Strategy for Building Initial Trust in Click-Only Online Fashion Stores

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Abstract The main purpose of this study is to propose practical and effective strategies for acquiring and building initial trust from online consumers that could be used by the Internet store selling fashion goods online. To achieve this purpose, this paper suggests a Trust Life Cycle model, identifies various trusting cues by reviewing antecedent literature on trust, establishes an empirical research model based on the eleven cues identified, and tries to find the most salient trusting cues affecting the development of initial trust by empirically testing the model. The results show that the factors significant in developing initial trust in an Internet fashion store are Perceived Service Reliability, Perceived Variety of Options, Perceived Ease of Use, and Legal Infrastructure.

Key words electronic commerce; initial trust; fashion goods;

There is a substantial agreement among researchers and online store managers that customer’s trust in online stores is a critical factor that stimulates online purchases. Trust leads customers to return for many additional purchases, and makes them loyal in the long run. Reicheld and Sasser suggest that increasing the number of loyal customers by 5% could increase profitability by as much as 30%~85%[1]. Indeed, there are some classical stories of successful e-commerce sites that successfully built up high trust between users. For example, 66% of Amazon.com users returned to purchase again.

However, online stores, especially start-ups, are weak in getting initial trust – which means trust before the first transaction starts – from customers because their storefronts are merely lean/impersonal electronic media. Another reason for lack of trust in the online stores is low entrance barriers in opening online stores. What makes matters worse is that it costs 20%~40% more to attract a new customer online than offline. If the start-ups sell goods with brand power or standardized products such as CDs and computers, or have offline stores, it would be much easier for them to build up initial trust.

However, the start-ups that sell experience goods such as clothes or jewelries without brand power, and do not have offline stores would be in the worst situations as far as initial trust is concerned. Fortunately, we could find some successful business examples under such seemingly harsh conditions. (Please Visit www.minigold.co.kr) To the best of our knowledge, studies dealing with initial trust in the small online-only stores selling experienced goods are very scant among the large number of studies regarding customer trust in Internet shopping. Therefore it is our effort to fill this void. Thus, we investigate key antecedents for initial trust and develop them to sustainable trust in order to provide online shopping stores to sustain further growth. Accordingly, the objectives of this study are: 1) to examine the characteristics of initial trust; 2) to suggest a life cycle model involving initial trust building; 3) to find key antecedents that would impact building initial trust of small online-only stores that deal with experience goods; 4) to identify strategic implications for such online stores. To achieve the objectives we formulate an empirical model of initial trust development mainly based on Kini and Choobineh and Fung and Lee. We
conducted interviews with subject matter experts and a survey with customers of the online fashion stores\[2,3\].

1 Literature Review

1.1 Three Perspectives on Trust

Studies on trust in social sciences clearly show that trust is not a one-dimensional concept. There is a rich accumulation of literature on the three different dimensions on trust in online stores: Individual, Institutional, and Relational trust\[2\]. The first one focuses on the individual traits in the tendency to trust others. Researchers with this perspective defined trust as a belief, an expectation and an emotional disposition rooted from the personal characteristics. Rotter argued that people who grow up in an environment where most people value keeping promises have a strong tendency to trust strangers\[4\]. Contrary to this, people growing up in the opposite situation show a tendency to distrust strangers. An Individual’s tendency to trust, coupled with Internet skills influence the individual’s decision to trust the online system.

On the other hand, studies on institutional trust are focused on developing trust between individuals and social institutions. Even though social organizations consist of strangers, they gain trust from others inside and outside of the organization. This school of thought provides an important theoretical basis in defining trust in an e-commerce environment. The complexity of modern society necessitates trust because individuals cannot understand how the whole society working in detail. Giddens states that trust does not depend either on an initiation of the processes or on the mastery of the knowledge that these processes produced\[5\]. This exactly explains how trust could work in an Internet-based business environment. Internet users are willing to use systems even though most of them do not understand how computer network works.

Relational trust perspective focuses on finding factors that impact developing/destroying the trust between a trustor and a trustee. An individual decision to trust is dependent on actions of others for the outcome of one’s decision. Thus, the trustor regulates his/her dependence on the other consciously and the dependency varies by the task and situation. Most research regarding trust in online stores considers interactions between a customer and an Internet store as a relationship. Patrons of online stores perceives various risks in nature, thus the decision to purchase something from the online stores depends on the amount of vulnerability the user perceives during the interaction with the stores. Studies with different approaches on trust in online commerce suggest that trust building entails a number of factors we should consider. We could define initial trust and develop a model of initial trust building by integrating those views.

