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University of Cape Town

*‘Building Trust in e-Commerce’*



**trust** ● *n.* **1a** a firm belief in the reliability, truth or strength of a person or thing. **b** the state of being relied on. **2** a confident expectation. **3** obligation or responsibility. **4** reliance on the truth of a statement etc. without examination. **5** the prerequisite for successful electronic commerce in the emerging digital economy.

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## **Prologue**

This study primarily investigates the processes and capabilities which are important for building and developing trust in e-Commerce. The main area of focus of this study is on the factors and enablers which can be applied by online retailers to build trust and communicate trustworthiness to online consumers. Throughout the study these factors and enablers are commonly referred to as the 'building blocks of trust in e-Commerce'. It is argued that without trust, e-Commerce cannot reach its full potential and that the building blocks of trust in e-Commerce can be applied to build and develop trust in e-Commerce.

This study further investigates consumer perceptions of e-Commerce, and the deterrents to online shopping. Special emphasis was placed on important e-Commerce issues, central to building and developing trust in e-Commerce, such as privacy, security and fulfilment. As part of the recommendations, a conceptual model for building trust in e-Commerce is presented, which maps out the online trust building process with the general building blocks of trust in e-Commerce at its core.

The primary research objectives of this study are:

- To determine the building blocks, transactional, technological, or graphical, that are important for creating and developing trust in e-Commerce
- To determine the relative importance of the building blocks for creating and developing trust in e-Commerce
- To assess the influence of other variables on the building blocks of trust in e-Commerce, which have a relationship with the building blocks
- To develop a conceptual model of trust in e-Commerce, incorporating the building blocks of trust in e-Commerce

## **Synopsis**

Commercial activity on the Internet has increased rapidly in recent years and electronic commerce has evolved into a viable business channel for many companies. As the Internet and electronic commerce develop and mature, their success largely depends on gaining and maintaining the trust of online consumers. The concept of trust in e-Commerce is important, because consumers tend to have not enough trust in e-Commerce to shop on the Internet. Simply put, without trust, e-Commerce is unlikely to reach its full potential.

It is the purpose of this study is to investigate and describe the processes and capabilities which are important for building and developing trust in e-Commerce. The main objectives of this study are to determine the building blocks that are important for creating and developing trust in e-Commerce and to determine the relative importance of these building blocks for creating and developing trust in e-Commerce. For this purpose, the online trust building process was examined in some depth and a conceptual model was developed which depicts how trust in e-Commerce is established and maintained. For the purpose of this research the critical enablers and capabilities for building and developing trust in e-Commerce are referred to as the 'Building Blocks' of trust in e-Commerce throughout the study.

This study begins by presenting the research methodology. The research methodology explains the method of primary and secondary data collection. It explains how qualitative and quantitative information were gathered, processed and analysed. Then, an extensive literature review is presented, which covers in detail issues of the traditional trust concept, the Internet and electronic commerce, and then trust in e-Commerce. The qualitative research findings are then presented. The findings of the in-depth interviews conducted are

depicted in a table format and are presented in a question by question summary. Additionally the findings of a survey dealing with the general building blocks of trust in e-Commerce are analysed and presented. The quantitative data is then analysed and the findings put forward.

Finally, conclusions are drawn, stating the revised objectives and the findings relating to each objective, and recommendations are made, presenting the conceptual model for building trust in e-Commerce.

Trust, in the traditional sense, is a highly complex sociological concept and has many connotations. Trust is generally defined as the future contingent actions of others. Trust is usually based on a cognitive process which discriminates among persons and institutions by classifying them into trustworthy, distrusted and unknown categories, and trust is based on an affective component which consists of an emotional bond among all those who participate in the relationship. There are differences between the general trust concept, trustworthiness and credibility: trust in general terms deals with the credibility of specific people, groups, or institutions regarding specific actions; trustworthiness deals with beliefs about people and actions, and credibility is the extent to which a recipient sees the source as having relevant knowledge, skill, or experience to give unbiased and objective information.

Simply put, trust is a simplifying strategy that enables individuals to adapt to complex social environments, and thereby benefit from increased opportunities; it is particularly relevant in conditions of ignorance or uncertainty with respect to unknown or unknowable actions of others. To develop trust between individuals they must have not only repeated encounters, but also have some memory of previous encounters. Thus, trust is based on reputation and that reputation has to be acquired through behaviour over time in well-understood circumstances.

The main functions of trust are: trust as a main characteristic of a legitimate order and harmonious co-operation of societal communities, trust as a reduction of social complexity, and trust as a social and economic lubricant of co-operation. For modern societies there is a renewed emphasis on trust as an underlying concept that encourages economic exchange, the spread of communication, recognition of cultural and political differences, as well as sociability and participation between individuals and wider communities. Placing trust, that is, making bets about the future uncertain and uncontrollable actions of others, is always accompanied by risk. Trust always involves an element of risk because of the inability to monitor other people's behaviour, from the inability to have complete knowledge about other people's motivations, and generally, from the contingency of social reality.

In the absence of trust, the resulting vacuum will be filled with some alternative arrangements providing similar functions and meeting universal cravings for certainty, order, or predictability. The concept of distrust is usually treated as the as the negative mirror-image of trust. People who do not trust one another will end up co-operating only under a system of formal rules and regulations, which have to be negotiated, agreed to, litigated, and enforced, sometimes by coercive means. The main factors affecting trust are differences in social, gender, racial, and age issues.

The Internet is the world's largest and most widely used computer network; its hypermedia environment allows multimedia information to be located on a network of servers around the world which are interconnected allowing one to travel through the information by clicking on hyperlinks. To gather accurate statistics about the Internet on local or global scale is generally difficult, as the Internet is a network of networks, with each individual network hosting a varying number of PCs which have a varying number of users.

Commercial activity on the Internet has been increasing rapidly since the early 1990s; electronic commerce has evolved into a viable business channel. The main benefits of the Internet as a commercial medium are: distribution benefits, lower transaction costs, marketing communication benefits, improved buyer-seller relationships, operational benefits and improved cross-border information and transaction flows. The most common drawbacks to the use and widespread adoption of the Internet are: security and privacy concerns, violations of intellectual property rights, copyrights and patents, lack of awareness and knowledge of the Internet and related services, cultural and language barriers, and information overload from the customer's perspective. While many firms have launched e-Commerce initiatives, few have developed the internal infrastructure to increase activity in this space; there is need for companies to integrate the e-Commerce channel better into the organisation.

The most common drawbacks to successful electronic commerce are the absence of a uniform commercial code and legal framework, concerns about security and privacy protection, technical barriers, lack of adequate electronic payment and fulfilment systems, and unrealistic expectations about electronic commerce. Consumer electronic commerce in South Africa is largely under-developed, due to the relatively slow rate of adoption of the Internet in South Africa, and the lagging of South African Internet users to conduct online transactions: about 75% of South African Internet users have not yet shopped online, although they tend to have positive perceptions towards e-Commerce.

While Internet users are rapidly becoming Internet shoppers, purchase failures, security fears and service frustrations are rampant: about one third of all online consumer purchase attempts are cancelled or abandoned before they are completed. Approximately 80 percent of all Internet users suggest that the Internet's ability to function as an effective

communication medium was a reason for getting online initially, while only 2 percent of users said their main motivation for going online was to shop.

As the Internet develops and matures, its success will largely depend on gaining and maintaining the trust of visitors. Because time is key to deepening trust, Internet trust is currently still relatively shallow. Trust in e-Commerce is generally built in a three-stage, cumulative process that establishes trust in the Internet and the specific Web site, trust in the information displayed and trust in delivery fulfilment and service.

Consumers have generally a high level of distrust towards the Internet, emanating largely from the fear that engaging in online activities would compromise personal privacy. Violations of personal privacy include: tracking consumers' movements, misuse of information, theft of information, corruption of information, theft of identity, and personal threats. Similar to privacy, security concerns are keeping customers away from doing business on the Internet. Establishing a secure e-Business environment requires a comprehensive approach that includes policies, education, physical protection, security software, and manual security procedures. The main Internet security technology features are: encryption, digital signature and certificates, and firewalls.

Electronic commerce involves a wide spectrum of policy issues, including the legal framework, institutional arrangements and technical infrastructure needed to support an international marketplace for electronic products and services. Government regulation to provide a framework for trust in e-Commerce may have the following flaws: prohibitive regulation, harmonisation of laws, and unnecessary regulation leading to unintended consequences. The alternative to the government regulatory approach for data privacy and security is industry self regulation and self governance, but the major drawback of self-regulation lies in effective enforcement.

Compared to traditional payment systems digital money is in its infancy, and a great deal of technological development and market consolidation must occur before it realises its potential. It is important to note, however, that electronic commerce will not reach its full potential until there are simple, inexpensive, private and secure ways to make payments over the Internet. Additionally, there is broad support among most OECD member countries that existing tax concepts should be applied to global electronic commerce, and tax treatment should be neutral between electronic and traditional methods of conducting business. As many online retailers are start ups with little or no track record of fulfilment it is important to provide assurance to all stakeholders that proper controls are in place as transactions are undertaken. Assurance on the Internet involves digital branding and differentiation, Web site design, presentation and navigation, symbols and seals of approval, fulfilment and distribution, as well as virtual and interactive decision aids.

In addition to secondary research, primary research was conducted. In terms of the qualitative research, sixteen in-depth interviews were conducted with experts in the Internet and e-Commerce / e-Business field. In terms of the quantitative research 4000 mail questionnaires were sent out to people throughout South Africa, who were randomly selected from the database of HomeChoice. The mail questionnaire is a well suited method to gather information from respondents who are geographically widely dispersed. In respect of the quantitative research, personal interviews were ruled out, as this would have limited the research to a specific geographic location; telephone interviews were also ruled out, due to time and cost restrictions.

The aim of the qualitative research was to gain insight and an in-depth understanding from experts, who are involved in the Internet and e-Commerce / e-Business field. For a list of the persons interviewed, please refer to the research methodology, section 2.2.1. During the interviews, the respondents were asked to complete a self-administered survey which deals

with the general building blocks of trust in e-Commerce. The information gathered from the in-depth interviews was first summarised and then analysed. After the analysis of the in-depth interviews the findings of the survey are put forward.

