

# Electronic Business and Trust – Anything is Possible

Seppo J. Sirkemaa

University of Turku, P.O. Box 181, 28101 Pori, Finland.

\* Corresponding author. Email: seppo.sirkemaa@utu.fi

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**Abstract:** Electronic Business is based on trust between the seller and the buyer. Trust is not an issue if seller and buyer know each other, and they have an existing business relationship. However, when there are no earlier experiences, when the customer is not familiar with the vendor or the products and services are new – trust can be challenging. If there is no knowledge whether the vendor is trustworthy, the buyer is trying to find different kinds of reviews and experiences from other customers to make sure the buying decision is right. Here we look at how these cues could be made available, and in this way adding value to both vendor and buyer. Ultimately, better information increases trust and helps in developing successful business.

**Key words:** Electronic business, experience, trust.

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## 1. Introduction

Internet is increasingly important for business activities. It has become popular to use internet for finding products and services, and potential vendors for them. From the customers perspective internet is a tool that makes it possible to find and compare different products and services. It allows the buyer to browse alternatives from a huge selection, so that whatever the needs should be the buyer can make the best possible purchase. As a result, internet has become the ultimate source of information on products and services.

Internet has had a huge impact on how business is being made [1], [2]. Vendors and entrepreneurs need to have visibility in internet, and the activities they do in different sites and channels have a major impact on business activities. One key element of successful business is vendors trustworthiness in the eyes of the potential customer [3]-[5]. Therefore, it is critical to understand the importance of trust between vendor and customer, in an environment where they do not necessarily know each other's, the products or services, and may be in a situation where every step of the business transaction is being made with computers. It may be the case that vendor and buyer do not meet each other in real life at all, everything takes place through electronic channels and platforms.

In this paper we study the role of trust in electronic business. In this environment trust has a critical role in business transactions. Therefore, businesses need to pay attention to trust and understand how trust between vendor and customer could be increased.

## 2. Trust and Internet

Trust is a key element in all business transactions. This is especially true when business takes places in electronic environment, taking advantage of internet. From customers perspective, trust is a key element in business transactions. It dictates whether the consumer will make purchases or not [6]. Trust and trustworthiness are further challenged by risks associated with internet actions, for example potential

misuse of customers payment data [5], [7]. As most businesses rely on internet as a connecting channel between the vendor and customers, it is important to understand how significant role trust has in this environment. After all, it may be that the buyer is not familiar with the company, its products and services. In this case the customer needs to trust that the vendor is legitimate, trustworthy and will deliver as promised. Therefore, business actions are not only about trust between customers and vendors. Confidence is also needed to see the electronic environment as a trustworthy platform for communication, commerce and delivery of the purchased items [5], [8].

## **2.1. Importance of Reviews**

Electronic business is based on the idea that the customer is confident when doing business and can trust vendors promises about the product or service. Furthermore, there is trust in transactions which take place in the digital environment, and transactions lead to desired results [6]. Therefore, trustworthiness is a key element in electronic business.

Let us look at trustworthiness in electronic business from customers viewpoint. As a customer it is important to be careful and stay alert, all business offerings and services should not be trusted blindly. Therefore, customers often try to find different reviews and experiences related to vendor and its products, to make sure the decisions are right. These cues, hints and stories can come from different sources. The comments and reviews that are coming from real customers sharing their experiences are considered more trustworthy than marketing jargon coming from vendors marketing department. Reviews, comments and insights from other customers have a significant role in whether the buyer makes the decision to buy, and from this vendor [9]. It is worth noticing, that these same sources are increasingly used in judging also traditional purchases - which products and services, and what vendors are trustworthy. In addition, elements like photos of staff members help in creating trust in business. They make the vendor better approachable, which is a simple yet effective way to build the customer connection [10]. Furthermore, listing opening hours and contact information should be done. Providing street address, a map and directions on how to get there can further increase customers trust in vendor, its products and services [11].

Internet is a powerful media, and sharing stories and experiences is easy – especially if the vendor has provided this type of feature on his website, Facebook or other channels. On the other hand, if the vendor has not provided channel for giving feedback from services and products, it is likely that reviews will be shared elsewhere. Especially this, commenting and giving feedback in different forums, portals and systems that are not controlled by the vendor are hard to manage. In many cases vendor does not even know in which platforms, systems and channels there is discussion or feedback – and therefore answering feedback is not a straightforward task.