1.2 Initial Trust (IT) and Trust Building Processes

Surprisingly, a robust definition of IT is yet to be developed. On the basis of the three dimensional model of trust, we define IT in online store as a consumer’s belief and expectation in an online store formed before making the first transaction, and the willingness to rely on the information provided by the seller and to take action in circumstances where such an action makes the consumer vulnerable to the seller.

Fig.1 exhibits the process of initial trust building, which we developed based Kini & Choobineh and Fung & Lee\[2,3\]. Offline reputation is not taken into account in our model because we deal with click-only online stores. Internet stores provide various cues on their trustworthiness to customers. These cues are either disregarded or perceived according to customers’ personal traits. For example, if a customer had a bad experience with delivery of a product he purchased online, he would pay attention to other customers’ evaluation regarding the delivery ability of the store on the bulletin board. Others may focus on the website design or easy navigation because it could make them think that store is financially stable enough to invest in the development of an attractive site.

Once salient trust cues are identified, a customer evaluates each cue and decides the priority among them to determine the trustworthiness of the store. Once a customer formed his/her initial belief in an online store, he/she expects that the store will meet his/her belief. Based on this expectancy, he/she will
behave in a trusting way, which would be buying products, registering for a membership and so on.

Then the store will make an effort to meet his/her expectancy. The customer, then, compares the level of the store’s effort with his/her expectancy in the store, which determines the level of satisfaction.

![Online trust life cycle](image)

Fig.1 Online trust life cycle

### 1.3 Prior Studies on Initial Trust Building

There are two kinds of trust indicators: experience-based and cue-based ones. Trust cues exist before customers make the first transactions with a certain store. They include any kinds of signals that imply the store’s initial trust trustworthiness. Of course, they could be critical knowledge on the other party, an individual’s disposition to trust, or institutional cues. Some studies on trust in general have identified individual traits as a mediating factor, but we believe that it could be a determinant of initial trust building.

Cues related to institutional trust have been studied vigorously. If users sense that social systems such as legal frames/infrastructure support safe transactions and privacy in a site or a third-party authorization assures the safety, they can easily develop the initial trust in the store.

Research on the initial trust cues mostly focuses on relational trust. When users do not have any prior experience with the site, then web site design or information the site provides impact their perception of the site, which will ultimately impact the initial trust building. As the antecedents of initial trust, Fung and Lee listed information quality, web interface design, while Kim suggested consumers’ perceived ability, willingness, and familiarity on online stores[^3][^6]. In order to define and understand initial trust on the online-only small fashion business, we synthesize the studies on initial trust cues. The factors of initial trust building by prior literature are summarized in Tab.1.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Researchers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual Trust</td>
<td>Internet Skill</td>
</tr>
<tr>
<td></td>
<td>Propensity to Trust</td>
</tr>
<tr>
<td>Institutional Trust</td>
<td>Legal Foundation Information Quality</td>
</tr>
<tr>
<td></td>
<td>Third-Party Authorization</td>
</tr>
<tr>
<td></td>
<td>Web Design</td>
</tr>
<tr>
<td>Relational Trust</td>
<td>Service reliability</td>
</tr>
<tr>
<td></td>
<td>Variety of Options</td>
</tr>
<tr>
<td></td>
<td>Willingness</td>
</tr>
<tr>
<td></td>
<td>Store Reputation</td>
</tr>
<tr>
<td></td>
<td>Active Use of Bulletin Board</td>
</tr>
<tr>
<td></td>
<td>Easy of Use</td>
</tr>
</tbody>
</table>

[^3]: Gefen[^7]  
[^4]: Ambrose & Johnson[^8]  
[^5]: Kini & Choobineh[^9]  
[^6]: Jarvenpaa & Tractinsky[^10]  
[^7]: Christy & Mattew[^11]  
[^8]: Fung & Lee[^12]  
[^9]: McKnight et. al[^13]  
[^10]: Fung & Lee[^14]  
[^12]: Warrington, et al.[^16]  
[^13]: Jarvenpaa & Tractinsky[^17]  
[^14]: Chiravuri & Nazareth[^18]  
[^15]: Raymond & Mathew[^19]

In the next section, we present our empirical model and investigate the antecedents for initial trust building between customers and online fashion stores.