It was found that the typical South African Internet user tends to be well educated, a high income earner and tends to live in a major metropolitan centre, such as Gauteng, the Western Cape and the greater Durban area. South Africans predominantly use the Internet for sending and receiving e mail, searching and gathering information and entertainment. The use and rate adoption of electronic commerce has increased in South Africa in recent years. The single most important reason why consumers shop on the Internet is convenience, and there is no difference in the propensity to shop online between experienced and inexperienced South African Internet users. Products most frequently bought on the Internet by South Africans tend to have the following two main characteristics: they tend to be branded or commodity type products, and they are either not available or difficult to obtain locally. The most popular products South Africans purchase on the Internet are books, CDs, magazine subscriptions and computer software; the most popular services South Africans consume on the Internet are online banking and ticket reservation services.

The biggest deterrents for consumers to shop on the Internet are the lack of an online shopping experience, the lack of perceived value and benefits and the lack of instant gratification. South African consumers generally prefer the tangible shopping experience, including socialisation elements and the ability to examine products, to the online shopping experience. The biggest risks consumers perceive about online shopping are security, privacy and fulfilment risks. Security risks deal with payment, network, and technology risks; privacy risks deal with the abuse of customer information; and fulfilment risks deal with non-fulfilment, incorrect billing and incorrect shipment risks. To lower the perception of risk

associated with online shopping, online retailers should leverage existing brands, build strong online brands, and educate customers about electronic commerce and online shopping.

Trust in e-Commerce is a highly subjective concept and has many meanings. Even industry experts tend to have different definitions or descriptions about trust in e-Commerce and tend to focus on different issues based on their background and experience.

Nevertheless, the common building blocks of trust in e-Commerce are: privacy protection, security, and branding. Secondary building blocks relating to trust in e-Commerce include: navigation, professional and functional Web site design, fulfilment capabilities, the use of third party endorsement schemes, and common government and self-regulatory frameworks as well as Internet trading standards. The building blocks of trust in e-Commerce are generally seen as critical enablers in support of establishing and building trust in e-Commerce. Trust in e-Commerce is a function of a person's general predisposition to trust in its traditional context, as well as the person's general predisposition to the Internet and electronic commerce. For example, a person with a general unfavourable attitude towards trust and the Internet, may be wary about shopping online, whereas a person with a more favourable attitude towards trust and the Internet may more proactively shop online.

Generally, experienced Internet users tend to have more trust in e-Commerce than inexperienced Internet users, due to their experience gained with the medium and through transactions with online retailers. They choose, however, more selectively with whom to do business on the Internet, and their selection of a particular online retailer is largely based on the experience they have gained during previous encounters (where their expectations have been met or exceeded and they gained positive experiences). Inexperienced Internet users need to build up that frame of reference before they can confidently conduct online transactions and learn to trust particular online retailers.

At the same level of brand equity, hybrid online retailers, i.e. online retailers that also have established physical stores, brand names and reputation, are generally perceived more trustworthy than pure-play online retailers which do not have a physical presence in the offline world.

To communicate trust in e-Commerce effectively, companies should build strong credible online brands, and where possible should leverage existing and established brands. It is important that branding strategies are consistent across all online and offline media. Along an online retailer's supply chain it is important that each channel partner performs an agreed upon role, which may be enforced through service level agreements, to meet customer expectations and to ensure service quality as well as brand consistency. Online retailers also have to ensure that they associate themselves with appropriate channel partners, which have proven to be reliable and may have strong brands which the retailer could leverage to enhance his own credibility.

Industry self regulation was generally regarded more favourable than government regulation to establish a general framework for trust in e-Commerce, which may include policies and standards for online trading, online consumer protection plans, supervision of online retailers, enforcement of policies and the development of public awareness programmes for online retailing.

Intrusion of customer privacy, including the abuse of personal information, and non-fulfilment are the most critical issues for breaking consumer trust in e-Commerce. Once consumer trust in e-Commerce is broken, there is very little an online retailer can do to re-establish trust with the consumer. The possibility of re-establishing and re-gaining trust in e-Commerce with an disappointed customer is generally a function of severity of the case, the consumer's ability to absorb the economic loss, the strength of the brand and the

reputation of the online retailer, the influence of third parties and the self-responsibility of the online consumer.

Third party seal of approval programmes are generally not well known in South Africa, even well-established international seal of approval programmes. The most important benefits of using a Web seal are regulation, oversight and assurance through an independent third party. Pure play online retailers (with an Internet presence only) with largely unknown brands generally benefit the most using seals of approval. Important elements of a seal programme to establish trust in e-Commerce are customer information protection, transaction integrity, and strong fulfilment and customer recourse policies. To promote the use and adoption of seals of approval in South Africa, only the most credible and established Web seals should be used and benefits of using Web seals should be emphasised.

In addition to the in-depth interviews, the industry experts were asked to complete a self administered survey which deals with the general building blocks of trust in e-Commerce and their decomposed factors. For a sample of the survey please refer to appendix 4. The respondents were asked to assign a score indicating the importance they attach to each factor for building and developing trust in e-Commerce on a five point rating scale, ranging from 'not important at all' (1) to 'very important / essential' (5). The analysis revealed that the privacy, security and fulfilment building blocks carry the greatest weight for building and developing trust in e-Commerce.

Quantitative research was then conducted to examine the opinions and attitudes of the public, with regard to Internet level of usage and experience in general, and trust in e-Commerce in particular. The empirical objectives were to investigate four areas of information, including information about the respondent's level of Internet skill and experience, information about the respondent's online consumer behaviour, information

about the respondent's perceptions towards trust in e-Commerce, and lastly information about demographic data of the respondents.

The target population was defined as all those people who are Internet users or those who have sufficient knowledge about the Internet and electronic commerce. A stratified sample was used, consisting of 60% randomly selected male respondents and 40% randomly selected female respondents. A stratified sample was used to ensure reliability, because men dominate the Internet in South Africa in approximately a 60:40 proportion to female Internet users. The questionnaire was designed to facilitate brevity and clarity due to the fact that it was self-administered. It was also structured and undisguised as this was considered the best format for the research situation.

The data from the quantitative research was captured, cleaned and then analysed using the programme Statistica. Various statistical tests have been performed on the quantitative data. It was found that the majority of the respondents are male (64%) and that they are low to middle income earners (60% with a monthly disposable income of up to R 5000). The bias towards the lower income groups is largely due to the fact that in general there were far more respondents belonging to the lower income groups than respondents from the middle and upper income groups. Furthermore, about 65% of the respondents are below the age of 40 and the majority of the respondents tend to live in one of South Africa's major metropolitan centres such as Gauteng, the Western Cape and the greater Durban area.

Screening questions at the beginning of the questionnaire allowed the identification of the respondents level of Internet skill and experience. The majority of the respondents have been using the Internet for less than 2 years and use the Internet mainly as a communication tool, i.e. the two most frequent uses people make of the Internet are email and searching for information. The vast majority of the respondents have not yet shopped

on the Internet, although they tend to have positive perceptions towards electronic commerce. The quantitative analysis further revealed that South African online shoppers buy goods and services on the Internet with moderation. Almost 60% of the respondents have not yet shopped on the Internet, and of the 40% who have shopped on the Internet, almost 70% of the respondents indicated that they are shopping less than once a month online. Despite having Internet access, South African Internet users do not shop online, because they do not possess a credit card, they lack the tangible elements of traditional shopping, and they have concerns about Internet security and submitting credit card details to complete an online transaction.

The quantitative analysis also examined the respondent's online buyer behaviour. The most important reasons why South African consumers shop on the Internet are convenience and the expectation that prices on the Internet are cheaper than in the offline retail world. The highest online purchase categories for products are: books (25%), CDs and videos (17%), and computer software (15%); the highest online purchase categories for services are: travel (23%), online banking (21%), and online magazine subscriptions (20%). The problems the respondents most frequently encounter with online shopping are: site functionality and navigation problems, problems with timely fulfilment of online orders, and generally problems with customer recourse and product returns when the wrong goods have been shipped. In the South African context it is important to note that the lack of credit card ownership is an important reason why South African consumers do not shop on the Internet.

The core of the quantitative analysis was to investigate the general building blocks of trust in e-Commerce. The investigation into the general building blocks of trust in e-Commerce revealed that the most important building blocks are privacy protection, fulfilment and Internet security. These results are in line with the findings from the in-depth interviews,

where the three most important building blocks of trust in e-Commerce are privacy, security and fulfilment.

A further in-depth statistical analysis of the building blocks of trust in e-Commerce was performed, which includes cross tabulations, correspondence and discriminant analysis. The detailed statistical output is contained on the enclosed CD Rom. The last section of the quantitative research then investigated the applicability of seals of approval to communicate trust in e-Commerce. It was found that, although seals of approval generally have a positive impact on communicating a greater sense of credibility of online retailers, they fail to effectively develop trust in e-Commerce.

The revised objectives were then evaluated in terms of whether they should be accepted or rejected. The decision as to whether the revised objective should be accepted or rejected was based on the information gathered and analysed from the literature review, the in-depth interviews and the quantitative survey.

Based on the findings of the literature review, the qualitative research and the quantitative research, the following conclusions were drawn:

**Conclusions regarding the Traditional Trust Concept:**

- Trust is a simplifying strategy that enables individuals to adapt to complex social environments, and thereby benefit from increased opportunities.
- There are differences between the general trust concept and trustworthiness and credibility.
- To develop trust between individuals they must have repeated encounters, and they must have some memory of previous encounters.

- The main functions of trust are: trust as a main characteristic of a legitimate order and harmonious co-operation of societal communities, trust as a reduction of social complexity, and trust as a social and economic lubricant of co-operation.
- For modern societies there is a renewed emphasis of trust as an underlying construct that encourages economic exchange.
- Trust always involves an element of risk.

