Chapter 2

Literature Review

2.1 Introduction

This chapter will deliver the literature reviews concerning the overview of trust in online shopping and factors influencing consumersø trust in online shopping are in order to relate with the objectives of the study and research questions. Finally, overviews of trust model used by previous researchers are presented.

2.2 The Internet and Online Shopping

Internet is a new information technology device that has dramatically changed the way we live. It has become an integral part of modern life across the world and Malaysia is not an exception. As Internet usage rapidly grew and spread across the country, it fuelled the growth of Internet commerce. Citrin et al., (2000) and Goldsmith (2002) found that consumers who are proficient in the use of the Internet for means other than shopping will be more likely to adopt the Internet for shopping.

Several investigators have observed that internet shopping is more apparent among those who use the Internet more frequently per unit of time (Donthu and Garcia, 1999), among those who have used the Internet for a greater number of years (Horrigan, 2000), and among those who used the Internet for a broader range of non-shopping activities, like communication, education, or entertainment (Citrin et al.,

2000). The term õInternet Shoppingö or õOnline Shoppingö refers to the use of online stores by consumers up until the transactional stage of purchasing and logistic (Tonita et al., 2004).

Though the Internet offers a range of advantages that collectively have been shown to be important enough to attract massive interest, Malaysian are still curious about this new market and normally delaying transactions due to a lack of product awareness, value awareness and concerns regarding credit card security (John and Jackie, 2001). Ainin, Noor and Parveen (2005) pointed outs guarantees, confidentiality of identity, product variety were among the reasons why Malaysian transacted online. However, a study by Alfhian, Syed and Ai-Yee (2009), indicate that external factors such as the threats of hackers may resulting fear in consumers and damping their intentions and willingness to purchase online.

In addition, Malaysian are most concerned with privacy in disclosing information to online retailers when they make their purchases via the Internet (Adeline, Ali and Hishamuddin, 2006). Ahasanul and Ali (2006) claimed that issues related to privacy and lack of credibility when dealing with online retailers is the main concerned among Malaysian. Holding similar view, Ainin, Josephine and Suhana (2008) found that security and privacy concern are the biggest barriers in e-ticketing.

It supported by Sonja and Ewald (2003) where, in online environment, customers do not know how the retailer will deal with their personal information collected during the shopping process. Therefore, trust is an important factor to facilitate consumer to purchase online.

Consumers decisions whether to shop or not to shop online are also influenced by the consumers perceptions towards online shopping. Previous studies have found those online shopping effect consumersø perceptions in terms of its usefulness (Davis,1993; Venkatesh, 2000), perceived risk and trust (Kini and Chobiah, 1998; Wee and Ramachandra, 2000) and convenience (Childers et al., 2001; Kare-Silver, 2001).

To sum up, trust is important factor for the buyer-seller relationship in e-commerce (Sonja and Ewald, 2003) and if the customers do not trust the retailer they will not involve in online purchase as claimed by Lee and Turban (2001).

2.3 Trust in Online Shopping

Trust is an important factor in every relationship. In a case of e-commerce, trust is even more emphasized due to the newness of the channel and the lack of face to face interaction between consumer and e-vendor (Kyosti et al., 2007).

Trust claimed as the important element in influencing consumer behaviour toward merchants (Schurr and Ozanne, 1985) and has been shown to be of high significance in uncertain environments such as Internet-based electronic commerce environments (Fung and Lee, 1999). Indeed, Hoffman et al (1999) have noted that consumers do not trust more Internet marketers enough to engage in õrelationship exchangesö involving money and personal information.

Researchers and practitioners always insist that online trust is one of the most important issues often associate with the success or failure of online shopping market. Kiranjit Kaur (2005), in his paper summarized that the primary concerns of

consumers towards online shopping includes the exposure to unfair marketing practices such as insufficient information disclosure where the online vendor did not spelled out clearly their refund policies, cancellation terms and warranty information. Merchandise and delivery practices where online vendor failed to perform and late delivery of such merchandise, recovering fraudulent charges if credit card information falls into criminal hands, consumer's lack of knowledge on cancellation rights for online transactions, insecure payment methods, computer fraud, hacking, virus, interception and alteration of financial data, and misuse of personal information without consumer concern.

The definition of trust in Oxford English Dictionary identified trust as õconfidence in or reliance on some quality or attributes of a person or thing, or the truth of a statementö. In the marketing literature, the definition offered by Rotter (1967) õtrust is a generalised expectancy held by an individual that the word of another that can be relied onö. According to Morgan and Hunt (1994), trust has been defined as a willingness to rely on an exchange partner in whom one has confidence, reliability, and integrity.

The belief in a person's competence to perform a specific task under specific circumstances is also pointed out as a facet of the trust concept. Winch and Joyce (2006) argue that, trust is a strong influential factor for making purchase and in a context of online environment, trust is build primarily in a person-to-web site manner mediated through technology. While, Crosby et al. (1990), explained that trust is based on specific behaviours of trustee, such as õkeep promisesö. Therefore, without

having trust built, it is likely that business transactions would not be possible in an online environment.

