CHAPTER 2   **LITERATURE REVIEW**

2.1   Introduction

This chapter attempts to review the relevant literature and research related to the antecedents that influence consumers' initial trust on intention to purchase online at a technological driven environment *i.e.,* Internet. The chapter first discusses the consumer online behavior with consideration of technology as a medium of interaction. The next part discusses the nature of Internet shopping and trust. The third part is focus on elements of initial trust as the key foundation in identifying antecedents of initial trust by reviewing literature for formation of initial trust in different perspectives. Most importantly, this chapter ended with the introduction of the proposed conceptual framework.

2.2   Consumer online behavior and technology

Consider the nature of Internet shopping is conducted in an online environment, the difference between online and 'offline' consumer behavior is observed. Two major issues are identified that differentiate online consumers from offline consumers, namely technology as a medium of interaction with consumers and trust formation on the online environment. Therefore, review of the impact from technology is particularly helpful to understand the online consumer behavior on the formation of trust at an electronic commerce environment.

Online shopping or Internet shopping is defined as the use of online stores by consumers up until the transactional stage of purchasing and logistics (Tonita *et al.,* 2004). Internet shoppers use Internet to search for or acquiring information from web site employed by Internet vendors. A web site helps internet vendors in interacting with Internet shoppers to search for information and lead to the final objective, product or service purchase from Internet shoppers.

Internet shoppers' intentions to purchase can be examined using frameworks from traditional or "offline" consumer behavior. A number of research frameworks in consumer behavior are available to distinguish a number of stages in the decision making process of consumer in the brick and mortar environment (Engel *et al.,* 1995; Schiffman & Kanuk, 2000). Generally, these frameworks consider the purchase decision making process in a various stages that include: (1) need recognition (2) pre-purchase search (3) evaluation of alternatives (4) actual purchase and (5) post-purchase evaluation. These stages do not consider the medium through which the consumer purchases, for instance purchased from physical store or internet shopping environment. For this reason, O'Keefe and McEachern (1998) and van der Heijden *et al.,* (2003) have suggested these stages can be applied to Internet shoppers' behavior on intention to transact with internet-vendors.

Internet shoppers have to interact with technology to information searching, evaluation and options comparison and finally make purchase decision. Technology refers to website that an internet vendor designed to market its products and services. In the internet shopping context, the brick and mortar shopping environment is replaced by electronic or online shopping environment. The interface for Internet shoppers to purchase products and services in the website as a form of Information Technology, accordingly, understanding the beliefs and motivations underlying Internet shoppers' intention to purchase towards Internet shopping is particularly important (van der Heijden *et al.,* 2003).

There is evidence that Internet shoppers emphasise both the instrumental value of the technology, but also the more immersive, hedonic value (Childers *et al.,* 2001; Tonita *et al.,* 2004). Hauser and Wernerfelt (1990) stated that information searching behavior by consumers is characterized by a trade-off between the cost of searching and evaluating alternative products and service that lead to the benefits of a better decision before purchase with the present of more alternatives are taken into account in their purchase decision making. In short, technology has the potential to both decrease the cost of information searching and evaluating alternatives and increase the quality of the decision (Haubi & Trifts, 2000).

2.2.1 Technology Acceptance Model

Most researchers applied Technology Acceptance Model (TAM) to predict the behavioral intention in interaction with technology as a function of attitude towards purchase (Legris *et al.,* 2002). The TAM which was developed by Davis (1989) is to provide an explanation of the determinants of user acceptance of Information Technology. In other words, TAM provides a powerful model to explain online consumer behavior in end user computing technologies in general. TAM was first developed to explain use acceptance of technology in the workplace (Davis, 1989; Davis *et al.,* 1989). Recent studies on technology acceptance in internet usage and website usage have confirmed that the relevance and appropriateness of TAM in an online context (Teo *et al.,* 1999; Lederer *et al.,* 2000; Moon & Kim, 2001). TAM has been extensively used by researchers for explaining and predicting user behavior in an online shopping environment (Legris *et al.,* 2002; Mathieson, Peacock, & Chin, 2001).