### **Conclusions regarding the Internet and e-Commerce:**

- The Internet is the world's largest and most widely used computer network.
- The online population continues to grow at an impressive rate; there are about 2.2 million people in South Africa who use the Internet.
- The typical South African Internet user tends to be young, lives in a major South African metropolitan centre, and is well educated.
- Commercial activity on the Internet has been increasing rapidly since the mid 90s, and e-Commerce has evolved into a viable business channel.
- The main benefits of the Internet as a commercial medium are: distribution benefits, lower transaction costs, marketing communication benefits, improved buyer-seller relationships, operational benefits and improved information and transaction flows.
- Consumer electronic commerce in South Africa is largely under-developed.
- The most important reasons why South African consumers shop on the Internet are convenience and the expectation that prices on the Internet are cheaper than in the offline retail world.
- The most common drawbacks to successful electronic commerce are the absence of a uniform commercial code and legal framework, concerns about security and privacy protection, technical barriers, lack of adequate electronic payment and fulfilment systems, and unrealistic expectations about electronic commerce.

- Despite having Internet access, many South African Internet users do not shop online, because they do not possess a credit card, they lack the tangible elements of traditional shopping, and they have general fears about Internet security and submitting credit card details to complete an online transaction.

### **Conclusions regarding Trust in e-Commerce:**

- As the Internet and electronic commerce develop and mature, their success largely depends on gaining and maintaining the trust of Internet users.
- Trust in e-Commerce depends to a large degree on a person's general disposition to trust, including willingness and ability to take risk, character traits, and personal attitudes towards the Internet and e-Commerce.
- The majority of online consumers generally distrust the Internet and e-Commerce, emanating largely from the fear that engaging in online activities could violate their personal privacy.
- Effective Internet security is a prerequisite for trust in e-Commerce.
- Experienced Internet users tend to have greater trust in e-Commerce than inexperienced Internet users, they choose however more selectively than inexperienced Internet users with whom they do business online.
- At the same level of brand equity, hybrid online retailers are perceived more trustworthy than pure-play online retailers which do not have retail outlets in the offline world.
- The most important building blocks of trust in e-Commerce are privacy, security and fulfilment.
- Industry self-regulation is preferred to government regulation to provide a general framework for trust in e-Commerce.
- Privacy intrusion and non-fulfilment are the most critical factors for breaking consumer's trust in e-Commerce.

- Seal of approval programmes are generally not well known in South Africa,
- The most important benefits of using a seal of approval are regulation, monitoring and assurance through an independent third party.
- Generally, seals of approval help little in establishing and developing trust in e-Commerce.
- To promote the use of seals of approval in South Africa, the most credible seals brands and programmes should be used and the benefits of using Web seals should be emphasised.

Based on the findings and the conclusions of this study, the following recommendations were made:

- Educate Internet users about online shopping
- Create consumer awareness and motivate for online shopping
- Define the concept of trust for the organisation
- Establish a secure e-Commerce environment
- Commit to data privacy and information protection
- Provide assurance to online consumers
- Evaluate alternative methods of online payments
- Build strong and meaningful online brands
- Establish strong customer policies
- Partner with trustworthy organisations
- Enhance consumer's online shopping experience
- Determine target market needs and respond to them
- Review policies and code of conduct of self-regulated industry programmes and consider joining them
- Determine the applicability of using a seal of approval
- Adopt the conceptual building blocks model of trust in e-Commerce

Lastly, the conceptual model for building and developing trust in e-Commerce is presented and explained in some detail. In essence the conceptual model depicts the processes and emphasises the capabilities which are important for building and developing trust in e-Commerce. The main pre-requisites for trust in e-Commerce are the existence of trust culture as well as an individual's favourable disposition towards trust in general and towards e-Commerce in particular. At its core, the model depicts the general building blocks of trust in e-Commerce which are regarded as critical enablers for building and developing trust in e-Commerce. Through moments of truth, which can happen anytime over the lifetime of the buyer-seller relationship, the legitimacy of an online retailer is verified and trust can be strengthened (in cases of constantly good experiences) or trust can be withdrawn (in cases of unpleasant online shopping incidents). At one of the highest levels in the buyer-seller relationship trust becomes internalised, i.e. based on purchase history and experience the customer no longer verifies the online retailers legitimacy. Internalised trust can be maintained through service consistency, ongoing communication, collaboration and effective relationship management.

The appendix contains various supporting documents, such as diagrams, tables and sample questionnaires, as well as the interview minutes from the in-depth interviews. The bibliography is the last section of this study.

## **Table of Contents**

Acknowledgements	i
Prologue	ii
Synopsis	iii
Table of Contents	xx
List of Illustrations	xxiv
Glossary	xxvii

### **CHAPTER 1 : PROBLEM DEFINITION AND OBJECTIVES**

<b>1. INTRODUCTION</b>	<b>2</b>
<b>2. PROBLEM DEFINITION AND OBJECTIVES</b>	<b>4</b>
2.1 The Marketing Problem	4
2.2 The Marketing Objective	4
2.3 The Research Problem	5
2.4 The Research Objectives	5
<b>3. SCOPE OF THE STUDY</b>	<b>8</b>
3.1 Organisation of the study	8
<b>4. LIMITS OF THE STUDY</b>	<b>10</b>
4.1 Qualitative industry expert interviews	10
4.2 Financial restrictions	10
4.3 Geographic area	10
4.4 Statistical sampling error	11
4.5 Language	11
4.6 Seals of Approval	11
4.7 Linearity of the conceptual model for trust in e-Commerce	12
4.8 Trust in e-Commerce issues	12

### **CHAPTER 2 : RESEARCH METHODOLOGY**

<b>1. INTRODUCTION</b>	<b>14</b>
<b>2. PRIMARY DATA COLLECTION</b>	<b>14</b>
2.1 Qualitative Research	14
2.2 Quantitative Research	16
<b>3. SECONDARY DATA COLLECTION</b>	<b>21</b>
3.1 Literature Review	21

## **CHAPTER 3 : LITERATURE REVIEW**

<b>1.</b>	<b>TRUST – A SOCIOLOGICAL THEORY</b>	<b>24</b>
1.1	Introduction	24
1.2	Trust, Trustworthiness and Credibility	24
1.3	What trust is	29
1.4	Development of trust	33
1.5	Trust in modern societies	39
1.6	Functions of trust	41
1.7	Trust as exchange	46
1.8	Trust and risk	48
1.9	Problems and limits of trust	51
1.10	Can we trust Trust ?	57
<b>2.</b>	<b>THE INTERNET AND ELECTRONIC COMMERCE</b>	<b>59</b>
2.1	Introduction	59
2.2	The Internet	59
2.3	Electronic Commerce	62
2.4	Internet Communication	65
2.5	South African Internet Facts	67
2.6	Online retailing	79
<b>3.</b>	<b>TRUST IN E-COMMERCE</b>	<b>88</b>
3.1	Introduction	88
3.2	Trust in e-Commerce: The theory	89
3.3	Privacy	94
3.4	Security	96
3.5	Regulatory issues	103
3.6	Digital money and electronic payment systems	109
3.7	Assurance	111
3.8	Preliminary conclusions: The building blocks of trust in e-Commerce	120
<b>4.</b>	<b>REVISED RESEARCH OBJECTIVES</b>	<b>124</b>
4.1	Revised objectives regarding the traditional trust concept	124
4.2	Revised objectives regarding the Internet and e-Commerce	124
4.3	Revised objectives regarding trust in e-Commerce	125

## **CHAPTER 4 : QUALITATIVE RESEARCH**

<b>1.</b>	<b>QUALITATIVE RESEARCH</b>	<b>129</b>
1.1	Findings of the in-depth interviews	139
1.2	Results of the building blocks of trust in e-Commerce survey	161

## **CHAPTER 5 : QUANTITATIVE RESEARCH**

<b>1.</b>	<b>QUANTITATIVE RESEARCH</b>	<b>168</b>
1.1	General profile of the respondents	170
1.2	Respondent's general Internet usage	174
1.3	Respondent's online shopping patterns	176
1.4	Respondent's perception of trust in e-Commerce	186
1.5	Responses dealing with seals of approval	202

## **CHAPTER 6 : EVALUATED RESEARCH OBJECTIVES AND CONCLUSIONS**

<b>1.</b>	<b>EVALUATED RESEARCH OBJECTIVES</b>	<b>208</b>
1.1	Objectives regarding the traditional trust concept	208
1.2	Objectives regarding the Internet and e-Commerce	211
1.3	Objectives regarding trust in e-Commerce	215
<b>2.</b>	<b>CONCLUSIONS</b>	<b>223</b>
2.1	Conclusions regarding the traditional trust concept	223
2.2	Conclusions regarding the Internet and e-Commerce	224
2.3	Conclusions regarding trust in e-Commerce	227

## **CHAPTER 7 : RECOMMENDATIONS**

<b>1.</b>	<b>INTRODUCTION</b>	<b>233</b>
<b>2.</b>	<b>RECOMMENDATIONS</b>	<b>234</b>
2.1	Educate Internet users about online shopping	234
2.2	Create consumer awareness and motivate for online shopping	234
2.3	Define the concept of trust for the organisation	235
2.4	Establish a secure e-Commerce environment	235
2.5	Commit to data privacy and information protection	236
2.6	Provide assurance to online consumers	237
2.7	Evaluate alternative methods of online payment	237
2.8	Build strong and meaningful online brands	238
2.9	Establish strong customer policies	238
2.10	Partner with trustworthy organisations	239
2.11	Enhance consumer's online shopping experience	239
2.12	Determine target market needs and respond to them	240
2.13	Review policies and code of conduct of self regulated industry programmes and consider joining them	241
2.14	Determine the applicability of using a seal of approval	241
2.15	Adopt the building blocks model of trust in e-Commerce	242
<b>3.</b>	<b>THE CONCEPTUAL MODEL FOR BUILDING TRUST IN e-COMMERCE</b>	<b>243</b>
3.1	Describing the conceptual model for building trust in e-Commerce	245