Doney and Cannon (1997) suggest that for a customer to enter into a transaction, (s)he must feel confident that the merchant will deliver, making trust an order qualifier for purchase decisions. Moreover, Morgan et al. (1994) had identify trust as being an antecedent to commitment, being the motivation to stay within the relationship, and an important element of relationship marketing. They posit further that as commitment entails vulnerability, parties will seek only trustworthy partners. Therefore, it can be conclude that trust is a dimension of a business relationship that determines the level to which each party feels they can rely on the integrity of the promise offered by the other.

2.4   Factors Influencing Consumers' Trust in Online Shopping

After reviewing the literature available, several factors were identified as influencing trust in online shopping. Table 2.1 illustrates the summary of factors identified by various researchers as influencing consumersø trust in online shopping. This list nevertheless is not exhaustive as there might be many other factors that subsist and promote further in-depth research in the area of trust in online shopping. However, these said factors will be considered and utilised for the basis purposes of this study.

Researchers	Factors Influencing Consumers' Trust
Gefen (2000)	• Integrity • Ability • Benevolence
Lee and Turban (2001)	• Trustworthiness of Internet Merchant (ability, integrity, benevolence) • Trustworthiness of Internet Shopping Medium (technical competence, reliability, medium undertaking) • Contextual factors (effectiveness of third party certification, effectiveness of security infrastructure) • Individual Trust Propensity • Other factors
Cheung and Lee (2000)	• Trustworthiness of the Internet merchant (e.g. perceived security control, perceived privacy control, perceived competency and perceived integrity) • External environment (e.g. third-party recognition and legal framework) • Propensity to Trust
Javenpaa et al. (1999)	• Perceived size • Perceived reputation
McKnight, Choudhury and Kacmar (2002a)	• Perceived vendor reputation • Perceived site quality • Structural assurance of the web
McKnight, Choudhury and Kacmar (2002b)	• Disposition to trust (faith in humanity and trusting stance) • Institution-based trust (situational normality: general competence, integrity and benevolence, structural assurance) • Trusting beliefs (competence beliefs, benevolence beliefs and integrity beliefs) • Trusting intentions (willingness to depend, subjective probability of depending)
Kaufaris and Hampton-Sosa (2004)	• Perceived company reputation • Willingness to customize products and services • Perceived web site usefulness • Perceived ease of use • Security control
Lu Yaobin and Zhou Tao (2007)	• Perceived usefulness • Consumers' trust propensity • Web site security • Vendor reputation

Table 2.1: Factors Influencing Consumer's Trust

This study will adopt and focus on the factors of Perceived usefulness and Perceived Ease of Use (Kaufaris and Hampton-Sosa, 2004; Lu Yaobin and Zhou Tao, 2007), Perceived Reputation (Javenpaa et al.,1999; McKnight, Choudhury and Kacmar, 2002a; Kaufaris and Hampton-Sosa, 2004), Perceived Security (Lee and Turban, 2001; Cheung and Lee, 2000; Kaufaris and Hampton-Sosa, 2004; Lu Yaobin and Zhou Tao, 2007), Perceived Privacy (Cheung and Lee, 2000), and Propensity to Trust (Lee and Turban, 2001; Cheung and Lee, 2000; McKnight, Choudhury and Kacmar, 2002b; Lu Yaobin and Zhou Tao, 2007).

2.4.1   Perceived Usefulness

Perceived usefulness is one of the perceptions taken from Technology Acceptance Model (TAM). TAM was a robust model aimed to understand how users develop their attitudes towards technology and when they decide to adopt it (Davis, 1989). TAM has been tasted in many empirical studies that include user acceptance of word-processes (Davis et al., 1989), spreadsheets (Mathieson, 1991), email (Szajna, 1996), voice mail (Straub et al, 1995), and in the area of web-based commence (Agarwal and Karahanna, 2000; Chen et al., 2002; Devaraj et al., 2002; Gefen et al., 2003; Kaufaris, 2002; Moon and Kim, 2001). Prior studies using TAM variables have shown that it can give a positive effect on intention to use the technology. By viewing a company's web site is also type of technology, it is believe that perceived usefulness to have a positive impact on consumers trust in online (Kaufaris and Hampton-Sosa, 2004).

In a general definition, perceived usefulness is defined as õthe degree to which a person believes that using a particular system would enhance his or her job

performanceö (Davis, 1989). While in the context of online shopping, perceived usefulness is defined as a subjective perception by the customer regarding the web site usefulness in his or her shopping task (Kaufaris and Sosa, 2004). In a simpler manner, it can be stated that usefulness is how effective shopping on the Internet is in helping consumers to accomplish their task.

According to Lee and Turban (2001), customers use various performance measures such as network and download speed, navigability, reliability, connectivity and availability to evaluate electronic transactions. Additionally, Wolfinbarger and Gilly (2001) stated that consumer refers performance of the online shopping transaction when it can save time, increased convenience and reduced risk of dissatisfaction.