In TAM, behavior intention (*i.e.,* intention to purchase) to use or acceptance of a new technology (*i.e.,* internet) is determined by the individual attitude toward using that technology. TAM adopted a causal chain of beliefs, attitudes, intention and behavior that social psychologists Fishnein and Ajzen have developed (Fishbein & Ajzen, 1975, Ajzen, 1991) that known as the Theory of Reasoned Action (TRA). TRA is to provide an explanation that based on certain beliefs, a person forms an attitude about a certain object, on the basis of

which he/she forms an intention to behave with respect to that object. The intention to behave is the determinant of the actual behavior.

Understanding the determinants of consumers' attitude, it is argued that this attitude has a strong, direct, and positive effect on consumers' intentions to actually use the new technology or system (Bobbitt and Dabholkar, 2001; Davis, 1993). TAM identified two key positive variables, namely perceived usefulness, perceived ease of use (Davis, 1989; Davis *et al.,* 1989). Perceived usefulness is defined as "the degree to which a user believes that using the system will enhance his or performance", whereas perceived ease of use refers to "the degree to which the user believes that using the system will be free from effort" (Davis, 1989). Applying the definitions, "perceived usefulness" refer to Internet perceptions of using the Internet as a shopping medium improves the outcome of their shopping experience or in a simplified manner, how effective shopping on the Internet is in helping Internet shoppers to achieve their objectives. While, "perceived ease to use" is the Internet shoppers' perception that shopping on the Internet will involve a minimum effort or in a simplified manner, how ease the Internet as a shopping medium is to use as it is compared to physical store.

Online shopping features can be either consumer's perceptions of functional and utilitarian dimensions, like "perceived ease of use" and "perceived usefulness" (Davis, 1989; Davis *et al.,* 1989). Furthermore, TAM proclaims that perceived ease of use and perceived usefulness of a technology influence user's

attitude toward using the technology, which in turn affects behavioral intentions, which ultimately determine the acceptance and use (Davis, 1989: Meuter *et al.,* 2005). TAM has been updated by to include enjoyment as the third variable. There is evidence that not only usefulness and ease to use (*i.e.,* external motivation factor) but also enjoyment of technology (*i.e.,* internal motivation factor) is a direct determinant of user acceptance of technology (Davis *et al.,* 1992; Venkatesh 1999). Enjoyment of technology is regarded as an internal factor that motivates internet shoppers' desire to make online transaction. Useful and easily understood information the Internet vendors provided on web site help Internet shoppers to evaluate product and services and subsequently positively influences purchase intention. Perceived usefulness and perceived ease to use reflect the utilitarian aspect of Internet shopping, and perceived enjoyment reflects the hedonic aspect of Internet shopping (Monsuwe *et al.,* 2004; Delafrooz *et al.,* 2010). Therefore, both utilitarian and hedonic aspects of consumer experience influence consumer attitude positively toward adopting Internet shopping.

Although TAM is considered the most dominant model for user acceptance in Information Technology (Geren *et al.,* 2003; Koufaris, 2002), however, the use of TAM in predicting the adoption of Internet shopping in making online purchase is not sufficient due to the TAM model only consider usefulness and ease to use as its independent variables for consumers' purchase decision via the Internet. In reality, consumers' intention to purchase

on Internet is also influenced by other factors, such as the perceived risk if the purchase is made (Barach, 1969; Donthu & Garcia, 1999; Garbarino & Strahilevitze, 2002; Smith & Sivakunar, 2002). Therefore, TAM could partly explain the element affecting consumers' online trust and purchase intention (Gefen *et al.,* 2003; van der Heijden *et al.,* 2003). McKnight *et al.,* (2002a) confirmed that consumer decisions to adopt e-commerce involve not only perception of the technology, for example, perceived usefulness, and ease of use (Davis *et al.,* 1989), but also beliefs about the Internet vendors (Friedman *et al.,* 2000). Similarly, Pavlou (2003) found that perceived usefulness and ease of use have a significant effect on intention to transactions, suggesting that TAM model could extend into consumer online behavior to explain acceptance of B2C e-commerce.

According to a study conducted by Gefen *et al.,* (2003a) to compare the relative importance of initial trust in an Internet vendor vis-à-vis TAM use antecedents for new and repeat Internet shopper. They found out that repeat Internet shoppers' intention to purchase were influenced by their trust in the Internet vendor and their perceptions of the web site usefulness, on the other hand, potential Internet shoppers were influenced only by their trust in the Internet vendor. Although TAM can explain technology acceptance in an online context, *i.e.,* Information Technology adoption by Internet shoppers, in addition to perceived usefulness, ease of use and enjoyment, trust also contribute to explain the Internet shoppers' acceptance of Internet shopping.

