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Managing Consumer Trust in Intercultural e-Commerce Transactions

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Abstract

The importance of consumer trust to the success of online business transactions is well documented. An analytical look at the typical online purchase indicates the level of trust required to complete a transaction is dependent on such factors as: the privacy information consumers must provide, the confidence levels consumers have in their suppliers, the perceived quality of the goods, the supplier's delivery service, customer service options, and the security of the transaction. Consumers are justifiably concerned about the privacy of the personal data they must submit over the internet to complete an online purchase. They perceive security risks to the point they may not want to engage in online transactions. If suppliers can gain consumer confidence and demonstrate the quality of the offered goods via detailed product descriptions in their website content, they can overcome security-related fears and entice consumers to engage in online transactions. Suppliers have resorted to using product and vendor reviews to allow consumers to increase their level of trust in the transaction by vicariously adopting the experiences of previous customers. This practice is now an important part of online purchases and has helped raise consumer confidence.

Consumer trust is found to be related to customer satisfaction. It takes a long time for new online customers to gain enough trust and satisfaction to evolve from a mode where they are learning how to conduct online transactions with the firm, to a collaborative mode focused on the relational components of the interactions with the firm that develop trust and lead to long-term business relationships. When customers have problems with online transactions, however, they can quickly become discouraged and distance themselves from the firm. It is imperative, therefore, to understand the customers' interests and capabilities so a website interface can be developed around consumer profiles focused on anticipated online transactional skills and user preferences. Similarly, a comparison of online to traditional store front purchase transactions reveals the differing quality processes each approach entails, and allows web designers to address perceived risks new online consumers may experience. Finally, market globalization is also increasing the tendency of the world to act as one consumer market. When the buyer and seller are from different cultures, the messages and interactions between them can be misinterpreted. Consumers from different cultures may interpret website content and text differently than the message is intended to communicate. An analysis of how different cultures may affect online business transactions is included below to permit website designers to communicate using generic methods which have a lower probability of being misunderstood.

Customer attraction and retention remains a complex, elusive, but very important topic for online businesses. By analyzing online purchases within the framework of transactional and relational components, we can identify the more important aspects of how to build consumer trust with respect to conducting online transactions. Trust is established by ensuring a customer's online transactional experience is positive, secure, and is supplemented by high quality products and services. Firms must design their websites to overcome cultural barriers when parties to transactions are from different countries, and establish trust with intercultural consumers as well.

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1 Why Consumer Trust is Important in e-Commerce

The importance of consumer trust to the success of online business transactions is well documented in research literature (Ratnasingam, 2008, Su, Song & Chen, 2007). An analytical look at the typical online purchase would indicate trust must be a function of:

- The privacy information provided by the consumer at the point of purchase
- The confidence the consumer has in the supplier
- The perceived quality of the goods based on the content of the supplier's website
- The confidence the consumer has in the reliability of the supplier's delivery service
- The security provided at the point of receipt (e.g., will a package left by the delivery service on the customer's door step be safe)
- The confidence the consumer has in the supplier's customer service function.

Consumers, justifiably concerned about the privacy of the personal data they must submit over the internet to complete an online purchase, perceive security risks to the point they may not want to engage in online transactions. If suppliers can gain consumer confidence and demonstrate the quality of the offered goods via detailed product descriptions in their website content, they can overcome security-related fears and entice consumers to engage in online transactions. Suppliers have resorted to using product and vendor reviews to allow consumers to increase their level of trust in the transaction by vicariously adopting the experiences of previous customers. This practice is now an important part of online purchases and has helped raise consumer confidence.

Recent research by Ratnasingam (2008), and Su, Song, and Chen (2007), supports the proposition that consumer trust is related to customer satisfaction, and identifies the factors that develop trust and encourage customers to engage in online business transactions. Ratnasingam (2008) examined the impact of customer relationship management (CRM) for small businesses that engage in business-to-customer (B2C) e-commerce. She concluded it takes a long time for

new online customers to gain enough trust and satisfaction to evolve from a mode where they are learning how to conduct online transactions with the firm, to a collaborative mode focused on the relational components of the interactions with the firm that develop trust and lead to long-term business relationships. Customers can quickly become discouraged, on the other hand, after only a few unsuccessful purchase attempts and distance themselves from the firm and discontinue any business relationship with it. It is imperative, therefore, to understand the customers' interests and capabilities so a website interface can be developed around consumer profiles focused on anticipated online transactional skills and user preferences.

