. Initial Trust in a Web environment is a kind of trust in which the person does not have any previous experience about it. However, with interaction over the time of initial authentication takes place followed by a second trust. Thus, a secondary trust of the individual to the content of Web advertising is create in the bed of initial trust and calls an understanding of the risks and uncertainties related to persuade. For this reason, Initial trust is very important for successful sales and attracts users. Signs and Symbols, appearance of Web Design and the reputation of selling agents are very effective at creating a basic trust. "Barry" refers to trust as a powerful marketing tool based on a relationship of trust. According to studies of Fui-Hoon, customers decide to buy online just based on trust. According to the "White and Roman", World Wide Web (www) was the first public relations (PR), which was controlled by mass media that gatekeepers act did not apply on it. Before the Internet, advertising was the only way to transmit controlled messages through the mass media." Folto" and "Goyant" believe that Internet will be provided an opportunity to all areas of the organization to express its activities in the international area and regardless of geographic and other barriers form effective and direct communication with the public.

**CONCLUSION**

As the e-commerce is moving speedily and one necessity of today trade is e-commerce, Iran has also developed strategies to enter into the commercial market. As learning principles of e-commerce and creating basic infrastructure and entering related technologies and their localization, steps can be taken towards e-commerce. However, the main role of trust is not far and less important. As mentioned before, one of the essential requirements in e-commerce is trust. Building trust between the business to business or business to customer in e-commerce can be established a relationship based on mutual trust and facilitate and expedite the process of e-commerce and its growth.

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