2.3   Internet shopping and trust

Researchers had identified several characteristics of Internet shopping (*i.e.,* online) environment that lead Internet shoppers to think and behave differently from brick and mortar trading (*i.e.,* offline) environment (Wang and Benbasat, 2005).   Firstly, the impersonal and virtual nature of the online environment involves a physical distance between Internet shoppers and Internet vendors, and between Internet shoppers and products in Internet shopping environment (Ba, 2001; Yoon, 2002; Wong and Benbasat, 2005). Internet shoppers are unable to examine the condition and evaluate the quality of the products physically in an online environment.   Internet shopping environment is lack of human interaction but replace with a help button on the web page. Unlike physical shopping environment where shoppers are able to interact with salespersons face to face.   Consequently, Internet shoppers are less able to judge quality of products and credibility of Internet vendor prior to purchase transaction, therefore, purchase in Internet shopping is consider high perceived risk to Internet shopper (Ba, 2001; Wong and Benbasat, 2005).

Furthermore, Internet shopping environment have produced a new spectrum of unregulated trading platform, Internet vendor behavior is difficult to monitor and legislation governing Internet shopping, both in substance and enforcement is still far from mature (Hamelink, 2001; Wong and Benbasat, 2005). Accordingly, Internet vendors can easily take advantage of Internet shoppers

(Gefen *et al.,* 2003b; Wong and Benbasat, 2005). In the online environment, Internet shoppers are unable to check or monitor the security and safety of sending sensitive information and financial information. According to Mishra *et al.,* 1998 and Pavlou (2002), most customer-vendor transaction is characterized by information asymmetry since the Internet vendor usually possesses more information compared to the Internet shoppers.

2.4　Trust

Trust is an essential factor in all business to consumer (B2C) business interactions, particularly important to electronic commerce (e-commerce) where internet shoppers are encouraged to engage in Internet shopping and to make purchase online (Gefen *et al.,* 2003b; Lee and Turban, 2001; Pavlou, 2003). Accordingly, this study is focusing on B2C business interactions and trying to examine the antecedents of initial trust that influence the intention to purchase online.

Trust is important in establishing business relationships that determining the vendors with whom a consumer is willing to interact (McKnight *et al.,* 1998). Trust assists customer make the "leap of faith" into action because trust embodies feelings of security about the object of trust, so that customer can move forward without hesitate in spite of the risks or uncertainties in a situation (Holmes, 1991; Luhmann, 1979; McKnight *et al.,* 2002).

One of the aspects of human behavior is the need to control and predict the social environment. People have to know in advance how their behavior will influence the behavior of other, and how the behavior of other will consequently affect them (Gefen and Straub, 2004). Similarly, Internet shoppers are unable to judge the credibility of an unfamiliar Internet vendors, therefore prevent them to move forward in transact to them.

2.4.1 Definition of trust

It is imperative to form a clear idea of trust before the nature of trust can be examined. There is widespread disagreement about definition of trust by numerous researchers has been highlighted by Lee and Turban, (2001) although the importance of trust is widely recognized. The lack of widely accepted definition of trust is due to its diversity in nature. Researchers have been noted that trust is a multidimensional concept that can be examined from a number of perspectives, including sociology, social psychology, economic and marketing (Doney & Cannon, 1997; van der Heijden *et al.,* 2003).

Researchers often view trust from its own unique perspective and try to narrow the scope of trust in order to fit well into their empirical research (McKnight and Chervany, 2001-2002). For instance, psychologists view trust as a personal trait, sociologists see trust as a social structure, and economists see it as an economic choice mechanism (Lewicki and Bunker, 1995; McKnight and

Chervancy, 2001-2002).   The second reason for the disagreement of trust is that "trust" is a vague term which acquired many meaning (McKnight and Chervancy, 2001-2002), like reliance, confidence, integrity, faith, risk and hope according to a study conducted by Tan and Paul (2004).   It is important to note that these definitions are focusing on identifying the attributes of trust rather than defining trust itself (Lee and Paul, 2004). Across the literature, definition of trust developed by Mayer *et al.,* (1995) are adopted by most researchers, This definition has subsequently been cited over 1,100 time in a wide range of study and research (Schoorman *et al.,* 2007). Trust is defined as:

[…] the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party (Mayer *et al.,* 1995, p.712).