While a study by Siriluck (2005) found that a useful website will enhance the time and cost saving benefits, and the ability to support consumer more efficiently. Therefore, the website must possess the availability of quality information such as accuracy, up-to-dateness, and relevance (Edmunds and Morris 2000), accessible where enable consumers to access vendorøs websites more easily and efficiently at any time and from any location (Rotchanakitumnuai and Speece 2004). Same goes to the opinion by Lederer et al. (2000) where they found that the quality of information given in a web site is a major influence on consumer perceived usefulness of websites. Moreover, Hoffman & Novak (1996) argue that consumer will perceived usefulness of a web site when they engage in online shopping, they able to search for and compare with more goods or services, from that they will start getting more information about the range of prices, and then will select a competitive and reasonable price before they actually commit to any transaction.

A part from that, Lynch et al. (2001) had highlighted that the importance of site quality in affecting willingness of Internet users to make purchases. Recognizing the importance of this component, many companies have invested tremendous resources in improving the quality of their websites, particularly in the areas of the search engines, the ease of navigation, as well as the incorporation of graphics and information. By doing this, Internet users will obtain the necessary information to help them make their decisions and increasing their use in making the purchases. An effective websites can play an instrumental role in determining whether Internet users are willing to make purchases on the website.

According to Kaufaris and Hampton-Sosa (2004), a well designed web site and easy to navigate provides an efficient and effective shopping experience to customer hence develop consumer trustworthiness towards the company. Therefore, web site vendors should ensure that online shopping process through their websites will be made as easy, simple and convenient also be designed such way which is not confused to potential consumers. For example, Amazon.com has contributed significantly to the growth of software that makes placing orders a breeze. They had designed their web site to become more attractive and easy to navigate (Srinivasan, 2004).

The useful information such as photographs of products, video presentations, textual descriptions, articles, reviews and downloadable demonstration files provided electronically assist customers to determine their needs and may support their decision making (Mohini Singh, 2002). For instance, airlines and hotels web site provides full of information to customers such as maps, price comparisons, and other information about cheap tickets to their favourite∅s destinations, travellers∅

experiences, and other relevant news. From customer point of view, the detailed information about total costs, delivery charges and tax implications were important issues that influenced their decision to choose a web site provider.

In overall, if consumers perceived a company's web site is useful then consequently viewed the company more favourably and perceived organization as being more trustworthy.

2.4.2   Perceived Ease of Use

Apart from perceived usefulness, perceived ease of use is also perception taken from the Technology Acceptance Model (TAM). Perceived ease of use is defined as "the degree to which a person believes that using a particular system would be free of effort" (Davis, 1989). Ease of use refers to consumers' perceptions regarding the process leading to the final outcome. In other words, ease of use means that to the degree which a person believed by using the system he or she will be free from difficulty. According to Davis (1989), ease of use is an essential element of consumer usage of computer technologies and important for new users (Gefen and Straub, 2000).

By applying this to online shopping context, "ease of use" is defined as the consumer's perception that shopping on the Internet will involve a minimum of effort (Tonita et al., 2004). In a simpler manner, ease of use can be stated as how easy the Internet as a shopping medium is to use. Reibstein (2002) in his views stated that ease of use includes aspects such as functionality and ease of ordering. Moreover, ease of

use is a determinant of service quality (Dabholkar, 1996) and is decisive for customer satisfaction, since it enhances the efficiency of using the service (Xue and Harker, 2002).

Lin and Lu (2000) note that response time is the most important factor in the development of the user's beliefs towards a specific web site, such that any deficiency in the response speed while in the interactive process, it will develop a negative effect on user's perceptions about a given web site. In addition, the broken links or poorly-designed sites do not give confidence that the time a customer has invested in switching to online purchasing is justified (Lokken et al., 2003). Moreover, web site design should be readable and the user interface should be visually appealing and tidy, this will allow customers to use the web site easily (Gwo and Hsiu, 2005)

Furthermore, an online web site also be seen as "ease of use" when a consumers are able to utilize the website, retrieve information about the products or services and move from point to point easily. In other words, this web site seen to be as a "user-friendliness" to the customers. In addition, for online businesses that want to reach a large market, they must ensure that all Internet users are able to utilize their websites without difficulty and frustration (Yang & Jun, 2002).

According to Friedman et al. (2000) and Tan and Thoen (2000-2001), in online commerce the salesperson is replaced by the company's web site and as a result the customers' experience with and perceptions of the web site can influence their assumptions about the nature of the company and its trustworthiness. Therefore,

customer beliefs of perceived ease of use of the web site will have a positive effect on customer trust of the online company itself.

2.4.3   Perceived Reputation

Reputation is the amount of trust a company has created for themselves through interactions with other (Reagle, 2000). In an industrial marketing context, reputation has been most frequently suggested as a main factor that contributes to customer trust (Doney and Cannon, 1997; Ganesan, 1994). In addition, Dasgupta (1998) argues that õall trust is based on reputationö. While, Jarvenpaa and Todd (1997) and Quelch and Klein (1996), highlight that the reputation of the online store will influence shoppersø perceptions of its trustworthiness. In example, Amazon.com has established a reputable most consumersø mind. Because this kind of online stores they are operating in high volume of money in developing their business in e-market, hence they will be less likely to cheat online consumers. Therefore, online consumers could possibly use their perception of online reputation as a cue to base their trust.