### 2 Research Model and Hypotheses

The main purpose of this research is to figure out
the process and the crucial antecedents that impact the initial trust building. Synthesizing the widely ranging literature on trust, we developed our model of the trust life cycle (Fig.1). For our research we also developed our empirical model of Initial Trust in an Online Store (ITOS), which includes from the beginning to the ‘initial trust belief’ phase of the cycle. From Tab.1, our dependent variable, ITOS is affected by two factors of Individual Trust (Internet skills, Propensity to Trust), two factors of Intuitionial Trust (Third-Party Authorization, Legal Foundation), and 8 factors of Relational Trust (Information Quality, Web Design, Service Reliability, Variety of Options, Willingness, Store Reputation, Active Use of Bulletin Board, Easy of Use).

2.1 Variables and Hypotheses

In this section, we explain the definitions of research variables and the hypothesis to be tested from our empirical model

2.1.1 Personal Propensity to Trust (PT)

The users’ perceptions on trust cues on each site may vary based on their personalities, experiences and cultural backgrounds. The propensity to trust is viewed as a personality trait that leads to generalized expectations about trustworthiness of others. Personal traits impact the interpretation of the cues provided by stores. Thus we hypothesize:

H1: Personal Propensity to Trust is positively related to ITOS.

2.1.2 Personal Internet Skills (IS)

Many researchers found that Internet experience or Internet skills with which the users can find and utilize information in cyber space impact the initial trust building[6]. Therefore the hypothesis is

H2: Users’ Internet skill is positively related to ITOS.

2.1.3 Third Party Authorization (TPA)

In this study, third party authorization refers to the assurance of the trustworthiness of online stores by reliable third party authorization bodies such as VeriSign. In the faceless world of electronic commerce, trust is also based on the individual’s trust in social organizations. Third Party Authorization and a Legal Foundation are key cues for institutional trust affecting consumers’ initial trust building on the store. Cheskin Research Report reported that third party recognition, such as VeriSign can help build consumers’ trust in the intangible online store[15].

H3: The perceived third party authorization is positively associated with ITOS.

2.1.4 Legal Foundation (LF)

In this study, legal framework refers to the user’s perception on the effectiveness of the law and code of practice established to protect online customers. Christy and Matthew reported that many online users were concerned about whether the law protects online transaction and their privacy[9]. Thus, we hypothesize:

H4: The perceived effectiveness of the legal: foundation is positively related with ITOS.

2.1.5 Perceived Quality of Information (PQI)

In this study, PQI refers to the Internet users’ perception on the quality of information, professional explanation, the way of providing the information, and updated information on the products the store is selling. According to Fung and Lee, the quality of information on the store site is the initial point for trust building cycle[3]. Therefore, we hypothesize:

H5: The perceived quality of information on the products that the online store provides is positively related to ITOS.

2.1.6 Perceived Web Site Design (PWSD)

In this study, PWSD is conceived as the Internet users’ perception on the professional look, and uniqueness of the site. Many researchers indicated that the web site design is a key antecedent in trust building[3]. Therefore, we suggest:

H6: The perceived attractiveness of web site design of the online store is positively related to ITOS.

2.1.7 Perceived Service Reliability (PSR)

In this study, PSR means the perception of customers of service quality to satisfy the various customers’ needs[11]. The ability would be measured by the quality of services which means, return/change policies, information update, clearness in explaining how to purchase, and so on.

H7: The perceived service reliability of the online store is positively related to ITOS.

2.1.8 Perceived Variety of Options (PVO)

PVO refers to the perception of customers of how
delivery and payment options consider customers’ needs. Along with PSR it represents the ability of the store.

H8: The perceived variety of options for delivering the services is positively related to ITOS.

2.1.9 Perceived Willingness (PW)

PW, in this study, means users’ perception of the willingness to listen to customers’ complaints and to help them. Kim suggested that these factors impact trust building toward an online store[3]. Therefore, the hypothesis is:

H9: The perceived willingness of an Internet store is positively related to ITOS.

2.1.10 Perceived Active Use of Bulletin Board (PAUBB)

In this study, PAUBB refers to a customer’s perception on level of community activities based on the amount and contents of messages. Other customers’ evaluations regarding the store on the bulletin board help the customer build up initial trust.

H10: The perceived activeness of the bulletin board of the store is positively related to ITOS.

2.1.11 Perceived Reputation on the Store (PRS)

In this study PRS refers to a user’s perception of the reputation of the store by the information the store provides, advertising materials, and rumors. Some papers mention offline store reputation for this variable, but we do not count it because this study deals with only-online startups. Therefore, the hypothesis is:

H11: The perceived reputation of the online store is positively related to ITOS.