Ratnasingam (2008) introduced a CRM model that breaks online purchasing into transactional and relational components. Based on whether the influence of hard factors is high or low with respect to online purchases, and whether the influence of soft factors is high or low, four shopping modes or methods were identified in the model, which include the:

- Learning mode
- Monitoring mode
- Collaborating mode
- Distancing mode (Ratnasingam, 2008, p. 36).

Hard factors are tied to the transactional component of the consumer's experience and are said to include a web site's performance, user friendliness, quality of service (QoS), and the extent of perceived security (Ratnasingam, 2008, p. 32). Soft factors reflect the relational component of the consumer's online experience and focus on maintaining a long-term business relationship where the consumer is encouraged to return for future purchases (Ratnasingam, 2008, p. 32).

Soft factors are said to include the product's quality, the customer's satisfaction with the product, trust, the customer's loyalty to the firm, and the firm's reputation.

In the *learning mode* a customer may have confidence in the firms' products or services, but not in the e-commerce system. During the initial phases of an e-commerce relationship the firm encourages customers to contact them and, once they do, the firm focuses on ensuring the customer has a good online experience and is satisfied (Ratnasingam, 2008, p. 36). In the *monitoring mode*, the features of the firm's website are not used correctly by the customer and an unfavorable relationship develops (Ratnasingam, 2008, p. 36). The firm tends to focus on the economic return of the transaction, and increases monitoring measures so they can assess the performance of their customers and determine if the website needs to be "dumbed-down." The *collaborating mode* occurs when the impact of both hard and soft factors is high (Ratnasingam, 2008, p. 37). Trust is achieved by providing an IT-capable customer valuable information about the product in a timely manner. In the collaborating mode the customer is satisfied with the website content and the delivered products, and is more likely to continue purchasing with the firm. Finally, the *distancing mode* occurs when both the hard and soft factors influencing the online purchaser are low (Ratnasingam, 2008, p. 38). Customers lack confidence in the firm's products, the e-commerce system, perceive the firm as untrustworthy, and are unlikely to continue shopping with it. Modeling consumer online shopping experiences and modes is an important undertaking since it led to the ability to decompose down to the transactional and relational components that affect trust and customer satisfaction, and therefore encourages repeat business. Transactional factors, which are said to improve a customer's online shopping experience and help to build trust over time include, the:

- Time required to shop
- Ease of use with respect to the firm's website
- Perceived security of the online transaction
- Integrity of the transaction

- Quality of the self-servicing opportunities offered on the firm's website (Ratnasingam, 2008, pp. 35-43).

The relational component's influence on an online shopper centers on the ultimate result of the shopping experience, and the quality of the post-transaction customer service. Factors that influence a customer's satisfaction, and their propensity for future business relations with the firm, include the:

- Quality of the purchased product
- Value of the purchased product
- Discriminating features of the product
- Quality of the firm's customer service
- How well the product meets the customer's need (Ratnasingam, 2008, pp. 35-43).

These transactional and relational factors can influence an online shopper and build trust to support a successful business relationship with them. By applying the CRM model, and analyzing the transactional and relational factors affecting the consumers' willingness to complete online transactions, Ratnasingam (2008) was able to draw the following conclusions:

- Relying just on website technology alone is not enough to build long-term relationships as customers in a learning mode strive to find credibility and build trust with the firm
- Hard factors relate to transactional components of the website interface and are noticed in the learning and monitoring mode
- Soft factors relate to the relational component of customer communications and are noticed in the collaborating and distancing modes
- A firm needs to focus on soft factors that enhance relational components of their interactions with customers in order to ensure they create customer satisfaction
- Technology affects the transactional component and interactions between the customers and the firm
- It takes time for a new customer to evolve from the learning mode to the collaboration mode (Ratnasingam, 2008, p. 43).

“Customer attraction and retention for B2C e-commerce firms remains a complex, elusive, yet extremely important phenomenon (Ratnasingam, 2008, p. 44). The research conducted by Ratnasingam (2008) is significant since it conceptualizes consumer perceptions of e-commerce quality by breaking the influencing factors into components. By conducting the analysis within the framework of transactional and relational components, the research was able to focus in on more relevant influences, and evaluate the factors that contribute to making an online customer satisfied with the immediate transaction, confident in the firm and, thereby, more likely to establish long-term relationships with it.