In the context of Internet shopping, trust would be therefore representing the willingness of an Internet shopper to be vulnerable to the action of an Internet vendor.   This willingness to be vulnerable is frequently referred to as trusting intention (Stewart, 2003; McKnight *et al.,* 2002b; McKnight and Chervany, 2001-2002).

2.4.2 The importance of initial trust on Internet shopping

Initial trust is trust in an unfamiliar Internet vendor, one with whom the Internet shopper has no prior experience and knowledge. Unfamiliar Internet vendor is defined by Bigley and Pearce (1998) and McKnight *et al.,* (2002) as Internet vendors that do not yet have credible and meaningful information about each other. Furthermore, research by Gefen and Straub (2002) has revealed that the potential of B2C e-commerce (Wang *et al.,* 1998) can only be materialised if internet shoppers feel comfortable and secure transacting over the technology (*i.e.,* internet) with unfamiliar Internet vendors. Perceived risk means the extent to which an Internet shopper believes it is unsafe to use web site provided by Internet vendor or that negative consequences are possible (Jarvenpaa, *et al.,* 2000; McKnight *et al.,* 2002b). This is confirmed by Cases (2002) and March (2006) that perceived risk can prevent internet shoppers from making purchases from Internet vendors.

Mayer *et al.,* (1995) found that trust in Internet vendors help Internet shoppers overcome perception of risk in Internet based interaction. Similarly, many Internet vendors are unfamiliar to Internet shoppers, which make building trust a strategically important issue at the beginning of the B2C relationship (McKnight and Chervany, 2001-2002). Therefore, it is critical for Internet vendors to promote initial trust in the early stage of business relationship so to transform potential Internet shoppers to one who is willing to transact with them.

In the context of Internet shopping, perceived risk is defined as an uncertainty in the purchase environment where consumers may consider the purchase outcomes and the importance or serious results associated with making a wrong or unsuitable decision (Hunter *et al.,* 2004). Gefen *et al.,* (2003b) and Chen and Barnes (2007) stated that the existence of trust increase Internet shoppers' confidence that Internet vendors will not engage in opportunistic behavior. Perceived risk in Internet shopping involves risk not simply between the Internet vendors and Internet shoppers, but also between the Internet shoppers and the technology, *i.e.,* the Internet. Lack of consumer trust in technology as a medium is one of the major factors that Internet shoppers unable to judge whether or not an Internet vendors is trustworthy, as a result perceived risk and uncertainty are higher than with physical store environment (Hoffman *et al.,* 1999; Lopez *et al.,* 2005). .

Similarly, the complexity of examining Internet shopper trust in Internet shopping and its determinants lays in the fact that Internet shopping involved trust from both between Internet vendors and Internet shoppers (interpersonal trust) and between Internet shoppers and the technology, *i.e.,* the Internet (institutional trust) (McKnight and Chervany, 2001-2002). Jarvenpaa and Tractinsky (1999) and Jarvenpaa *et al.,* (2000) has shown that trust can be an effective means to discuss the issues in relation to reduction of environment uncertainty, complexity and risk and enhancing consumer loyalty.

McKnight *et al.,* (2002) suggested that during the initial time frame, while the Internet shopper is still unfamiliar with the Internet vendor, that Internet shopper' perceptions of risk about the Internet vendors are salient. Hence, Internet vendors need to engender sufficient trust at this early stage strategically in order to minimize perception of risk and persuade Internet shoppers to purchase from them. Furthermore, if Internet shoppers do not have adequate initial trust toward a website or Internet vendor, they can easily switch to other Internet vendors. In additions, the cost of attractive Internet shoppers is high to Internet vendors lead to conclusion that it is essential for Internet vendors to gain high initial trust from Internet shoppers (Koufaris and Hampton-Sosa, 2004).

McKnight *et al.,* (1998) has reveal that initial trust has further import due to it excavates a cognitive/affective channel that often has lasting implication for the future mental model of relationship. This line of thinking has also been agued by Berscheid and Graziano (1979) and McKnight *et al.,* (1998) that the first impression of Internet vendor is vital in relationship building because opinions and beliefs formed early tend to continue into the future.

2.5   Elements of initial trust

It is important to identify the elements that are pertinent to the formation of initial trust in order to derive effective and reliable principles or implications on enhancing initial trust in Internet shopping. According to Wong and Emurian

(2005), trust elements often referred to interchangeably as antecedents, determinants, underlying dimensions or principles of initial trust, these terms all refer to factors that can produce a sense of trustworthiness.