2.1.12 Perceived Ease of Use (PEU)

PEU, in this study, means users perception on the ease of navigation in finding the goods and information they want. The Cheskin Research Report emphasizes this factor to get trust from users in cyberspace[15]. The ease of use implies that the store is concerned its customers’ convenience. Therefore, the hypothesis is:

H12: The perceived ease of use of the online store site is positively related to ITOS.

2.1.13 Initial Trust in Online Stores (ITOS): Dependent Variable

In this paper, the dependent variable is Initial Trust. As explained in the beginning, it is defined as a consumer’s belief and expectation in an Internet store formed before making the first transaction and consumers’ willingness to rely on the information provided by the seller and to take action in circumstances where such action makes the consumer vulnerable to the seller. It will be measured by: 1) the user’s expectation of its reliable response to an unexpected accident; 2) willingness to be a member of the site; 3) the user’s perceived reliability of the information the store provides; 4) expectation of delivery of what the store promises; 5) perceived transaction safety, and (6) level of trust in the online store in general.

3 Data Analysis and Results

3.1 Measurement

Following the purpose of this study, we focus on initial trust building in an online store which deals with experience goods (fashion goods) without brand power.

We developed 52 survey questions using a five-point Likert-type scale, from 1=strongly disagree to 5=strongly agree. The subjects were asked first to visit two certain sites selling jewelries, then to fill out the survey. This survey was distributed offline through university students, online community members, and business men and women. 230 surveys were returned, but we dropped 102 because some of them had purchasing experience from one of the sites before, and some of them were not reliable. Finally we had valid 122 returns.

3.2 Subjects

Of the respondents 67% were men and 33% were women. The respondents were mainly either in their 20s (51%) or 30s (45%). Among them 67% were married and 33% were not married. Of the respondents, 13.9% were high school graduates and 86.1% had college education. 9.8% of the respondents did not have any experience of online purchasing. 46.7% of the respondents had previously bought fashion goods online. This is not that surprising, because the online purchase of fashion goods is increasing rapidly in Korea from 17% in 2002 to 23% in 2003.

Apart from marital status and education level
there was no significant difference at 5% level in MANOVA test that examined all the questionnaire items between the people having online purchasing experience and not having experiences (p-value=0.841), between 20 s and 30 s (p-value=0.99), and between men and women (p-value = 0.984).

3.2 Reliability Test

First, we examined reliability with Cronbach’s Alpha, which measures internal consistency. Alpha for each variable was around 0.75 which was acceptable in social science except Perceived Variety of Options (PVO), Perceived Willingness (PW), and Perceived Reputation of the Store (PRS) with Alpha 0.54, 0.57, and 0.46 respectively. The items measuring PW (Q36: efforts to accommodate customers’ opinion, Q37: speedy response to the customers’ request on the bulletin board, Q38: clearness of FAQ) are more closely related to the Service Reliability (PSR) in general. Combining items of PSR and PW increased reliability to 0.76 (Alph of PSR was 0.72 before combining), and data of combined items (PSR+PW) were factored as one major factor explaining 51.20% of the total variance. So we added items of PW to PSR, and dropped Hypothesis 9. We decide keep PVO and PRS despite of their relatively low reliability because items of each variable loaded highly only on one factor in factor analysis.

3.3 Validity Test

Then the data were examined via Principal Components Factor (PCA) analysis (Varimax rotation) to test convergent and discriminant validities. With the exception of the items that belong to relational trust, the items of each scale loaded highly only on one factor, showing the convergent and discriminant validity of the scales. After deleting 3 items from Perceived Service Reliability (PSR) (we put service items and Perceived Willingness items together after reliability test) each item of Relational Trust is clearly loaded highly on only one factor.

3.4 Hypotheses Testing

Before the hypotheses were tested using multivariate regressions. The possibility of multicollinearity among independent variables was tested. Multicollinearity was not found in this study with Tolerance higher than .01 and VIF lower than 4. Results of the regression analyses testing the initial trust building are presented in Tab.2. It shows that, Legal foundation (LF) ($\beta$=0.209, $p<0.01$) and PSR ($\beta$=0.191, $p<0.05$), PVO($\beta$=.206, $p<0.01$), and PEU ($\beta$=0.295, $p<0.01$) significantly influences the dependent variable, Initial trust building. The $\beta$ value suggests that Ease of Use is more important than others among 4 factors.