Doney and Cannon (1997) in their study defines perceived reputation as the degree in which people believe in the companyøs honesty and concern towards its customers. Whereas, in the trust literature, reputation has long been identified as a trust builder (Dasgupta, 1988), particularly for professionals (Barber, 1983) and organisation engaged in commerce (Doney and Cannon, 1997). This reputation-trust relationship has been validated in online services (Grazioli and Jarvenpaa, 2000; Nah and Davis, 2002; Kim and Galliers, 2004).

If online trust can be understood and enhanced by reputable online retailers, then the number of consumers who engage in online shopping should increase substantially. A good reputation has the advantage of being perceived as having a high level of ability to deliver products or services at the promised terms. An established reputation also conveys a message of high integrity in that the company would stand behind its products or services in case of problems. Therefore, reputation directly affects a consumerøs perceptions of ability and integrity, which, in turn, will affect the potential shopperøs trusting beliefs of a company (Mayer et al., 1995; McKnight et al., 1998). As a whole, customer trust can also increase significantly when the company is perceived to have a good reputation (Doney and Cannon, 1997, Javenpaa et al., 2000). Evidently, Changfeng Chen (2006) reported in his study that a websiteøs reputation positively and strongly influences the consumerøs perceived trustworthiness of the website.

2.4.4 Perceived Security

As the use of the Internet increases, will consumer concern about how online retailer collect and use their personal information?. Indicated by Liebermann and Stashevsky (2002) internet credit card stealing and misuse of personal information found to be as the major risk elements associated with internet shopping. According to study by Business Week (2000), 61 per cent of the survey respondents indicate that they would transact on the Internet if the security and privacy of their personal information could be adequately protected. Even when the e-commerce technical infrastructure is in place, the essential component of user trust is still lacking (Coursey 1998). This

partially explains why majority of Internet users are not purchasing online (A.B.S. 2000).

Perceived security involves threats that create; õ.......circumstance, condition, or event with the potential to cause economic hardship to data or network resources in the form of destruction, disclosures, modification of data, denial of service, and/or fraud, waste, and abuse (Kalakota and Whinston, 1997). Likewise, Bailey and Person (1983), defined security perception as customer perceptions about the ability of an online storeøs controlling and safeguarding of transaction data from misappropriation or unauthorized alteration. Similarly, as quoted by Cheung and Lee (2000) perceived security control refers to the perception of Internet shoppers on Internet vendorsø ability in fulfilling security requirements.

In online shopping setting the process is carrying out the retailing activities with customer leads to an exchange of value, where buyer and seller interact electronically, using network or telecommunications technologies (Jones et al., 2000). The separation between buyer and seller, buyer and merchandise and the overall environment, influence to perceived insecurity on the internet such as the fraud through the hacking of credit card numbers to leaking of personal information, resulting in excessive spam to identity theft (Newholm et al., 2004).

In these circumstances, Bart et al. (2005), claimed that security provided by an online retailer refers to the safety of the computer and credit card or financial information. When customers believe that the internet payment channels are not secured and could potentially be intercepted (Jones and Vijayasarathy, 1998) their level of trust could

possibly reduces, thus discouraging them from providing personal information and making online purchases. In security technology, online vendor may adopt technologies such as privacy seal programs, authentication mechanisms and encryption.

Supported by studied done by Mohini Singh (2002), responds from all customers that were interviewed indicate that assurance of secure data transmission was most important for them to commit an online purchase. To them, made payment through online, most retailer preferred payment by credit cards, however, customer response confirmed that they were more comfortable with traditional methods of payment due to security reasons.

Security protection therefore is really important to ensure that consumersø personal information collected from their electronic transaction is protected from disclosure without permission. These protection means that data in transmission should not be created, interpreted, modified, or deleted illicitly. Technologies involve in ensuring consumers data is secured such as encryption, third-party certificates, digital signatures, and compliance with security policy (Ahuja, 2000; Aldridge et al.,1997; Garfield and McKeown, 1997; Ott, 2000; Ratnasingham, 1998).

The well established intermediaries of payment transactions in traditional businesses making the process relatively risk free for both buyers and sellers. One way to build trust in the online context is to use a trusted third-party system (Agarwal and Shanker, 2003), where payment is made through a well-known intermediary. This enables both

parties to be protected from bad debts or fraudulent use of credit cards, and customers will be protected (Sklar, 2001).

As a whole, security assurance plays an important role in forming consumer trust by reducing their concerns about personal data abuse and vulnerability of transaction data (Jarvenpaa and Todd, 1997; Ratnashingham, 1998). Hoffman et al. (1999) in their study showed that two important reasons why customers do not buy online are lack of trust in the security of online shopping. Warrington et al. (2000) suggested that in order to increase consumersø online trust, web site should decreasing perceived environmental risks or by raising security protection.