Gefen (2002) stated that the specific beliefs of integrity, ability and benevolence were seen as antecedents to overall trust. In other words, trusting beliefs reflect the Internet shoppers' perceptions of Internet vendors' ability, benevolence and integrity. Ability comprises the skills and competencies make it possible for a party to have influence within some specific domain (McKnight *et al.,* 2002b).   In the current context, ability is the belief about the competence and skills of an Internet vendor in providing the goods and services in a proper and convenient way (McKnight *et al.,* 2002b). Lee and Turban (2001) suggested that Internet vendors' understanding of the underlying technical characteristics and process that control the technological based medium, *i.e.,* Internet is formed part the key competency required. Benevolence is the belief that whenever a trusting party believes that the party which is trusted wants to so good thing compares to just increase his/her profit, as such a benevolent Internet vendor would not be perceived to behave opportunistic by taking advantage of Internet shopper (McKnight *et al.,* 2002b). The trusting party's perception that the trustee will be honest and comply with an acceptable set of principles is referred to as integrity (McKnight *et al.,* 2002b) meaning that Internet shopper believes Internet vendor would make good faith agreement, tell the truth, acts ethically and fulfill promises (Lee and Turban, 2001).

McKnight and Chervany (2001-2001) used the Theory of Reasoned Action (TRA) developed by Fishbein and Ajzen (1975) to link trusting beliefs with trusting intention. The connection between trusting beliefs and trusting intention is by nature because the TRA go further that beliefs influence intentions (Fishbein and Ajzen, 1975). Research showed trusting intentions are strongly influenced by an individual's trusting belief (McKnight *et al.,* 2002; McKnight and Chervany, 2001-2002; Stewart, 2003). Trusting beliefs are perceptions of the trustworthiness of the object of trust. Trusting beliefs are the trustors' (*i.e.,* Internet shopper) perception that the trustee (Internet vendor) possesses characteristics that would benefit the trustor (Mayer *et al.,* 1995; McKnight and Chervany, 2001-2002).

Trusting intention means that one is willing to depend on, or intend to depend on the other party even through one cannot control that party (McKnight and Chervany, 2001-2002). Definition of trusting intentions embodies three elements. First, a readiness to depend or rely on other is the centre to trusting intention in the Internet context (Lewis and Weigert, 1985; McKnight and Chervany, 2001-2002). Second, trusting intention is person specific (Gabarro, 1978; McKnight and Chervany, 2001-2002). Finally, trusting intentions involves willingness that is not based on having control or power over the other party (Riker, 1971; Ring and Van, 1994; McKnight and Chervany, 2001-2002). McKnight *et al.,* (1998) elaborated that Internet shoppers are willing to depend on Internet vendors who they feel have beneficial characteristics. It is reasonable

that Internet shoppers have strong belief that Internet vendor is honest, competent and benevolent should lead to willingness to depend or intention to depend. While holding a similar view, Lee and Turban (2001) proposed that trustworthiness of Internet Merchant in which ability, benevolence and integrity arguably constitute the main elements of trustworthiness. Furthermore, the same researchers posited that antecedents influenced initial trust in Internet shopping include trustworthiness of the Internet as a shopping medium and infrastructural (contextual) factors (*i.e.,* third party certification, security).

Internet shoppers are interacting with both Internet vendor and technology in Internet shopping. Internet vendor encompass both the Web store (*i.e.,* web-site as transaction medium) and owner or manager of the Web store. Given these characteristics, Zucker, (1986) and Pavlou, (2002) suggested that institutional trust would be the important determinants of the trustworthiness of Internet vendors. The two dimensions of institutional trust according to Zucker (1996) and Pavlou (2002) are third party certification and escrow. The former include licenses, regulations, and laws, which is defines Internet vendors' trustworthiness and expected behavior, whereas escrow provides assurance to Internet shoppers in guaranteeing the expected outcome of online transaction with Internet vendor in an online environment. On the other hand, Kini and Choobineh (1998) and Lee and Turban (2001) suggested that trust in medium used to conduct online purchase, such as computer and Internet connection, is

equally important for Internet shoppers in establishing perceived technical competence and performance of that system.