The results suggest that affection-based trust such as PEU has more impact in building up initial trust than any other cues. The reason why the affection based trust could be important is that people can evaluate the quality of a store without spending much time or effort.

<table>
<thead>
<tr>
<th>Variables</th>
<th>B</th>
<th>Std. Error</th>
<th>Beta</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>-2.003</td>
<td>1.916</td>
<td>-1.046</td>
<td>0.298</td>
<td></td>
</tr>
<tr>
<td>IS</td>
<td>0.087</td>
<td>0.075</td>
<td>0.084</td>
<td>1.148</td>
<td>0.253</td>
</tr>
<tr>
<td>PT</td>
<td>0.037</td>
<td>0.093</td>
<td>0.031</td>
<td>0.392</td>
<td>0.696</td>
</tr>
<tr>
<td>TPA</td>
<td>0.001</td>
<td>0.201</td>
<td>0.000</td>
<td>0.006</td>
<td>0.995</td>
</tr>
<tr>
<td>LF</td>
<td>0.458</td>
<td>0.168</td>
<td>0.209</td>
<td>2.718</td>
<td>0.008**</td>
</tr>
<tr>
<td>PQI</td>
<td>0.100</td>
<td>0.086</td>
<td>0.101</td>
<td>1.163</td>
<td>0.247</td>
</tr>
<tr>
<td>PWSD</td>
<td>0.142</td>
<td>0.106</td>
<td>0.113</td>
<td>1.338</td>
<td>0.184</td>
</tr>
<tr>
<td>PSR</td>
<td>0.293</td>
<td>0.121</td>
<td>0.191</td>
<td>2.420</td>
<td>0.017*</td>
</tr>
<tr>
<td>PVO</td>
<td>0.579</td>
<td>0.202</td>
<td>0.206</td>
<td>2.867</td>
<td>0.005**</td>
</tr>
<tr>
<td>PAUBB</td>
<td>0.001</td>
<td>0.128</td>
<td>0.000</td>
<td>0.006</td>
<td>0.995</td>
</tr>
<tr>
<td>PRS</td>
<td>-0.112</td>
<td>0.188</td>
<td>-0.048</td>
<td>-0.596</td>
<td>0.553</td>
</tr>
<tr>
<td>PEU</td>
<td>0.448</td>
<td>0.125</td>
<td>0.295</td>
<td>3.587</td>
<td>0.001**</td>
</tr>
</tbody>
</table>

* $p<0.05$, ** $p<0.01$

It is surprising that the Third-Party Authorization factor was rejected, which was suggested as an important factor for online trust in several other studies. We speculate that Korean online consumers do not have enough understanding in Third-Party Authorization.

The reputation of the store also does not impact the consumers’ trust. It is consistent with our interview with a storeowner. He said that his customers did not spend enough time to find out the information related to the store or company. Instead, they were keener to finishing their task as soon as possible. Our test proved this claim empirically.
4 Conclusions

Our empirical results show that factors influencing initial trust in online fashion stores may be different from those for trust in general. Our investigation implies that four variables found significant in the testing should be taken into consideration carefully in crafting their strategy for initial trust building. While our empirical results failed to confirm their significance, practitioners and users that we interviewed stressed the importance of the other two factors: Perceived Web Site Design and Perceived Quality of Information.

This study is not about trust formation in online store in general; rather it addresses the initial trust building in click-only online fashion stores. In our study, we chose only two specific sites (www.citymen.co.kr and www.wizwid.com) and assigned users to the sites for data collection. However, it must have been too restricted to some respondents. Consequently the return rate was low and there were many invalid answers. So the sample size was smaller (122) than we expected. It was not easy to find subjects who had experience in purchasing fashion goods but did not purchase any product from the two sites we chose. Further studies must check if our choice of specific sites may produce any bias in our findings.

The results of this study cannot be generalized to other kinds of internet stores selling standardized product such as computers and books. These are much different from the fashion stores because customers perceive the cues differently based on products and sites. For example, in sites selling digital content customers tend to focus on profession and usefulness, fun and downloading speed rather than the image of products. However, in fashion goods sites, attractive design and graphic images become more important. Thus we need to specify initial trust building factors based on the product properties.

In Korea, online fashion good business volume is ranked as fourth in the total online business, and it has been growing constantly each year from 2001. Our study is a rare attempt to focus on online initial trust building, and it is a life line for small startups.

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Brief Introduction to Author(s)

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References


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