**CHAPTER 8 : AREAS OF FUTURE RESEARCH**

8.1	Economic returns to trust in e-Commerce	252
8.2	Consumer decision making processes in online shopping environments	253

**Appendix**

1.	Sample mail questionnaire	A2
2.	Discussion guide for the in-depth interviews	A6
3.	Transcripts of the in-depth interviews	A10
4.	The building blocks survey for industry experts	A27
5.	Myths and realities about electronic commerce	A30
6.	Internet interest product categories	A32
7.	Online purchasing penetration	A33
8.	Opportunities to stimulate online shopping	A34
9.	The 'ten commandments' of online retailing	A35
10.	A checklist for online retailers	A36
11.	The building blocks of trust	A37
12.	Establishing a new security model	A38
13.	TRUSTe's core tenets	A39
14.	OECD selected industry self regulatory initiatives	A40
15.	The familiarity of Web based brands	A41
16.	Virtual advisors as effective trust builders	A44
17.	Security concerns	A47
18.	The language of cyber crime	A48
19.	Money spent on security technology	A49
20.	Preliminary models of trust in e-Commerce	A50

## **List of Illustrations**

1.	Trust forms and practices	35
2.	Social becoming of trust culture	40
3.	Comparison of trust functions between relationship partners and wider communities	45
4.	Distrust in a social context	54
5.	Steps in trust education	59
6.	Worldwide Internet users	63
7.	Growth in U.S. online population	63
8.	Sales use of the Internet	66
9.	Traditional Mass Media Model of One-to-Many Marketing Communication	68
10.	New Model of Marketing Communication for the Web	68
11.	Age, South African Internet Users	70
12.	Age, SA Population	70
13.	Gender, South African Internet Users	71
14.	Location, South African Internet Users	72
15.	Education, South African Internet Users	73
16.	Work Status, South African Internet Users	73
17.	Income, South African Internet Users	74
18.	Disposable Income, South African Internet Users	75
19.	Leisure Activities, South African Internet Users	75
20.	Marital Status, South African Internet Users	76
21.	Online Relationships, South African Internet Users	77
22.	Perceptions of online relationships, South African Internet Users	77
23.	Frequency of Use, South African Internet Users	78
24.	Reasons for Use, South African Internet Users	79
25.	Online Advertising, South African Internet Users	79
26.	Online Shopping, South African Internet Users	80
27.	Motivations for getting online	84
28.	Time spent online by activity	83
29.	Motivations for first online purchase	85

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30.	Category of first online purchase	85
31.	Incidence of online purchasing problems	86
32.	Impact of failed purchase attempts	87
33.	The deepening of trust	94
34.	Establishing a trusting relationship	94
35.	Comparison of the Building Blocks of Trust	95
36.	Building Blocks ranked in order of importance	162
37.	Age of the respondents	168
38.	Location of the Respondents	169
39.	Gender Profile of the Respondents	170
40.	Monthly Disposable Income of the Respondents	171
41.	The Marital Status of the Respondents	172
42.	Respondent's Experience Using the Internet	173
43.	Respondent's Internet Usage	173
44.	Percentage of Respondents who have Shopped Online	174
45.	Products Most Frequently Purchased on the Internet	175
46.	Services Most Frequently Consumed on the Internet	176
47.	Frequency of Online Shopping	177
48.	Reasons for Shopping Online	178
49.	Criteria for Choosing an Online Retailer	179
50.	Concerns Dealing with an Online Retailer	180
51.	Online Shopping Problems Experienced	181
52.	Reasons for Not Shopping Online	182
53.	Reasons to Start Shopping Online	183
54.	Respondent's Overall Perception of Trust in e-Commerce	184

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55.	The Building Blocks Graphically depicted on the Importance Scale	189
56.	Respondent's General Awareness of Seals of Approval	200
57.	Respondent's General Perception of Seals of Approval	201
58.	Impact of a Seal of Approval	202
59.	Elements of a Seal Programme that Impact on Trust	204
60.	Visual Elements of a Seal that Impact on Trust	204
61.	Building Trust in e-Commerce, A conceptual model	243
62.	Online purchasing penetration	A33
63.	Opportunities to stimulate online purchasing	A34
64.	Ten commandments for pleasing the online consumer	A35
65.	Checklist for online retailers	A36
66.	Myths and realities of electronic commerce	A30
67.	The building blocks of trust	A37
68.	Familiarity of Web based brands (1)	A41
69.	Familiarity of Web based brands (2)	A42
70.	Familiarity of Web based brands (3)	A43
71.	Establishing a new security model	A38
72.	OECD Selected Industry Self Regulatory Initiatives	A40
73.	Security concerns	A47
74.	The language of cyber crime	A48
75.	Money spent on security technology	A49
76.	A model to understand e-Commerce Trust	A50
77.	Development of trust for Web sites	A51

## **Glossary**

<b>b2b</b>	business to business
<b>b2c</b>	business to consumer
<b>e-business</b>	a broader description of e-Commerce which typically includes enterprise-wide resources and capabilities
<b>e-Commerce</b>	short form for: electronic commerce
<b>e-Form</b>	a survey format that is completed and administered electronically
<b>FAQs</b>	Frequently Asked Questions
<b>hybrid online retailer</b>	a retailer who operates both in the physical and the online environments
<b>IT</b>	Information Technology
<b>PKI</b>	Public Key Infrastructure
<b>pure play online retailer</b>	a retailer who exclusively operates on the Internet and has no physical retailing infrastructure, i.e. shops or outlets
<b>SET</b>	Secure Electronic Transactions
<b>URL</b>	Uniform Resource Locator, an address on the Internet
<b>WWW</b>	the World Wide Web

# **CHAPTER 1**

## ***Introduction, Problem Definition and Objectives***

# **1. INTRODUCTION**

The Internet, commonly abbreviated as the 'Net', is the largest and most widely used computer network in the world. It consists of thousands of networks around the world and is a gateway to a literal treasure trove of information and services. It represents an efficient medium for accessing, organising, and communicating information.

Electronic commerce, or commerce on the Internet, has experienced rapid growth during its infant years. Forrester Research (2000) estimated that online sales in the U.S. amounted to US\$7.8 billion in 1998 and predict that e-commerce could reach US\$108 billion by 2003. While this would still amount to under 5% of all US retail sales in 2003, it would represent a dramatic increase in Internet retailing. Similarly, from a South African perspective new results from Internet research company Webchek indicate that South African shoppers are also embracing the Web, with 95% of local online consumers planning to return to the Net for further purchases, boding well for the future of online shopping in South Africa.

Internet shoppers appear to be attracted to the ease with which they can find products online, due to the detailed product information available and the variety of choices offered. Because of the relative ease of vendors setting up an Internet based shop, myriads of smaller retailers have embraced the Internet. However, with the proliferation of online retailers, sellers are having large difficulty differentiating and distinguishing their products and services from their competitors', especially those of unscrupulous online retailers. Additionally, despite the explosive growth of e-commerce and the rapidly increasing number of consumers who use interactive media for both, pre-purchase information search and online shopping, very little is known about how consumers make purchase decisions in such settings.

As the Internet develops and matures, its success will largely depend on gaining and maintaining trust of visitors (Cheskin, 1999). This will be paramount to sites that depend on consumer commerce. The lack of user confidence in e-commerce transactions is the greatest inhibitor obstructing the growth of e-commerce.

Similarly, according to Hoffman and Novak (1998), the real reason consumers aren't yet shopping online in large numbers – or giving Web sites information in exchange for access to information – has to do with a fundamental lack of faith between most businesses and consumers on the Web today. In essence, consumers do not trust most Web providers enough to shop online. Thus, the concept of trust in e-commerce is crucial because it affects a number of factors essential to online transactions, including security and privacy. Without trust, the development of electronic commerce cannot reach its potential.

It is therefore important to identify the factors which communicate and build trust and trustworthiness in computer mediated environments, in their entirety. Their interrelations and interactions need to be understood, and their relative importance determined. Understanding the roles of these different factors is likely to allow online merchants to ease consumers' concerns, and could hasten the maturation of Internet retailing.

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## **2. PROBLEM DEFINITION AND OBJECTIVES**

### **2.1 The Marketing Problem**

To be successful on the Internet, online retailers have to perform numerous tasks: from designing appealing, fast and functional Web sites on the front-end or customer interface, to providing effective solutions on the back-end, such as transactional security, order fulfilment, payment processing and database integration. These initiatives tend to be very expensive and time consuming, if carried out at a professional level, and may be in vain if consumers do not trust either the online retailer or the online transactional environment. While consumers may use the Internet to obtain specific product information, they may not go further to actually shop on the Internet, due to their lack of trust. The issue of trust is therefore of great importance to online retailers, as creating, developing and maintaining trust in e-Commerce is likely to result in greater customer loyalty and profitability.

### **2.2 The Marketing Objective**

To create, develop and maintain trust and trustworthiness in e-commerce and online transactions, to communicate elements of trust effectively in order to motivate Internet shoppers to engage in electronic transactions, and to increase the loyalty and profitability of customers who are shopping on the Internet.

## **2.3 The Research Problem**

The concept of trust and trustworthiness, both in the e-Commerce and in the traditional context, is a complex concept consisting of many issues in online buyer-seller relationships, as well as the sociological foundations of trust, trustworthiness, and credibility. The research will therefore draw on a number of issues and concepts surrounding the general trust concept, as well as Internet and electronic commerce related issues, to ultimately explain how to develop and build trust in e-Commerce. For the purpose of this research these issues and concepts shall be referred to as the 'building blocks' of trust in e-Commerce throughout the study.