The study conducted by Ratnasingam and Pavlou (2002) and Pavlou (2002) considered dimensions of initial trust derived from institutional-based trust that arises among the Internet vendors because of compliance with technical standards, security procedures and protection mechanism. This is further confirmed by Pavlou, (2003) and Koufaris and Hampton-Sosa, (2004), stated that perceived risk associated with transaction process can be reduced by initial trust. Similarly, based on the study from Smith *et al.,* (1999) and Udo, (2001), security control and privacy control are the two important antecedents of initial trust as Internet vendors are expected to adhere with those mechanisms in order to form certain behavior. The result of study from Chen and Barnes (2007) consistent with previous researches that perceived privacy and perceived security are the major determinants of Internet shoppers' perception of online initial trust. Privacy is defined as the Internet shoppers' opinion regarding the respect of confidentiality of personal information and the maintenance of privacy by various agents, companies with which Internet shoppers' interest in online purchase In other words, privacy involves the protection of personal information by not sharing, use, access and disclose Internet shoppers' personal information with other parties.

On the other hand, security is defined as the protection against the threat with potential to cause economic hardship to data or network resources in the form of destruction, disclosure, modification or data, denial of service and fraud (Kalakota, 1996). In terms of perceived security, Warrington *et al.,* (2000) argued that web sites could increase Internet shoppers' initial trust by raising security, or by decreasing perceived environmental risks. In terms of perceived privacy, Culnan and Armstrong (1999) stated that when Internet shoppers recognized reliability and credibility of a web site, they may disclose their private information. McKnight and Chervany, (2002) further confirmed that favorable conditions such as legal, regulatory, business and technical environment perceived to support transaction success. Similarly, Roman (2007) and Chao *et al.*, (2009) confirmed that Internet shoppers' perception of privacy have a significant and positive effect on their trust on the Internet vendors.

McKnight *et al.,* (1998) suggested structural assurance is an important determinant of initial trust as the belief that transaction success is expected because of such contextual conditions as accreditation, feedback mechanisms, contracts, regulations, and guarantee are in place. In the definition provided by Shapiro (1987) and McKnight *et al.,* (1998), structural assurance refers to institutional "side bet", such as regulation, guarantee, and legal recourse. Regulations make Internet shopper to feel assured about their expectations of Internet vendors' future behavior, whereas guarantees mitigate the perceived risk involved in forming trusting intention. Finally, legal recourse makes Internet

shoppers feels comfortable that the promise (*i.e.,* delivery of products after purchase) has the significance in particular setting (*i.e.,* legal framework) so that Internet vendors will make every effort to fulfill it or risk reaping sanctions through legal action (Sitkin, 1995; McKnight *et al.,* 1998).

Lewicki and Bunker, (1995) further stated that third party recognition and legal framework are the two important contextual factors influence the formation of initial trust. Third party recognition is refers to the assurance of the trustworthiness of Internet vendors by a third party recognition bodies, whereas legal framework refers to the law and code of practice established to protect Internet shoppers during the online transactions (Cheung and Lee, 2001). Moreover, Hoffman *et al.,* (1999) argue that context specific parameter, such as third party trust certification, *i.e.,* TRUSTe or Verisign and public key encryption infrastructure are important in building initial trust in Internet shopping. Context specific parameter is playing a role in ensuring transaction security and privacy protection (Hoffman *et al.,* 1999; Lee and Turban, 2001) that aim to reduce the perceived risk from uncertainty of outcome of an Internet based transaction. In addition, high perception of risk on Internet shopping will adversely affect Internet shoppers to share personal information, such as credit card number.

Urban *et al.,* (2002) stated that the trust in the technology medium to engage in the purchases as the opinion which is held regarding security and existing clarity in the transactions performed with the companies (*i.e.,* Internet

vendor) on the Internet, and in their commitment to respect what has been agreed with the consumers. Therefore, beliefs that the Internet shopping has legal or regulatory protections for Internet shopper should influence the trust in particular Internet vendor (McKnight and Chervany, 2001-2002).

Initial trust between parties will not based on past experience or knowledge of the other parties, rather initial trust is formed based on an individual's disposition to trust, institutional cues that make possible to one to trust other parties without experience and firsthand knowledge (McKnight *et al.,* 1998). Disposition to trust means a general propensity to trust other, where a people show a tendency to be willing to depend on other (McKnight *et al.,* 2002a). This dimension of trust is developed by the field of psychology, which defined disposition to trust as a personality trait that is formed through an individual's lifetime (Tan and Paul, 2004).