In general, trust can be divided into two elements, situational normality and structural assurance [12]. The first element, situational normality contains idea or belief that transactions and processes will lead to expected outcomes, at least in most cases. The other element, structural assurance is about the idea that business environments include protective structures which have been developed to ensure that transactions can be made safely. Consequently, the business environment is built on structures and processes that are there to ensure the trustworthiness of the environment, and the environment guides transactions so that they proceed to desired outcomes [5].

Trust is also affected by earlier experiences, the assumption that things which have happened earlier may happen again. As an example, if vendor has provided customer excellent service earlier, it is likely and expected that this will happen also in future business transactions [5], [13]. Koehn [4] refers to this with the terms calculative and knowledge-based trust. The first type of trust is explained by customers tendency to look at vendors history of keeping promises. The other type of trust, knowledge-based trust is developing when customer and vendor get familiar and start interacting more frequently. To conclude, vendors reliability

is based on customer's expectations of vendor's honesty, behavior and ability to fulfill promises [5].

## **2.2. Ease of Use**

Overall, usefulness and ease of use are important elements for the customer. Website or social media channel connecting vendor and customer has a significant impact on the decision to purchase products or services from the vendor. Therefore, any features and elements in the contact point that are perceived positive become important for sales in internet [14], [15].

In the electronic environment vendors website, social media channels and any other visibility in internet has a significant impact on customer. It is important to manage company's image in internet, at least in the extent that is possible. Vendors should actively monitor and manage feedback, minimizing any suggestions of risk for the potential customer. Risk and trust are closely connected – they are basically components of the same phenomenon. From this perspective it is important to approach potential customers from this viewpoint. Wang and Emurian [16] suggest development of websites with a scheme containing four design dimensions. These include graphic design, structural design, content design and lastly, social-cue design.

It is clear, that structure, design and layout are important in internet as they are the factors inspiring the potential customer to click the link and have a look at what the vendor offers. Graphical elements and coloring scheme have a direct impact on customer's attitudes and feelings that buyer has towards a website [17]. However, Basso *et al.* [18] notice that attractive graphics can grab the potential customer's attention, but good design underlines the capability and professionalism of the vendor. Therefore, both graphical mastery and design excellence are needed in design as they will increase vendors trustworthiness, as experienced by the customer.

The way in products and services are presented to potential customers is referred to as content design. There are several aspects that are important here [16]. The first aspect is about the overall branding, such describing company's background, review of products and services, also presenting vendors contact details. The company name and brand should be clearly displayed, to differentiate and attract [19].

Customer needs to know in all stages of the business transaction what is going on and what is happening next. Therefore, should there be any questions or concerns the customer should be able to easily contact the vendor, choosing a contact channel that best fits the preferences and needs of the customer. For the customer there can be numerous concerns, such as how is delivery of products arranged, how long does it take and what should be done if the product should be broken or incomplete in some way. Vendors need to provide accurate information on products and services, it makes the vendor stand apart from competitors. Informative and clear web sites also increase customers trust towards the products, and the vendor. As a result, the information about the business transaction and processes at any stage need to be clearly presented on vendors website [19].

Privacy and security of customer data may be concerns for some customers. Wang & Emurian [16] emphasize vendors accountability. It is here referred to as management of customer data, privacy and security of transactions. Accountability also includes procedures and arrangements in service, warranty and refund.

Developers should pay attention to the layout and structure of web site. Basso *et al.* [18] notice that an interactive site can indirectly empower customers to share information about the company and its products, and the site design can also encourage customers to come back later and make purchases. The vendor should make the website as straightforward and user-friendly as possible, the way how the content is presented to the potential buyer [16]. The content should be arranged so that it is easy to find different products and services. Logic and hierarchy of the site can have significant impact on navigation, and on the credibility of vendors site the [20]. Ultimately, simplicity and consistency increase trustworthiness among customers.

### **3. Keeping Customers**

Internet has changed the way people do purchases, buy products and services. It is easy for the buyer to access and browse information on products and services. For example, finding the best price for a product is easy, especially when there are various services designed for this kind of price evaluation. Clearly, vendors are challenged by continuous reviews, ratings and discussions to provide high-quality services and products to the marketplace [3], [21]. Therefore, it can be asked what vendors could do to keep their customers?