## **2.4 The Research Objectives**

### **2.4.1 The Primary Research Objectives:**

- To determine the building blocks, transactional, technological, or graphical, that are important for creating and developing trust in e-Commerce
- To determine the relative importance of the building blocks for creating and developing trust in e-Commerce
- To assess the influence of other variables on the building blocks of trust in e-Commerce, which have a relationship with the building blocks
- To develop a conceptual model of trust in e-Commerce, incorporating the building blocks of trust in e-Commerce

### **2.4.2 The Secondary Research Objectives:**

- To provide an overview of the traditional trust concept, including the sociological definitions of trust, trustworthiness and credibility
- To identify the traditional functions of trust
- To assess the relevance of the traditional trust concept for modern societies
  
- To determine the profile of the typical South African Internet user
- To establish the general perception of e-Commerce among South African Internet users
- To determine the biggest risks consumers perceive about shopping on the Internet
- To identify the problems consumers experience shopping on the Internet
- To determine the reasons why consumers choose not to shop on the Internet, despite having Internet access
- To investigate the factors that motivate offline shoppers to start shopping on the Internet
  
- To assess the relevance of the traditional trust concept for trust in e-Commerce
- To determine the importance of trust to successful e-Commerce
- To assess the extend to which consumers generally have trust in e-Commerce
- To establish consumer's perception of trust in e-Commerce
- To assess consumer's Internet experience as a function of trust in e-Commerce
- To determine the perceived differences between pure play and hybrid online retailers, in the context of trust in e-Commerce

- To determine the role of branding to create and develop trust in e-Commerce
- To determine the most appropriate approach of building trust in e-Commerce, between government regulation and industry self regulation
  
- To determine the awareness of seal of approval programmes among South African Internet users, in the context of trust in e-Commerce
- To determine the benefits of using seals of approval
- To determine the applicability of using Seals of approval to create and develop trust in e-Commerce

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### **3. SCOPE OF THE STUDY**

This study is undertaken on a relatively nation-wide basis, as the focus is on building and developing trust in e-Commerce in the South African marketplace. Building and developing trust in e-Commerce is a complex issue in both the traditional trust environment as well as in the online environment. The online trust building process encompasses numerous subjects, such as consumer behaviour, marketing, sociology, economics, and information technology.

As this study primarily examines issues within the broader business environment, further investigations into the psychological and cognitive components of trust, as well as the technical aspects of information technology and computer science have not been undertaken in greater depth. Finally, although developing trust in e-Commerce is also of importance in the business-to-business segment, this study aims to uncover the processes and building blocks for developing trust in e-Commerce between companies and final consumers.

#### **3.1 Organisation of the Study**

This thesis begins by presenting the research methodology. The research methodology explains the method of primary and secondary data collection, i.e. the qualitative research (in-depth interviews), the quantitative research (mail questionnaires) and the literature review. It explains how qualitative and quantitative information were gathered, processed and analysed.

Then, an extensive literature review is presented, which covers in detail issues of the traditional trust concept, the Internet and electronic commerce in general, and then trust in e-Commerce.

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After the literature review, the revised objectives of the study are presented. The initial objectives of the problem definition and objectives section were revised based on the information and findings gathered from the literature review. They guide the further qualitative and quantitative research and are individually assessed in the later part of the study.

The qualitative research findings are then presented. The findings of the in-depth interviews conducted are depicted in a table format and are presented in a question by question summary. Additionally the findings of a survey dealing with the general building blocks of trust in e-Commerce are analysed and presented. The quantitative data is then analysed and the findings put forward.

Finally, conclusions are drawn, the findings relating to each of the revised objectives of this study are stated, and recommendations are made, presenting the conceptual model for building trust in e-Commerce.

## **4. LIMITS OF THE STUDY**

### **4.1 Qualitative Industry Expert Interviews**

There only exist few professionals with sufficient knowledge and experience of the research topics under review in South Africa. Qualitative interviews with industry experts were limited to a duration of one hour, as these industry experts have only a restricted amount of time available. Additionally, the industry experts are located in different parts of South Africa, which may have restricted the level of detail and depth of information gathered.

### **4.2 Financial Restrictions**

Ernst and Young is covering basic operational costs, such as postage, printing, binding and air travel. The researcher made allowances for additional costs. The available budget is to provide for the set-up of the mail survey, telephone, transport, photostatting and other necessary costs. Nevertheless, the financial resources are limited, which may place restrictions on the amount of information gathered.

### **4.3 Geographic Area**

Due to the fact that that time and financial restrictions limit the exploration of information from as many geographic locations as possible, the bulk of the qualitative research is conducted in the Gauteng and Cape Town area. This may restrict the amount of information gathered. Limiting the qualitative information collection to this specific geographic area could result in a bias in the findings, should one exist in the information.

#### **4.4 Statistical Sampling Error**

The research is limited in terms of sampling errors relating to the statistical techniques of the chi-squared distribution, discriminant analysis, factor analysis and correspondence analysis.

#### **4.5 Language**

The researcher's language proficiency is limited to English. Although all population groups are included in the mail survey, it has to be taken into account that it may be more difficult for people, who are not proficient in the English language, to understand the questions and respond fully and accurately.

#### **4.6 Seals of Approval**

For the purpose of this research the various seals of approval programmes and other industry self-regulated initiatives were treated generically, i.e. there is no distinction between the various kinds of seal of approval programmes. Distinguishing between various kinds of seals of approval programmes for building and developing trust in e-Commerce is beyond the scope of this study. It must however be kept in mind that there are differences in the seals' underlying programmes and that some seal of approval programmes are generally more effective to communicate trust in e-Commerce than others.

## **4.7 Linearity of the Conceptual Model of Trust in e-Commerce**

To better describe and explain the conceptual model of trust in e-Commerce a linear process has been followed that logically maps out the capabilities and processes which lead to developing and building trust in e-Commerce. It should be noted that, due to the complexity of trust in general and e-Commerce in particular, the online trust building process does not necessarily follow such a linear approach. This should be kept in mind when applying the conceptual model of trust in e-Commerce.

## **4.8 Trust in e-Commerce Issues**

Some assumptions around the trust in e-Commerce concept were made to be able to explain the online trust building process better. First, it is assumed that the online trust building concept centres around conducting electronic transactions, i.e. for the purpose of this discussion trust in e-Commerce is largely a function whether a person is likely to buy products on the Internet, or whether the lack of trust inhibits conducting online transactions. Second, trust is dealt with at an aggregate level and does not deal with an individual's requirements of trust or even trust related irrational behaviour of individuals. And lastly, the trust in e-Commerce building process is confined to business-to-consumer electronic commerce. These assumptions may restrict the level of detail and complexity of mapping out the online trust building process.

## **CHAPTER 2**

# ***Research Methodology***

University of Cape Town

## **1. INTRODUCTION**

Both primary research and secondary research have been conducted. Primary research is original research, which is carried out by the author, whereas secondary research is the examination of data gathered outside the study at hand, by different authors.

## **2. PRIMARY DATA COLLECTION**

### **2.1 Qualitative Research**

The aim of qualitative research, or exploratory research, is to gain insights and an in-depth understanding of the problems being researched.

#### **2.1.1 In-depth Interviews**

In-depth interviews attempt to gain information from individuals who have relevant experience and knowledge in the specific field being researched. Sixteen in-depth interviews were conducted with experts in the Internet and electronic commerce field. The industry experts, in the order in which they were interviewed are:

Mr Elred Lawrence	Technology Manager, Pick 'n Pay HomeShopping Services
Mr Andrew Heathcote-Marks	Independent Business Consultant specialised in e-Business
Mr Russell Atkins	Marketing Manager, iAfrica.com Internet Service Provider
Mrs Sandra Graham	e-Commerce Marketing Manager, Sanlam Personal Finance
Mrs Simone Green	Internet Strategist, Ogilvy & Mather Interactive

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Mrs Andrea van der Merwe	e-Business Consultant, Deloitte & Touche Consulting
Mr Andrew Hardie	Director of e-Business, KPMG Consulting
Mr Rowan Bouver	e-Business Manager, ABSA Bank
Mr Tim Droge	Managing Director, Peppers and Rogers Group (SA)
Mr Mike Bryer	CEO edge1 Technologies, Planet Pastel
Mrs Pertu van der Walt	e-Business Consultant, Dimension Data
Mr Alan Barrett	Managing Director, Sequerox Technologies
Mr Dionne Dames	e-Commerce Strategist, Old Mutual Life Assurance
Mr Geoff Lander	Marketing Manager, M-Web ShopZone
Mr Paul Morris	Customer Acquisition and Retention Specialist, kalahari.net
Mr Harry Lewis	Senior IT Specialist, IBM Global Services

For a copy of the discussion guide used during the in-depth interviews, please refer to appendix 2, for the interview transcripts please refer to appendix 3. It should be noted that due to the differences in the respondents' backgrounds and professional environments, a large set of questions was used to attempt to capture as much meaningful information about the research topics under review. The analysis of the in-depth interviews does not necessarily follow the question-by-question structure of the discussion guide. Rather, the information gathered from the 40 questions of the in-depth interviews was summarised, commonalities and differences in the respondents' answers were highlighted, and the key findings were extracted into 24 higher level categories.

## **2.2 Quantitative Research**

Quantitative research, or descriptive research, helps to unveil the frequency with which something occurs, or the relationship between two variables. The data produced by quantitative research may be applied to the whole population with reasonable reliability.

### **2.2.1 The Data Collection Approach**

Of the various data collection methods, the mail questionnaire survey was used to gather the quantitative data. This data collection approach is well suited to gather information from respondents who are geographically widely dispersed. Personal interviews had to be ruled out, because it was aimed to gather information from respondents who come from all over South Africa; personal interviews would have limited the research to a specific region that can be covered by the researcher. Similarly, a telephone survey, conducted on a nation-wide basis, would have been too expensive and time consuming to conduct.

### **2.2.2 The Data Source**

4000 mail questionnaires were sent out to people throughout South Africa, who were randomly selected from the database of HomeChoice. With over 8 million entries, covering multiple age groups, population groups and geographical regions, the database of HomeChoice is a well suited sample frame, for the purpose of this study, to conduct a mail questionnaire on a nation-wide basis.

### **2.2.3 The Data Collection Method**

The mail questionnaire is a self-administered questionnaire. Therefore, there is a need for clear instructions and brevity. The questionnaire has been designed in a structured and undisguised way. A structured questionnaire provides fixed answers and a high degree of standardisation. Respondents were asked to tick boxes at places where it seemed relevant for them. A structured-undisguised format was chosen to facilitate the practical need for brevity and it also makes the coding and analysis of the data easier. Each questionnaire was accompanied by a cover letter and a postage-paid reply envelope, which contained only the researchers details.