2.4.5 Perceived Privacy

Besides concerns on perceived security, consumersø also perceived privacy as an important factor before shopping online (Grabner-Kraeuter, 2002). With the advancement of ICT and network technologies, it has facilitated the lives of consumers in many ways but at the same time aggravated uncertainties of invasion into their private lives (Savino, 2002; Brown and Muchira, 2004).

Perceived privacy control is conceived as the perception of consumers on Internet retailersø ability in protecting consumersø personal information collected from its electronic transactions from unauthorized use or disclosure (Cheung and Lee, 2000). Privacy is defined as the consumerøs opinion regarding the respect of confidentiality of personal information and the maintenance of privacy by the various agents, fundamentally companies, with which he interacts in internet applications

(Gunasekaran and Love, 1999; Havick, 1999; Head and Yuan, 2001; Hoffman and Novak, 1997; Hoffman et al., 1999a; OECD, 1997; Rangaswamy and Gupta, 1999; Smith et al., 1999; Udo, 2001).

In addition, consumer perceived privacy defined as subjective probability with which consumers believe that their personal information will not be viewed, stored or manipulated during transit or storage by inappropriate parties, in a manner consistent with their confident expectations (Ramnath and Paul, 2002). On the other hand, Chen and Barnes (2007) define privacy as the consumersø trust about the performance of other party in the environment during the market transaction or consumption behaviour. As oppose to security, privacy linked to a set of legal requirements and good practises with regards to the handling of personal data, such as the need to inform the consumer at the time of accepting the contract what data are going to be collected and how they will be used (Carlos and Miguel, 2006).

Caudill and Murphy (2000) noted that, though consumers felt protected by anonymity when buying on physical markets, the situation is diametrically changed when they conduct transactions electronically over the internet. Thus, as the use of the internet increases, so will consumer concern about how online forms collect and use their personal information due to the fact that, as Houston (2001) discusses, they first need to feel safe to be able to develop trust towards certain online business. In terms of perceived privacy, consumers may disclose their private information to web sites when reliability and credibility are recognised; this subsequently reduces consumersø concerns of privacy and security and helps to build online trust toward the web sites (Culnan and Armstrong, 1999)

Hoffman, Novak and Peralta (1999) contended that Internet users do not have enough trust to engage in relationship exchanges with Internet vendors involving money and personal information (Cheung and Lee, 2000). Egger (2000) noted that õdifficulty of use and lack of trust with respect to online payment privacy have been found to constitute a real psychological barrier to e-commerceö.

Privacy addressed the issue of protection of individually identifiable information on the internet. Privacy policies of an online retailer involve the adoption and implementation of a privacy, notice, disclosure, and choice/consent of consumers (Bart et al., 2005). In respond to that, Benassi (1999) states the mechanisms such as trust-providing intermediaries and institutional infrastructures that establish and enforce rules and regulations can build trust by addressing privacy concerns. In addition, privacy policy needs to be developed for their customers and ensure personal informationøs in order to lessen their concern for privacy (Ahasanul and Ali, 2006).

Hoffman et al. (1998) showed that top online shopping concerns of Web consumers relate to control over information privacy and trust. Their studies also found that the most important reasons non óbuyers, who are uninterested in online shopping is related to issues of control over personal information. Furthermore, individuals have serious and legitimate concerns about the privacy of information they provide to favourable direct marketers (Hoffman et al., 1997; Phelps et al., 2000).

In example of consumers concerned over the misuse of their personal data by unspecified or unknown agent, they might be suspected that their credit card number

was accessible to some hostile third party when a transaction between the consumer and the e-service provider occurred. Furthermore they felt insecure over the use of personal information such as their name and address. (Kyosti, Tarja and Harri, 2007). In line with the literature, Lee and Turban (2001) reported that high level of privacy in the online shopping has a positive effect on consumer trust due to the perceived risk involved in the information exchange.

2.4.6   Propensity to trust

Propensity to trust is defined as a general tendency or inclination in which people show faith or belief in humanity and adopt a trusting stance toward others (Gefen, 2000; McKnight et al., 2002). According to McKnight et al. (2002), faith in humanity refers to one's belief that others typically mean well and are reliable. While, trusting stance refers to one's belief that they will obtained better interpersonal outcomes by dealing with people as though they mean well (Changfeng Chen, 2006). Propensity to trust has an essential impact on the initial formation of trust, because consumers may vary in their readiness to trust others when they have sufficient information, especially in an unfamiliar situation (Gefen, 2000; Kaufaris and Hampton-Sosa, 2004).

Supported by Lee and Turban (2001) and Yoon (2002), people may have different degrees of online trust toward the same signals and as a results propensity to trust may positively affect online trust. Same argument by Hofstede (1980) where viewed that people with different cultural backgrounds, personality types, and developmental experiences vary in their propensity to trust (Hofstede 1980).