Su, et. al. (2007) developed another model to assess what was referred to as consumer perceived quality (CPQ) factors. Their model identified six dimensions of CPQ which, listed in order of importance, include:

- Outcome quality
- Consumer service
- Process controllability
- Ease of use
- Information quality
- Web site design (Su, et. al., 2007, p. 372).

The underlying study also includes an excellent list of 63 factors, referred to as statements of quality, that establish trust and influence consumers into making online purchases. The outcome quality dimension, for example, decomposes to such items as:

- Goods and services are the same as described on the website
- Safe to make the payment online
- Delivery was on time
- Quality of the goods or services
- Convenient when making payments
- Delivery was rapid

- Products were properly packaged
- Delivery employee was kind
- Expense of shipping and delivery
- Convenience of delivery
- Low price levels (Su, et. al., 2007, p. 369).

These factors also support the proposition that trust is established by providing a pleasant online transaction, and effectively delivering high quality goods to ensure customer satisfaction.

2 Comparison of traditional markets to e-commerce markets

The concept of consumer-perceived quality (CPQ) has been widely accepted by researchers as an important measure of customer satisfaction (Su, et. al., 2007). When online transactions are compared to traditional ones, CPQ is affected by the absence of a physical store, and does not include the person-to-person contact and expertise of a salesperson (Su, et. al., 2007). Online consumers are said to “use a web site to undertake the functions of searching, comparing, ordering, and paying, for merchandise by themselves” (p. 361). The online processes that support each of these functions must consider the customer’s preferences and skill levels to ensure pleasant online shopping experiences. Since they cannot examine the goods at the time of purchase, online consumers face additional uncertainties when compared to retail transactions in stores. The systems used to process online transactions, therefore, must be effective at issuing return merchandise authorizations (RMAs) and processing and handling returned or exchanged goods. Online transactions also require customers to provide personal credit card information over the internet, which raises security concerns to the point some consumers would rather not make online purchases. Given the potential sales increases that can be anticipated with a successful online strategy, businesses must assess the preferences of their online customers and address any security sensitivities.

As the studies discussed above by Ratnasingam (2008) and Su, et. al. (2007) indicates, shoppers in both traditional and online markets demand high quality products and customer service. Online shoppers also demand a high quality delivery mechanism. In contrast to previous research that focused on web site and information quality, the analysis conducted by Su, et. al. (2007) attached more importance to outcome quality and consumer service in e-commerce transactions. The study concluded the outcome quality is “the essential conceptual dimension of e-commerce CPQ” (p. 368). Given their findings, one could argue that online transactions give consumers an even heightened expectation of quality when compared to traditional shopping venues. Although web presence and low price were drivers of success in the early days of e-commerce, these features no longer guarantee success since the novelty of shopping online is waning after ten plus years of conducting e-commerce business transactions (Zeithaml, Parasuraman and Malhotra, 2002). It seems that online customers are demanding at least as much, if not more, quality in the received goods and services as their traditional counterparts still shopping in stores. “It is apparent that online retailers need to shift their focus from advanced web site technology to the delivery of superior service from the perspective of their customers if they are to satisfy them and encourage repeat purchases” (Su, et. al., 2007, p. 371).

3 Managing Consumer Trust across Cultures

Market globalization refers to the increasing tendency of the world to act as one consumer market. While advances in travel and communications technologies have made globalization a reality, they also force businesses to address cultural barriers to communications and negotiation techniques. Intercultural communications “is the process of sending and receiving messages between people whose cultural backgrounds lead them to interpret verbal and non-verbal signs differently” (Thill and Bovee, 2005, p. 69). Before any business transaction can

be completed, there must be communication and interaction between the buyer and the seller. When the buyer and seller are from different cultures, the messages and interactions between them can be misinterpreted. Due to the global nature of online transactions, online businesses can expect that many of their customers will be in other countries, of other cultures, and may interpret website content and text differently than the message was intended to communicate. Such misinterpreted messages, being centered on negotiating business transactions, can adversely affect the trust levels of prospective customers.