### **2.2.4 Target Population and Sampling Method**

The target population is broadly defined as all those people who have access to the Internet and are Internet users, or those who have sufficient knowledge about the Internet and electronic commerce. The population was divided into a stratified sample, consisting of 60% randomly selected male respondents (2 400) and 40% randomly selected female respondents (1 600). A stratified sample was used to ensure reliability, because men dominate the Internet in South Africa in approximately a 60:40 proportion to female Internet users.

### **2.2.5 The Data Collection Form**

The questionnaire has been designed to investigate four categories of information. The first category (questions 1 and 2) aims to find out information relating to the respondents general Internet usage. These questions were used to identify the respondents level of Internet skill and experience.

The second section of the questionnaire (questions 3 to 10) examines the respondent's online consumer behaviour, their concerns and perceptions of online retailers, if they have or haven't yet shopped on the Internet, and their experiences with online retailers, if they have already shopped on the Internet.

The third section of the questionnaire (questions 11 to 21) aims to ascertain the respondent's perception towards trust in e-Commerce. This section also aims to investigate the underlying factors, or building blocks of trust in e-Commerce and the potential of seals of approval to help communicate trust in e-Commerce.

Lastly, the fourth section of the questionnaire captures the demographic data of the respondents. For a copy of the questionnaire used in the quantitative research please refer to appendix 1.

### **2.2.6 The Data Analysis**

In order to analyse the data gathered, the following procedure was used:

- Data preparation, which includes editing, coding and tabulation
- Preliminary data analysis, and
- Data analysis.

- **Data Preparation**

Editing, coding and tabulation are essential for preparing the data for the analysis stage. Before editing, questionnaires were checked to identify partially answered and incomplete questionnaires. Then, a thorough edit involved the review and rectification of all data. Specific attention was given to incomplete answers and answers which were clearly misinterpreted by the respondents. After the editing stage, the questions were coded, i.e. assigning numeric values to text entries. This involved the arranging of data in a structured way. Then, the data obtained in the questionnaires was captured into a MS-Excel spreadsheet. During and after the data capturing the data was checked thoroughly (data cleaning) in the MS-Excel spreadsheet, before it was transferred to the statistical programme Statistica.

- **Preliminary Data Analysis**

Before the actual data analysis, a preliminary data analysis was performed, which includes descriptive statistics, frequency counts and cross tabulations. Descriptive statistics allow the researcher to gain an 'overview' over all data collected, by showing minimum and maximum values as well as valid entries of each variable. Frequency counts allow the researcher to examine mean, mode and median answers, and cross tabulations aid to uncover the relationship between two variables.

- **Data Analysis**

The type of data collected, the research design and the assumptions relating to the statistical techniques, all influence the choice of statistical method used to analyse the data.

The software package Statistica was used by the researcher to facilitate the analysis process. The questionnaire was designed to perform the following statistical analyses:

- **Correspondence Analysis**

This is a technique which enables the researcher to display similarities between two groups of variables on a perceptual map. Correspondence analysis was used to determine the similarities between the respondents demographic profile (e.g. age, gender, income) and various other variables, such as Internet usage and perceptions towards trust in electronic commerce.

- **Discriminant Analysis**

This technique helps to identify attributes which best discriminate between objects from different groups. Discriminant analysis was used on questions relating to perceptions towards using seals of approval to communicate trust in e-Commerce, as well as perceptions towards trust in e-Commerce (both either favourable or unfavourable).

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## **3. SECONDARY DATA COLLECTION**

### **3.1 Literature Review**

A thorough literature review was conducted to gather secondary data. Due to the fact that secondary data is information gathered not for the immediate study at hand, but for some other purpose, the information was examined for accuracy and fit. The aim of the literature review was to gain a better understanding of current debate and issues surrounding trust in e-Commerce, of the development of the Internet and electronic commerce, and of the traditional trust concept.

For this purpose the literature review covers articles from trade journals, academic journals, books and articles published on the Internet. Due to the rapid development of the Internet and the computer industry as a whole, it was aimed to gather literature dealing with the Internet and trust in e-Commerce not older than three years, to avoid presenting facts which do not accurately reflect the current debate and technological standards surrounding e-Commerce and particularly trust in e-Commerce.

## **CHAPTER 3**

### ***Literature Review***

University of Cape Town

## **INTRODUCTION**

The following literature review is organised into five main sections. The first section serves to erect a theoretical platform for the study, by providing detailed information about the sociological foundations of trust and related theoretical concepts. The second section provides a brief overview of the Internet, electronic commerce, and online consumer behaviour. Also in this section, the most important findings of recent South African Internet user surveys are presented. The third section then deals with the core topic under review, namely 'Trust in e-Commerce'. In this section the findings of seven of the most credible and current resources dealing with the topic under review are presented and compared. In the fourth section, some tentative conclusions are drawn on the basis of the preceding sections. Finally, the fifth section then presents the revised research objectives, which are based on the gathered information and findings of the literature review. The revised research objectives guide the primary data collection processes in the later parts of the study.

The literature review should therefore give sufficient background and information for the ensuing study about building and developing trust in e-Commerce.

# **1. TRUST – A SOCIOLOGICAL THEORY**

## **1.1 Introduction**

Trust, in the traditional sense, is a highly complex sociological concept. According to Good (1988), in the analysis of trust, we are inevitably drawn to the complex two-way interrelationships between it, the economic and political fabric of society, and the individuals who constitute that society. Similarly, trust is a highly problematic but recurrent feature of social relationships (Misztal, 1996). It is argued that trust, often understood in a very vague and unsystematic way, shapes all aspects of human life. Whatever matters to human beings, says Bok (1979), trust is the atmosphere in which it thrives ... when it is damaged the community as a whole suffers; and when it is destroyed, societies falter and collapse.

It is therefore the intention of this first part of the literature review to explain the trust concept and related issues, to define their meanings, and to provide an understanding about the far reaching implications of trust, from both a personal level as well as from society's point of view.

## **1.2 Trust, Trustworthiness and Credibility**

### **1.2.1 Trust Defined**

Trust has many connotations. The oldest one relates this notion to faith or the confidence in a supernatural Power on which man feels himself dependent (Encyclopaedia of Religion and Ethics, Morgan 1912). Trust of this kind is present in all religious beliefs since to trust God as the source of salvation is an essence of every religion (Misztal, 1996). In a modern context, there may be situations when we have to act in spite of uncertainty and risk: an orientation

comes to the fore, that of trust (Szompka, 1999). Trusting becomes the crucial strategy for dealing with an uncertain and uncontrollable future. Trust so understood is a simplifying strategy that enables individuals to adapt to complex social environments, and thereby benefit from increased opportunities (Earle and Cvetkovich, 1995). Trust is particularly relevant in conditions of ignorance or uncertainty with respect to unknown or unknowable actions of others (Gambetta, 1998). Then it becomes in fact indispensable. According to Hardin (1993), with a complete absence of trust, one must be catatonic, one could not even get up in the morning.

A more technical definition is given by Seligman (1997), who states that trust is a form of belief that carries within it something unconditional and irreducible to the fulfilment of systematically mandated role expectations. In contrast to the Latin meaning of 'fides', which implies the certainty of remuneration, a certainty based most often on ascriptively defined loyalties, the unconditionality of trust is first and foremost an unconditionality in respect to alter's response.

Acting in uncertain and uncontrollable conditions, we take risks, we gamble, we make bets about the future uncertain, free actions of others (Szompka, 1999). Thus we have arrived at the simple, most general definition of trust: Trust is about the future contingent actions of others. Similarly, the Oxford Dictionary (Oxford University Press, 1998) defines trust in general as a firm belief in the confidence, reliability or truth or strength etc. of a person or thing. In this definition, trust to a large extent merges with the idea of confidence, which expresses a firm trust. The main difference between trust and confidence is connected with the degree of certainty that we attach to our expectations (Misztal, 1996). Further pursuing the Oxford English Dictionary's definition of trust, we discover that from an economic perspective trust is identified as confidence in the ability and intention of a buyer to pay at a future time for goods supplied without present payment. This definition points out that trust

is an underlying feature of a specific exchange relationship: it is not a barter exchange, where face to face transaction takes place without any time delays (Misztal, 1996). Furthermore, it is not a monetary market exchange, where buying and selling is based on common trust in money as the medium of transaction. Anderlini and Sabourian (1992) describe this kind of relationship as a 'credit' type of exchange in which trades trust each other. In this light, trust can be defined as a set of expectations shared by those in the exchange, and different types of exchange can be identified according to the level of trust present within the relationship (Zucker, 1986).

Good (1988) states that trust is based on an individual's theory as to how another person will perform on some future occasion, as a function of that target person's current and previous claims, either implicit or explicit, as to how they will behave. In another meaning trust involves commitment through action, or metaphorically speaking, placing a bet. In this sense, trust is the correct expectation about the actions of other people that have a bearing on one's own choice of action when that action must be chosen before one can monitor the actions of those others (Dasgupta, 1988).

Elster (1989) discusses two types of trust. The first amounts to the ability to make credible promises, while the second type introduces a concept of trust in a wider sense by viewing trust as a part of a code of honour. From the second perspective, trust is seen as a broader concept than credibility because it includes a belief that the other party will act honourably even under unforeseen circumstances not covered by contract or promises (Elster, 1989).

A definition of trust in the context of expectations is given by Lewis and Weigert (1985) in their attempt to conceptualise trust as a multi-faceted phenomenon. They distinguish three dimensions of trust: cognitive trust, emotional trust and behavioural trust. According to Lewis and Weigert (1985) trust is based, firstly, on a cognitive process which discriminates

among persons and institutions by classifying them into trustworthy, distrusted and unknown categories. Secondly, it is based on an affective component which consists of an emotional bond among all those who participate in the relationship and which is underwritten by social actions. By including the behavioural content of trust – that is, the undertaking of a risky course of action – this sociological conceptualisation of trust does not allow one to see trust as a continuous state and it excludes inaction (Lewis and Weigert, 1985). Misztal (1996) sums it up by saying, in short, the content of expectations is a combination of different kinds of meaning and a variety of shared understanding, which actors develop within their specific relationships.