Propensity to trust is important in the context of online environment as it will reduce perceived risk (Humphrey and Schmitz, 1998). In the case of online shopping, buyer and seller are physically separated, contingencies are difficult to predict and incorporate into contracts, relationships are difficult to monitor, and cyber-laws are not well defined. Therefore, according to Pavlou and Chellappa (2001) and Rutter (2000), a high level of satisfactions with services received when involve in the transactions is likely to increase propensity to trust. Furthermore, Ba (2001) stated that online consumer with high propensity to trust will have more trust in online transaction.

2.5   Actual Purchase in Online Shopping

The second objective of this study is to examine whether trust influence consumers to purchase online. Kaufaris (2002), defined online shopping behaviour as the level of repeat purchases and unplanned purchases. George (2004) supported this by interpreting online purchasing behaviour as the level of planned purchases of the buyer. Jarvenpaa et al. (1999) suggest that higher trust in the online retailer will increase customer intention to purchase online. Gefen (2000), Kaufaris and Hampton-Sosa (2002) and Shim et al. (2004) hold the same evidence where trust has been found to have a positive effect on intention to purchase online.

Consumersø likelihood to purchase a product via internet if they perceived that the Internet save time and effort, is easy to order, provides merchandise with good value for the price and merchandise of good quality, offers privacy or financial security, offers good site design, and provides relevant and rich information (Breithenbach and

Van Doren, 1998; Shim et al., 2000; Supphellen and Nysveen, 2001; Szymanski and Hise, 2000). According to Luhmann (2000), trust has a positive influence on buying behaviour such as repeated purchase. The main reason for the positive influence of trust is due to its ability to reduce uncertainty. For instance, if one customer feels uncertain about the quality of a certain product, this customer will prefer to buy at a retailer he trusts.

With a greater degree of trust in the online retailer, customers are more willing to make online purchases (Jarvenpaa et al., 1999; Novak et al., 1999, Stradford, 1999; Sultan et al., 1999; Gefen and Straub, 2001). Indeed, Hoffman et al., (1999) claimed that the likelihood of customersø preferential usage of the internet to buy products over traditional physical stores is influenced by the amount of customer trust concerning the delivery of goods and use of personal information. Therefore, when consumers trust a company, they know that this company is able to fulfil their needs and wants and eventually, they become committed to the company. Based on prior research, trust had influenced consumer intention to purchase, however this study aims to examine the relationship beyond consumer intention which is consumer actual purchase rather than intention to purchase online.

2.6 Factors Influencing Consumers' Trust (Perceived Usefulness, Perceived Ease of Use, Perceived Reputation, Perceived Security, Perceived Privacy and Propensity to Trust) and Trust

Past research findings showed that perceived usefulness, perceived ease of use, perceived reputation, perceived security, perceived privacy and propensity to trust was positively related to trust. According to Kaufaris and Hampton-Sosa (2004), Kuo et al. (2004) and Cao et al. (2005), web site usefulness and ease of use lifts the degree of online trust, and positively influences purchase intention. Subsequently, the perception of usefulness and ease of use of web site will positively impact on consumers' online trust. Moreover, studied by Chircu et al. (2000), reported that trust was positively related to perceived usefulness and perceived ease of use.

Jarvenpaa, Tractinsky, and Vitale (2000) investigate how consumers' perceived reputation influence their trust in the store, risk perception, attitudes, and willingness to buy at the specific store. They discover that there is a positive relationship between consumer trust in Internet stores and the stores perceived reputation. Additionally, research by McKnight et al. (2002) and Teo and Liu (2007), found that perceived reputation was positively related towards customer trust.

In terms of perceived security and privacy, according to Lee and Turban (2001), factors like security and privacy have an impact on consumer trust in shopping in the Internet. A high level of security and privacy in the online shopping experience has a positive effect on consumer trust. Research by Ramnath and Paul (2002) showed a significant relationship between consumers' perceived security and trust in electronic

commerce transactions. It clearly indicates that perceived security is an essential concept in understanding consumer behaviour and trust in electronic commerce. While, for perceived privacy, studies by Yu-Hui and Stuart (2007) found that perceived privacy was positively related to online trust in e-commerce.

Finding from research by Lu Yaobin and Zhou Tao (2007), point outs consumersø propensity to trust was positively affects their initial trust in an online store. It showed that consumersø propensity to trust is an important factor determining consumersø trust in online shopping.

2.7   Trust and Actual Purchase

Trust has been shown to have a positive influence towards consumer buying behaviour such as repeated purchase (Luhmann, 2000). Castelfranchi and Tan (2002), Tan and Thoen (2000) claimed that online shoppers will not get involved in a transaction on the internet unless the perceived level of trust exceeds the minimum level acceptable to the shopper. Studied done by Francisco J. Martinez-Lopez, Paula Luna and Francisco (2005), proved that the consumerø trust in internet shopping exerts a strong and positive influence on online shopping (US model, r=0.48, p<0.001 and Spanish model, r=0.45, p<0.001).