Trust is a context dependent multidimensional social concept whose relevant significant dimensions depends on the circumstances of the intention and contains both behavioral intention and cognitive elements (Lewis and Weigert, 1985; Rossiter, 1975; Gefen and Straub, 2004). The behavior intentions aspect of trust deal with behavior that increases one's own vulnerability to others under conditions of interdependence, whereas the cognitive aspects of trust deal with context related beliefs about the trusted party that provide the context and

justification for this behavior (Lewis and Weigert, 1985; Rossiter, 1975; Gefen and Straub, 2004).

Mayer *et al.*, (1995) suggested that trust propensity is a stable, within party factor that affects the likelihood that a party will trust another party. The propensity to trust is a personality trait that influences the formation of initial trust in Internet shopping. Trust propensity will increase or decrease the tendency of initial trust in the Internet shoppers. Therefore, propensity to trust has a direct impact on the formation of initial trust (Mayer e*t al.,* 1995). It is imperative to examine trust propensity, a personality trait of the concerned Internet shopper for the understanding of consumer trust in Internet shopping (Lee and Turban, 2001). According to Hofstede (1980), the propensity of the individual influences the impact of the trust antecedent. The trust propensity is dependent on one cultural background, personality type and developmental experience. Internet shoppers with a high propensity to trust perceive the online risk to be less and therefore have more trust in online transactions (Ba, 2001; Mukherjee and Nath, 2007).

Culture is defined by Hofsrede (1984) as the collective programming of the mind which distinguishes the members of one group from another. Hofstede (1980) suggested that cultural plays an important part in the disposition to trust, as some cultures may more trust in general and therefore hold a higher disposition to trust. Culture is group into two broad categories, namely,

individualistic and collectivistic cultures. These two groups of cultures think differently, and therefore behavior differently, the most important in relation to work on trust, make judgment differently (Han & Shavitt, 1994) The study from Triandis (1989) found that in general western countries were primarily individualistic, whereas East Asian countries tended to be more collectivist. The research finding shows that culture has an impact on the individual's disposition to trust, whereby collectivist cultures hold a lower disposition to trust, whereas individualistic cultures hold a higher disposition to trust.

Online experience has been identified as an important e-commerce marketing issue by several academics and practitioners. Constantinides (2002) defined online experience as the consumer's total impression about the online company (Watchfire Whitepaper Series, 2000) resulting from his/her exposure to a combination of virtual marketing tools that under the marketers' direct control, likely to influence the buying behaviour of the Internet shoppers. Furthermore, Hofstede (1980) highlighted that people who have a positive experience with the Internet tend to be more trusting of Internet transaction. The Internet shopping experience is a mixture of effort, lifestyle compatibility, fun and playfulness (Liu e*t al.,* 2001; Ratchford, Talukdar & Lee, 2001). For the Internet shopping, effort is primarily a mental activity as Internet shopper sit in front of a computer and working on the keyboard instead of travel to multiple shopping sites. Easy to use from TAM model is the main component in Internet shopping coupled with time

required in searching a product and the availability of the desired product (Swaminathan e*t al.,* 1999).

According to Vellido e*t al.,* (2000), lifestyle compatibility is referring to consumers' lifestyle and shopping habits. The shopping tool must be easy to use and availability of support help line is important in generating positive Internet shopping experience. In addition, playfulness and fun take into account the Internet shoppers' overall satisfaction with personal experience in Internet shopping (Goldsmith e*t al.,* 2001). According to Bhatnagar e*t al.,* (2000), experience is negatively affected by shopping sites that are cumbersome to navigate, inability to locate in stock products are examples of occurrences that diminish the personal experience in Internet shopping. Prior experience of online shopping present a vital and direct influence on intention to purchase online (Chen and Barnes, 2007).

2.6   Intention to purchase online

Prior studies have indicated that Internet shoppers will not get involved in a business transaction on the internet unless the level of trust beyond which the Internet shopper is determined to make an online purchase (Castelfranchi and Tan, 2002, Tan and Thoen, 2002; Lopez *et al.,* 2005). Pavlou (2003) defined purchase intention as the situation which an Internet shopper is willing and intends to become involved in online transaction. Initial trust creates positive

attitudes and behavior control toward transactions with Internet vendors, reducing perceived risks and uncertainty and providing expectation for a satisfactory outcome, thus positively influencing consumer behavioral intention to transaction.