Internet has made it challenging for vendors to keep their customers. The ease of searching for alternative providers for a product, looking for better prices and services affects customer loyalty. It is noteworthy, that buyers are not necessarily doing their decision on price alone. Instead, the role of customer satisfaction should be understood. It has been found that customer satisfaction is one of the most important determinants of customer loyalty [22], [23]. Shankar *et al.* [24] noticed a relationship between customer satisfaction and loyalty, they tend to strengthen and reinforce each other. Despite this notion, the bond between customer satisfaction and loyalty is complex [22], [25]. It may be that customers are happy with the products, but they may not be loyal to any specific vendor.

Generally, customer satisfaction tends to increase customer loyalty, and a higher level of customer satisfaction also reduces buyer's willingness to look for other vendors [26]-[28]. The concept of switching costs can further help in understanding customer loyalty in the electronic age [24], [29]. In an environment where customers are continuously looking for the best price, for example, a vendor may wish to lock existing customers and create switching barriers to keep customers. However, customer satisfaction and switching costs are connected, and may both impact customer retention [30]. Therefore, if the customer feels that switching costs are increasing the intention to stay as a customer may decrease. As an example, Jones *et al.* [31] found evidence on a negative connection when surveying different samples of bank customers and hairstylist clients. In both cases development of switching costs and barriers decrease customers' intentions to continue as a customer. This highlights the risks of creating switching barriers. They can have a negative impact on business if customers feel trapped. On the other hand, Burnham *et al.* [32] studied clients of a credit card company but found no support for the negative interaction between switching costs and customer loyalty. However, there is also evidence that vendors' switching barriers and mechanisms can increase customer retention when customer satisfaction is low [29], [31]. To summarize, there can be significant variations in switching behavior and that switching costs and their impact vary among fields and industries [33].

### **4. Conclusion**

Trust has always been an important element in business. This is the case also in electronic business, in business activities between companies and buyers. Here the platform for selling and buying products and services is Internet. The design and structure of the web site can have a significant impact, increasing the trustworthiness of the vendor in the eyes of the potential customer, and leading to a decision to buy from the vendor. In this article we underline the importance of trust between the vendor and buyer. In an environment where transactions happen online, without physical contact between vendor and buyer trust becomes a key element for successful business. For example, buyers need to trust that the product arrives as promised once the payment has been completed [5], [6], [9].

Today buyers use internet for gathering information on products and services, lists possible vendors to get information necessary for a buying decision. Here any comments, reviews and experiences from other customers have a critical role. Evaluation of vendors is an important part of customers' decision making process, it is based on buyer's perceptions of vendor's honesty and ability to perform as expected [5]. This is also referred to as trustworthiness.

Internet has changed the way business, selling and buying products and services takes place [1]. In this environment the activities are based on connections and transactions taking place between computers and systems, not directly between people. Here trust between vendor and buyer is in a key role [34]. Design of the website is important, but having a well-designed, robust and clear web site is not enough in the fierce competition from customer's attention. Businesses should also have an active role when connecting and interfacing with the buyers, this should be visible in web pages and in social media. According to Riegelsberger & Sasse [35] social-cue design can be helpful in increasing customer's trust in the business, products and services that are available to the potential customer. Here experiences and testimonials from other customers are building blocks in developing company's credibility [36]. Managing and developing trust is a challenge, but increasingly important for successful business.

### Conflict of Interest

The authors declare no conflict of interest.

### Author Contributions

This article has been written and approved by the author, Dr S. Sirkemaa.

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**Seppo Sirkemaa** works at Turku School of Economics at the University of Turku. His office is at University Consortium of Pori. Dr Sirkemaa holds a Ph.D. and a master degree in information systems science from the Turku School of Economics and Business Administration. Dr Sirkemaa has worked at various academic positions, as professor of information systems management and as a research professor at Turku School of Economics and Business Administration. Dr Sirkemaa has been the vice director of Turku School of Economics and Business Administration, Pori Unit during 2003–2008. He acted as a professor in Entrepreneurship at University of Turku.

Dr Sirkemaa has participated in several national and international research projects. He has also been active with conferences, for example as conference chair of numerous International Conference on Computer Science and Information Technology- series conferences. He is an active reviewer for several scientific academic journals and committee member of international conferences. Dr Sirkemaa has published over 100 academic publications.