Furthermore, six studies empirically tested the impact of trust on the adoption of online shopping. All six found a significant positive impact of trust on intention and usage of online shopping (Bhattacherjee, 2002; Gefen, 2000; Gefen, 2002; Gefen et al., 2003; McKnight et al., 2002; Yoon, 2002)

Trust plays a key role in creating satisfied and expected outcomes in online transaction (Pavlou, 2003; Yousafzai, Pallister, and Foxall, 2003; Gefen and Straub, 2004; Wu and Cheng, 2005; Flavian and Guinaliu, 2006). According to the McCole and Palmer (2001), online purchasing necessitates online customer trust.

It has been demonstrated in the extant literature that trust beliefs positively influence customer online purchase intention (Verhagen, Meents, and Tan, 2006; Verhagen, Tan and Meents, 2004; McKnight, Choudhury and Kacmar, 2002; Lim, Sia, Lee and Benbasat, 2001; Jarvenpaa, Tractinsky, and Vitale, 1999). Jarvenpaa and Tractinsky (1999) and Gefen and Straub (2004) conclude that the higher the degrees of consumersø trust, the higher degree of consumersø purchase intentions of consumers.

Customersø purchase intention was impacted by initial trust and initial trust plays a relatively large role in determining consumersø behaviour intention (Lu Yaobin and Zhou Tao, 2007). In addition recent studies by Kwek, Lau and Tan (2010), aims to evaluate the impacts of shopping orientations, online trust and prior online purchase experience to the customer online purchase intention. Findings indicates that the p value of the online trust (p = 0.000) is less than the alpha value of 0.05. Therefore, findings indicate the positive relationship between online trust and the customer online purchase intention is supported.

In general, the level of trust is positively related to consumersø intention to shop in Internet. Violation of consumersø trust in online shopping, in terms of privacy invasion or misuse of personal information will leads to reluctant behaviour among consumers to shop on the Internet in future occasions.

As mentioned earlier, this study is to examine whether trust influence consumers to purchase online. Therefore, consumer actual purchase will be examined rather than intention to purchase online.

2.8   Factors Influencing Consumers' Trust, Trust and Actual Purchase

Prior studies by Yoon (2002), Dash and Saji (2006), and Chen and Barns (2007), indicates that the antecedent factors generate trust and trust in turn generates purchase intention. Baron and Kenny (1986) defined a mediator variable is a variable that represents the generic mechanism through which the focal independent variables are able to positively influence the outcome variable.

Further, in the context of relationship marketing, Morgan and Hunt (1994) had suggested and empirically established that trust would mediate the relationship between commitment and its antecedents such as communication and opportunistic behaviour. While, Sultan et al (2002) had empirically established the mediating role of trust in online context, where in their study trust is established as a mediator between the focal independent variables (Website characteristics and consumer characteristics) and purchase intention.

Trust has been shown to have a positive correlation to actual purchase and factors influencing consumer trust. A significant positive relationship found between trust and actual purchase. Therefore it would be logical to suggest that trust might have a mediating effect on the relationship between factors and actual purchase.

2.9 Trust Models

Studying prior research model will provide an idea of developing proposed research model for this study. Lu Yaobin and Zhou Tao (2007) in their research with regards to consumersø initial trust in online stores in China, studied the integration of TAM model with initial trust in order to explain online shopping behaviour of Chinese consumers. Figure 2.1 shows perceived ease of use and perceived usefulness was put into the model, adopting perceived reputation and security as well as propensity to trust. The results demonstrate that perceived usefulness, consumersø propensity to trust, website security and vendor reputation have significant effect on initial trust. Perceived usefulness fully mediated the relationship between perceived ease of use and initial trust as well as the relationship between perceived ease of use and purchase intention.
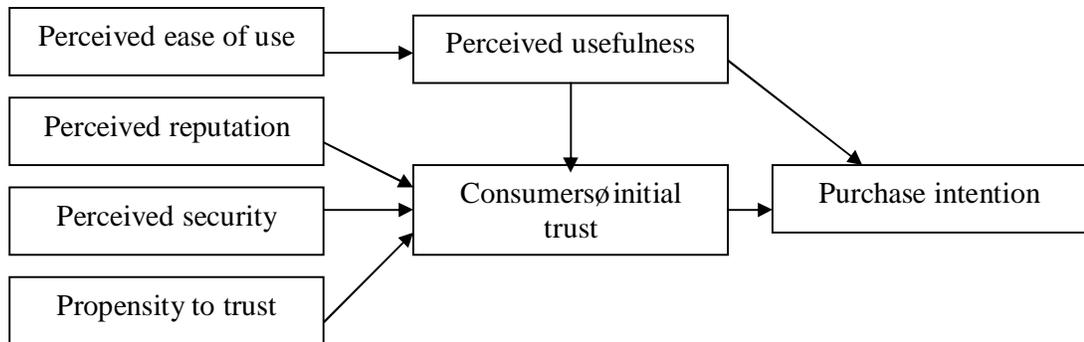

Figure 2.1: Model for Consumersø Initial Trust in Online Stores (Lu Yaobin and Zhou Tao, 2007).