Andersen and Weitz (1989) suggested that trust has been shown to reduce perceived risk of being taken advantages of from other party. Therefore, trust helps to reduce perceived risk in Internet shopping and is an importance antecedent in intention of purchase in Internet shopping (Morrision and Firmstone, 2000; Urban *et al.,* 2000). Intention to purchase online is the anticipated result of the overall intention of initial trust. In the context of Internet shopping, this intention to purchase behavior depends on the Internet shoppers holding an overall intention to trust the particular Internet vendor (Tan and Paul, 2004).

2.7   Proposed conceptual model

Based on the literature and related theories, a conceptual model has been developed which consists of independent variables (IVs) of factors influence the formation of initial trust on Internet shopping and dependent variable (DV) of Internet shopper intentions to purchase via Internet web-site . This study is focus on the antecedents that influence the initial trust formation in Internet shopping, the relationship with the consumer's attitude on initial trust in Internet shopping

and the relationship between initial trusts in Internet shopping and intention to purchase online.

The antecedents in initial trust proposed are perceived trusting belief on Internet vendors, perceived technical competency on Internet vendors, perceived organization compliance, and propensity to trust. Propensity of trust is included to the model to reflect completeness of the study as trust propensity has a direct impact on the formation of trust (Mayer *et al.,* 1995). Cultural environment and prior personal experience in Internet usage are two antecedents of propensity of trust (Hofstede, 1980). The proposed conceptual model of this study is depicted in **Figure 2.1**.
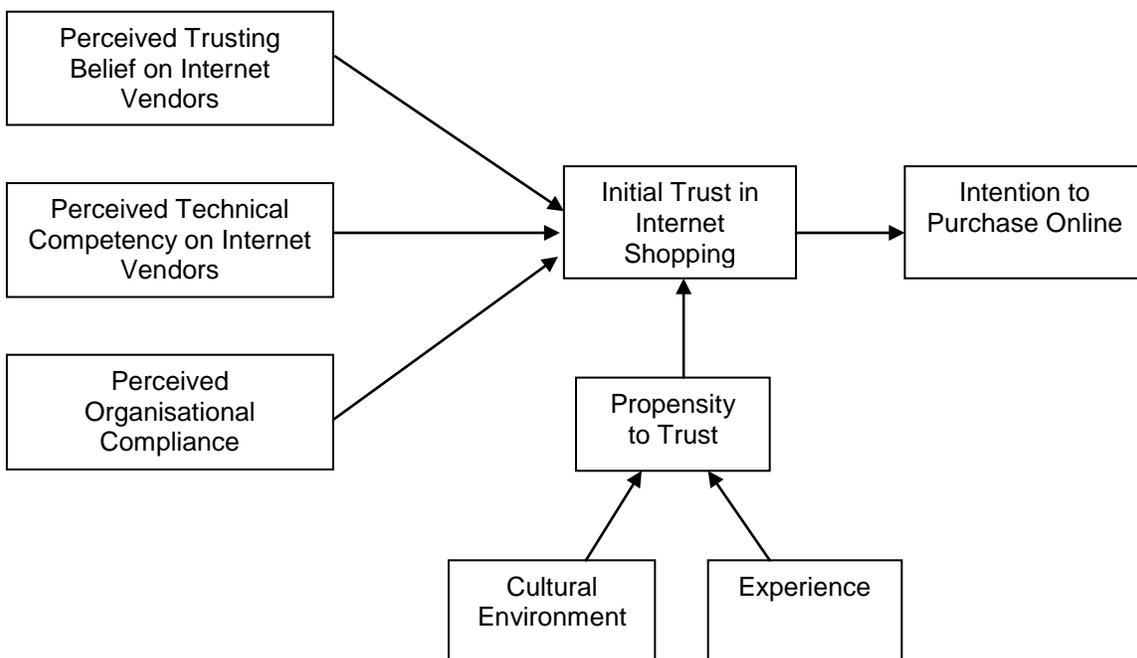

Figure 2.1: Proposed conceptual model

2.8   Chapter Summary

This chapter has reviewed all the relevant theoretical literature used in the study of identifying antecedents of initial trust that include reviews of Technology Acceptance Model, and elements of initial trust. This reviews led to the development of conceptual framework.   The following chapter discusses the hypotheses development and measurement development based on the proposed conceptual model.