### **1.2.2 Trustworthiness Defined**

In a comparison between interpersonal trust and trustworthiness, Wrightsman (1992) states that although interpersonal trust and trustworthiness seem to overlap to some degree, there are differences between the two. Interpersonal trust deals with the credibility of specific people, groups, or institutions regarding specific actions – actions that have an influence upon the respondent. Trustworthiness, on the other hand deals with beliefs about people and about actions that may or may not directly affect the respondent. Thus, the two concepts are probing the same theoretical field, but each draws on a somewhat different aspect on that field. Wrightsman (1992) further states that the first dimension of a personal philosophy of human nature is trustworthiness versus untrustworthiness, or the extent to which one believes that people are basically trustworthy, moral, and responsible as opposed to believing that people are untrustworthy, immoral, and irresponsible.

In another definition, trustworthiness is the capacity to commit oneself to fulfilling the legitimate expectations of others, and is both the constitutive virtue of, and the key causal precondition for the existence of any society (Dunn, 1984).

According to Gambetta (1988), it is possible to claim on the one hand that a person is untrustworthy and on the other that he can be trusted to do what he said he would on a given occasion. This is because on this occasion he may have the right incentive. In this sense 'trustworthiness' concentrates on a person's overall disposition, his motivation, the extent to which he awards importance to his own honesty.

### **1.2.3 Credibility Defined**

According to Misztal (1996), the concept of trust, seen as a social lubricant, which facilitates co-operation, is closely related to the notion of credibility, which - by enhancing the probability of carrying out promises and threats - promotes co-operation but may also promote violence. Hence, credibility is so more an ambiguous concept than trust, which is more desirable on all levels since it does not promote violence but solely fosters co-operation (Misztal, 1996). According to Elster (1989), under some conditions, namely, when long-term self-interest is involved, credibility and trust might bring about the same outcome.

Credibility is the extent to which the recipient sees the source as having relevant knowledge, skill, or experience and trusts the source to give unbiased, objective information (Belch and Belch, 1990). Obviously, organisations seen to have expertise and knowledge are likely to be looked upon more favourably than those who haven't. One means to achieve source credibility on this basis is to use accepted experts in the field to endorse a product or service (O'Malley et. al., 1999).

What integrates all the above definitions of trust, trustworthiness and credibility is their common emphasis on the importance of several properties of trust relationships. The main common characteristic of trust, using Webster's Third New International Dictionary, is its dependence on something future or contingent, confident anticipation. The trust features are

thus derived from the contingency of social reality and they require a time lapse between one's expectations and the other's actions (Misztal, 1996).

### **1.3 What Trust Is**

In a comparison of familiarity and trust, Luhmann (1988) states that familiarity is an unavoidable fact of life; while trust is a solution for specific problems of risk. For Gambetta (1988), trust is based on reputation and that reputation has ultimately to be acquired through behaviour over time in well-understood circumstances, distinctions between actions and message transmission, between legal contracts and implicit understandings, are of any analytical moment for the problem at hand.

The sociological literature conceptualises trust as either the property of individuals, the property of social relationships, or the property of the social system explained with attention to behaviour based on actions and orientations at the individual level. The first approach puts emphasis on feelings, emotions and individual values (Misztal, 1996). Trust is seen as a function of individual personality variables (Deutsch, 1958). In the second approach, trust is seen more as a collective attribute, and is thus applicable to the institutional fabric of society; and the third approach sees trust as a valued public good, sustained by actions of members of a given society (Misztal, 1996). Following this, it can be said that an adequate conceptualisation of trust as a sociological notion, aimed at bridging the interpersonal and the systematic levels of analysis, should see trust as a social mechanism, that is a specific causal pattern that can be recognised after the effect but rarely foreseen (Elster, 1993).

According to Gambetta (1988), trust may increase through use, for if it is not unconditionally bestowed it may generate a greater sense of responsibility at the receiving end. When we say: "I trust you", we express both a belief in and an encouragement to commitment by the

trust we place in the relationship (Mutti, 1987). Conversely, if behaviour spreads through learning and imitation, then sustained distrust can only lead to further distrust (Gambetta, 1988). Trust, even if always misplaced, can never do worse than that, and the expectation that it might do at least marginally better is therefore plausible.

Sometimes it may pay to take the risk of blind trust. In such a case trust is predicated not on evidence, but on the lack of contrary evidence (Gambetta, 1988). It may be functional, as it may elicit responsibility, the obligation to reciprocate and improve the trustworthiness of the partner (Sztompka, 1999). The mere fact that someone has placed trust in us makes us feel obligated, and this makes it harder to betray that trust (Dasgupta, 1988). According to Sztompka (1999), in this way, trusting may make the trusted trustworthy.

Gambetta (1988) sums up various definitions of trust and states that trust (or symmetrically, distrust) is a particular level of the subjective probability with which an agent assesses that another agent or group of agents will perform a particular action, both before he can monitor such action (independently of his capacity ever to be able to monitor it) and in a context in which it affects his own action. When we say we trust someone or that someone is trustworthy, we implicitly mean that the probability that he will perform an action that is beneficial or at least not detrimental to us is high enough for us to consider engaging in some form of co-operation with him.

This definition circumscribes the focus of our interest in trust in the following way: it tells us that trust can be seen as a threshold point, located on a probabilistic distribution of more general expectations, which can take a number of values suspended between complete distrust (0) and complete trust (1), and which is centred around a mid-point (0.5) of uncertainty (Gambetta, 1988).

### **1.3.1 Trust as Habitus**

According to Misztal (1996), trust as habitus is a mechanism deployed to sustain the predictability, regularity and legibility of the collective order. To make coherence and necessity out of accident and contingency, trust as habitus operates through rules of interaction, rules of distanciation and rules of remembering (Misztal, 1996).

A different approach to trust as habitus treats it as a personality drive, a quality of a truster rather than of the relationship between the truster and the trustee. This is typical of the psycho-social perspective (Sztompka, 1999). A number of authors assume that there is basic trust, or the trusting impulse, or fundamental trustfulness, which appear as products of successful socialisation in the intimate, caring climate of healthy families (Giddens, 1991). According to Sztompka (1999), this propensity to trust may later be enhanced by happy life experiences with well-placed, mutual, reciprocated trust. Once it is implanted, basic trust becomes emotionally flavoured. Barbalet (1996) includes it among basic social emotions: confidence, trust and loyalty are emotions which constitute the bases of social life.

### **1.3.2 Cohesive Trust**

In the context of cohesive trust, trust is based on familiarity, bonds of friendship and common faith and values (Misztal, 1996). Trust here takes on the connotation of passion, out of which motive and belief arise and trust is seen here as operating through internalisation and moral commitment (Misztal, 1996). As a device for coping with other people's authenticity, trust can here be identified as an affective condition, linked to expectations of others' future action (Dunn, 1993).

According to Sztompka (1999), even though trust is initially a unilateral expectation and unilateral commitment, eventually it always results in a relationship: direct or indirect exchange. It is a direct exchange when the act of placing trust evokes reciprocity, that is,

results in returning an entrusted object, or paying back with mutual trust. But there may also be an indirect exchange, when trust is a projected orientation toward others, whose actions are important for me, but who are not aware of my trust and respond only unwittingly by acting in ways that meet my expectations, by satisfying my needs, or realising my goals (Sztompka, 1999).

### **1.3.3 Collaborative Trust**

Collaborative trust is defined as a device for coping with the freedom of others (Misztal, 1996). Its function here is to foster co-operation. As Williams (1988) argues, the mechanisms which motivate co-operation consist of four basic elements: coercion, interests, values and personal bonds. However, a system in which people decide to co-operate only for fear of sanctions cannot be described as a co-operative one. Trust can be seen as a mechanism for solving the problem of co-operation only when people co-operate, irrespective of sanctions or rewards (Misztal, 1996).

Similarly, Sztompka (1999) states that the most complex systems of trust appear in the situation of co-operation. The importance of trust derives directly from the nature of human beings as social animals who can only satisfy most of their needs by means of co-ordinated and co-operative activities (Benn and Peters, 1977). Co-operation occurs when acting together, collectively, they aim at some common goal, which cannot be attained individually by each of them. According to Sztompka (1999,) in such situations the success of each depends on the actions taken by all others. This significantly enhances the uncertainty and risk, as this is multiplied by the number of partners, each of whom is a free and principally unpredictable agent. Therefore trust acquires particular importance (Sztompka, 1999). Trust is the precondition for co-operation, and also the product of successful co-operation. As some authors put it, trust is a lubricant of co-operation (Dasgupta, 1988), or trust is the emotional basis of co-operation (Barbalet, 1996).

The three forms of trust, namely habitus, cohesive and collaborative trust, and their respective properties, are briefly summarised in the following table:

Order	Trust	Practice
Habitus	Stable	Habit Reputation Memory
Cohesive	Passion	Family Friends Society
Collaborative	Policy	Solidarity Toleration Legitimacy

Figure 1: Trust forms and practices (Misztal, 1996)

## **1.4 Development of Trust**

Dasgupta (1988) notes that for trust to be developed between individuals they must have repeated encounters, and they must have some memory of previous encounters. Moreover, for honesty to have potency as a concept there must be some cost in honest behaviour. And finally, trust is linked with reputation, and reputation has to be acquired. Furthermore, Gambetta (1988) notes that trust is based on reputation and that reputation has ultimately to be acquired through behaviour over time in well-understood circumstances, distinctions between actions and message transmission, between legal contracts and implicit understandings..

From an economic point of view, the development of trust is presented by Granovetter (1985) and Wolfe (1989). According to Granovetter (1985), the main factors responsible for the production of trust in economic life are social relations and the obligations inherent in them. Wolfe (1989) argues that individuals create their moral rules – that is, mutual obligations – through the social interactions they experience with others. He further states

that we are not social because we are moral; we are moral because we have reputations to protect, co-operative tasks to carry out, legacies to leave, others to love and careers to follow. In this context, people's mutual obligations towards one another are the fruit of the collective rewards of interaction (Misztal, 1996).