The first step to communicating across cultures is to overcome *ethnocentrism*, which is the tendency to judge people according to one's own cultural standards (Thill and Bovee, 2005). When an author writes or speaks with someone from another culture, they encode their message using the assumptions of their own culture. Members of the audience, however, decode the message according to the assumptions of their own culture, so the meaning of the message may be misunderstood. The greater the difference between their cultures, the greater the chance their communications will be misunderstood. In addition to the cultural impacts to the communications made between negotiating parties, the way negotiations are actually carried out is inherently different across cultures. In low-context cultures such as the United States and Germany, people try to make decisions quickly and efficiently. They focus on the main issues and leave the details to be worked out later (Thill and Bovee, 2005). In high-context cultures, such as Greece, focusing on the details is taken to be a sign of honesty and openness. Ignoring the details is regarded as evasive and untrustworthy (Thill and Bovee, 2005). To ensure consumers from high-context cultures do not perceive artificially high levels of risk, links to additional product information and details about the transaction can be provided as part of the firm's website content.

Given the global nature of online transactions, customer trust also differs across culture types and nationalities. Trustworthiness has been shown above to be a significant factor in the development of favorable consumer attitudes toward e-commerce. Online consumers are naturally distrustful of online business transactions knowing that their personally identifiable information must be transmitted over the internet. Whether consumers commit to a transaction or not depends on the level of risk they perceive. The higher the initially perceived risk level, the higher the level of trust that is required for a consumer to overcome their concerns and engage in an online transaction. It is important, therefore, to reduce perceived risk levels by having online transactions verified by licensed online practitioners that are certified to be in compliance with industry standard privacy, security, availability, and business work flow processes.

Consumers from two different countries have a cultural distinctiveness that causes them to interpret and perceive the level of risks concerning online business transactions differently. In low-context cultures, Germany and Canada for example, business negotiations are considered impersonal. In Japan, a high-context culture, negotiators prefer to establish social relationships first, before conducting business transactions, which lead to personal and long-term relationships in the future (Thill and Bovee, 2005). If a Japanese purchaser does not get the opportunity to establish some kind of social relationship before conducting business, then they are likely to perceive higher levels of risk and be hesitant to complete a transaction. To address this concern many businesses are now implementing programs geared at offering membership in clubs for frequent purchasers where consumers are issued membership cards, accumulate points for purchases made, are sent periodic communications about special products and deals, and are offered bonus coupons to encourage repeat business.

Professor Geert Hofstede has “conducted a comprehensive study of how values in the workplace are influenced by culture” (Ray, 2010, p. 3). He developed a model to assist managers in differentiating cultures in terms of five “dimensions,” which include:

1. Power Distance – PDI
2. Individualism – IDV
3. Masculinity – MAS
4. Uncertainty Avoidance – UAI
5. Long-Term Orientation - LTO (Hofstede, 2009).

Through extensive research scores for each dimension, backed up by survey data for 74 countries, can be determined via a website graphing tool and used to compare the cultures between two selected countries (Hofstede, 2009). Hofstede’s scale systematically categorizes and summarizes the major cultural dimensions that influence particular regions of the world. The resulting graphs show where there are significant differences between the scores in the five dimensions and can indicate some very different cultural characteristics. Once a firm’s website monitoring functions start to indicate traffic from customers in countries not serviced before, they should apply the Hofstede model and determine the potential cultural differences that need to be addressed. The content of the website could then be updated to ensure compatibility with customers from the new market segment.

In summary, executing a business transaction quite naturally involves communication and interaction between the negotiating parties. When the parties are from different cultures, there will be differences in how each party interprets communications, assesses risk levels, conducts negotiations, and determines the acceptable risk posture they are willing to tolerate. These cultural differences can have significant impacts on business transactions if they are not properly mitigated.

4 Summary Conclusions and Recommendations

Customer attraction and retention remains a complex, elusive, but very important topic for B2C businesses. By analyzing online purchases within the framework of transactional and relational components, researchers have been able to break up the problem and identify the more important aspects of how to build consumer trust with respect to conducting online transactions. The less-than-remarkable conclusion is trust is established by ensuring customer satisfaction. Researchers confirm it is important that a customer's online transactional experience be positive, secure, and that it be supplemented by high quality products and services in order to build trust and establish long term relationships with customers. When parties to business transactions are from different cultures, there will be differences that will have to be addressed regarding how they interpret communications, gain trust and negotiate. A firm must overcome such cultural barriers and establish trust with intercultural consumers, or there will be a profound impact on their sales and new market opportunities will be lost.

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