Whereas, research by Cheung and Lee (2000), develop a research model (Figure 2.2) consists of perceived trustworthiness of the Internet merchant, external environment and perceived risk as independent variables. In their studied, propensity to trust was act as mediating variable to predict the relationship with consumer trust in internet shopping. The result shows that both perceived integrity and perceived risk have the

greatest influence on consumer trust in internet shopping while propensity to trust

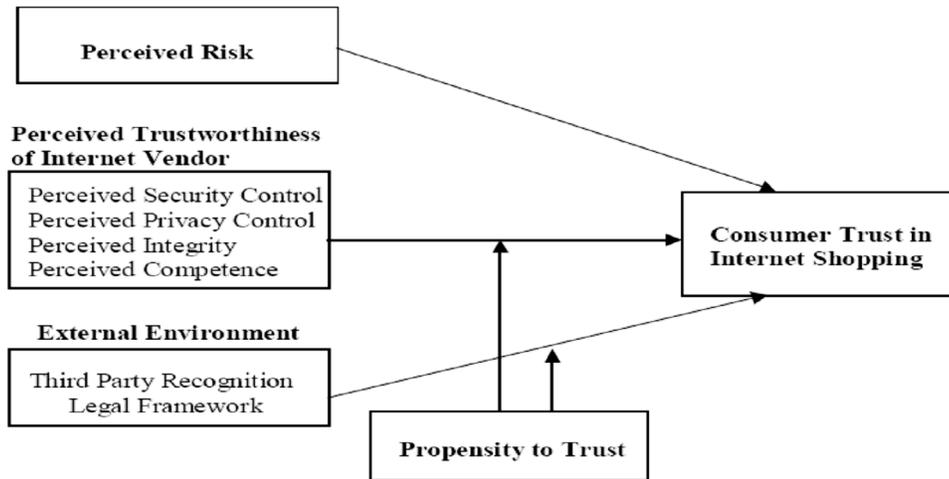shown a significant mediating effect on consumer trust.

Figure 2.2: Model for Trust in Internet Shopping (Cheung and Lee, 2000).

Marios Kaufaris and William Hampton-Sosa (2004) joint research on the

development of initial trust in an online company by new customers, and proposed the

model to explain how new customers of a web-based company develop initial trust in

the company after their first visit. The results indicated that perceived company

reputation, willingness to customize products and services, perceived usefulness,

perceived ease of use and perceived security control significantly affect initial trust.

However, there is no support for the individual customer propensity to trust on trust in

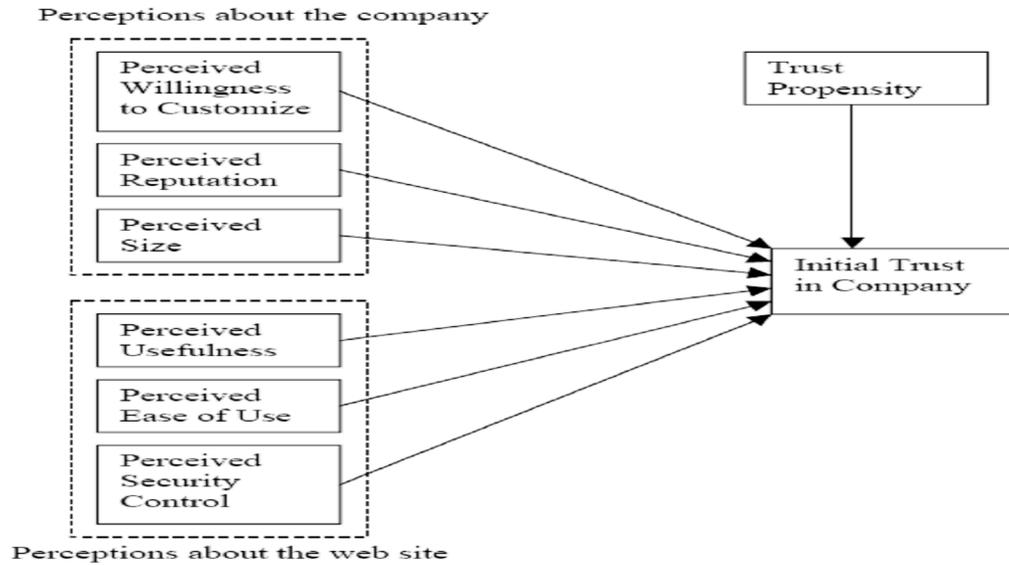internet shopping. Figure 2.3 shows research model used in their study.

Figure 2.3: Model for Initial Trust in Company (Kaufaris and Hampton-Sosa, 2004)

2.10   Conclusion

In conclusion, this chapter has identified factors that influence consumersø trust in online shopping which are perceived usefulness, perceived ease of use, perceived reputation, perceived security, perceived privacy and propensity to trust. This chapter also discussed on previous trust model that was used in similar study. The proposed research model and research hypotheses will be discussed in the next chapter.