Erikson's (1963) psychosocial theory of trust postulates that as people develop their own identity and integrate their own life cycles with those of others, they must pass through several stages or crises. The first of these stages Erikson has termed 'basic trust versus basic mistrust'. Erikson defines basic trust as a general sense of the correspondence between one's needs and one's world, whereas basic mistrust is a readiness for danger or an anticipation of discomfort. Trust, in Erikson's sense, goes beyond a trust of specific other persons and encompasses a trust of life itself that forms the basis in a child for a sense of identity which will later combine a sense of 'being all right', of being oneself, and of becoming what other people trust one will become. This distinction between trust of specific persons and trust in life itself seems to correspond to two environmental characteristics that Erikson proposes as important for the development of trust (Wrightsmann, 1992). These characteristics are a trustworthy maternal environment, in which the child develops a sense of mutuality or 'friendly otherness', and a trustworthy social environment, which helps the child develop a sense of the meaning of life.

#### **1.4.1 Empirical Tests of Trust in Young Children**

Stack (1972) set forth to look at the role of caretaker behaviours and of the environmental social structure in determining the degree of trusting behaviour manifested by young children. Because she considered measuring trust in infants too difficult, Stack chose 3-year-old children as the focus of her study. She developed, as a measure of the child's trust, a behaviour rating scale composed of 10 behaviours (ratings on a five point scale from 'Definitely not like that' to 'Very much like that all the time'):

- (1) a peaceful and untroubled person
- (2) incapable of absorbing frustration; everything seems to frustrate child
- (3) accessible to new ideas
- (4) can't share things with anybody
- (5) imperturbable optimist
- (6) never gets what he/she really wants
- (7) pessimistic, little hope
- (8) able to take things as they come
- (9) basic mistrust of other people
- (10) deep, unshakeable faith in self

According to Wrightsman (1992), Stack found that the more trusting children – as identified by the rating scale – displayed more pleasure in interpersonal relations and a more advanced level of language development than did the other children. Contrary to expectations, they did not exhibit more mature feelings of personal control; neither did they initiate more interactions with others. Once interactions had been initiated, however, the more trusting children were more consistently rewarding to their play partners and displayed a higher rate of interaction with all partners, both adults and children (Wrightman, 1992).

#### **1.4.2 Reflected Trustworthiness**

According to Sztompka (1999), the most important and most common ground for trust is the estimate of the trustworthiness of the target on which we are considering whether to confer trust. There are three bases on which we determine the primary trustworthiness of targets: (1) reputation (the record of past deeds), (2) performance (actual deeds, present conduct, currently obtained results), and (3) appearance (features or cues that may be aesthetically rewarding or repulsive, evoking spontaneous, emotional trust or distrust).

The trustworthiness of various objects of trust may be due not only to their immanent qualities – reputation, performance, or appearance – but also to some features of the

external context in which their actions take place. Sztopka (1999) states that there are some contextual conditions that make the actions of persons or institutions more trustworthy, independent of any other characteristics they may have: (1) accountability of the trustees (the enforcement of trustworthiness, or the presence of agencies monitoring and sanctioning the conduct of the trustee), (2) pre-commitment (trustees purposefully change the context of their own action, making it more rigid and demanding, and forfeiting the usual degree of freedom), and (3) trust-including situations (features of the setting in which the relationship takes place, that exert general facilitating or constraining pressure on the trusters to grant or withdraw trust).

#### **1.4.3 Agential Trustfulness**

Trust may be target-driven, via reflected trustworthiness, or agency-driven, via trusting impulses. It may be hypothetically assumed that the trusting impulse derives primarily from life experiences related to trust (Sztopka, 1999). It is commonly assumed that trustfulness is a personality trait. The contemporary approach refers not to consider such traits as genetically obtained, innate, and immutable, but rather as learned tendencies due to a particular run of life experiences (Sztopka, 1999). Hardin (1993) describes it as: High capacity for trust is a by-product of fortunate experiences.

#### **1.4.4 Trust Culture**

In the same way as the trusting impulse is a product of biography, the trust culture is a product of history (Sztopka, 1999). Culture is not an unbending primordial force, but something shaped continuously by the flow of politics and history (Fukuyama, 1995). Trust culture is a system of rules – norms and values – regulating, granting trust and meeting, returning, and reciprocating trust; in short, rules about trust and trustworthiness (Sztopka, 1999).

For the emergence of a trust culture, Sztompka (1999) identifies macro-societal circumstances, as well as personality syndromes and social moods, and personal and collective resources. The five macro-societal factors Sztompka identifies are:

**(1) Normative Coherence:** (opposite: normative chaos) norms of law, morality and custom, which provide the solid skeleton of social life, and their viable enforcement assures their binding nature

**(2) Stability of Social Order:** (opposite: radical change) network of groups, associations, institutions, organisations, and regimes are long lasting, persistent, and continuous, to provide firm reference points for social life, a feeling of security, support, and comfort; meeting obligations and reciprocating trust becomes not so much a matter of duty, but rather an unproblematic, habitual response

**(3) Transparency of the Social Organisation:** (opposite: organisation's pervasive secrecy) the availability of information about its functioning, efficiency, levels of achievement, as well as failures and pathologies, of groups, associations, institutions, organisations and regimes, provide a feeling of security and predictability

**(4) Familiarity:** (opposite: strangeness of the environment in which people undertake their actions) the feeling of familiarity breeds trust, it provides one with the feeling of security, certainty, predictability, and comfort

**(5) Accountability of other people and institutions:** (opposite: arbitrariness and irresponsibility) with rich, accessible, and properly functioning sets of institutions, setting standards and providing checks and controls of conduct, the danger of abuse is diminished, and the regularity of procedures safeguarded

These five macro-societal factors provide opportunities conducive for making bets of trust. But ultimately, bets are made by people, so their decisions and choices are decisive. Sztompka (1999) identifies the following six personality syndromes or social moods in the context of the trust culture: (1) trusting impulse, (2) activism, (3) optimism, (4) future orientation, (5) high aspirations, and (6) success orientation. Together with personal and collective resources (wealth, secure job, plurality of roles, power, education, social networks, robust family, religious belief), macro-societal and social moods lead to the emergence of a

trust culture. Sztompka (1999) has summarised the social becoming of trust culture in the following diagram:

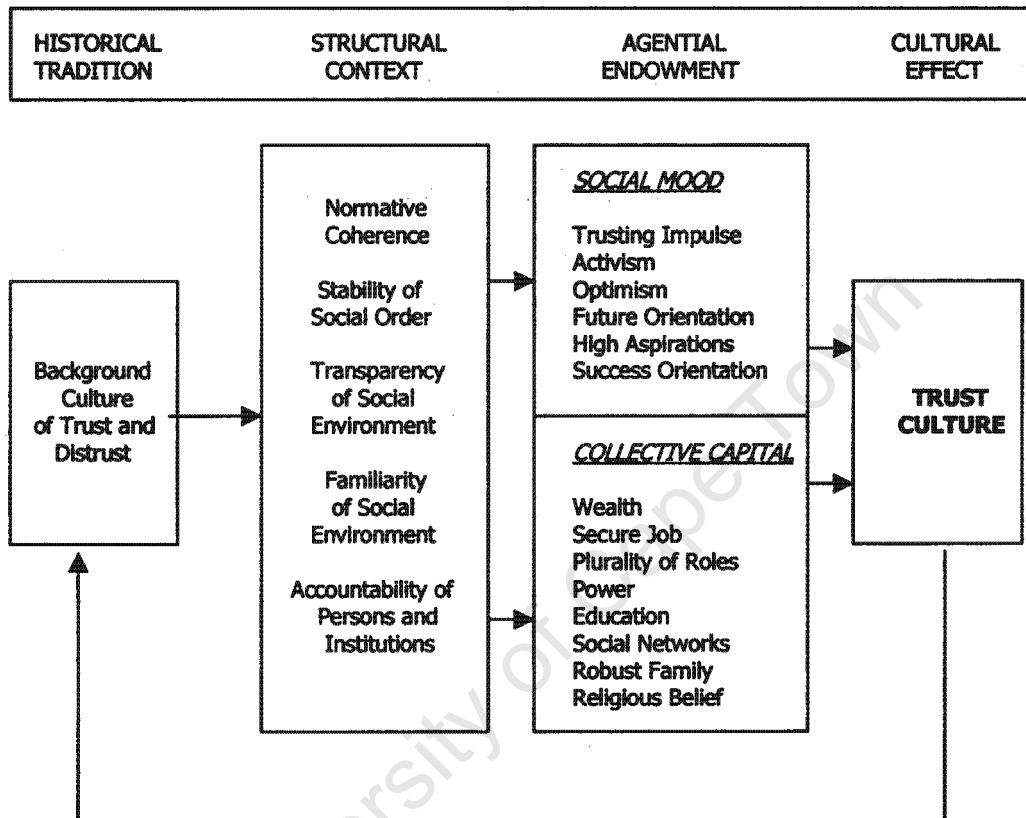


Figure 2: Social becoming of trust culture (Sztompka, 1999)

Although it is assumed that trust is rather difficult to produce at will, many authors search for the conditions which facilitate trust. Among many of these conditions, time and experience are mentioned as critical in deciding whether to trust or not to trust. According to Misztal (1996) we are learning to trust in successive stages, tentatively and conditionally. In economic relationships, a favourable reputation is something which economic agents will be concerned to establish. As Dasgupta (1988) points out, decisions about whether or not one should trust another person depend on that person's reputation. Since building up such a reputation requires not only an investment of resources but also takes time, people with a

good reputation can be trusted, because they would not like to lose this valuable asset (Misztal, 1996).

## **1.5 Trust in Modern Societies**

Giddens's (1991) description of the transition from traditional to modern societies shows how three dynamic forces of modernity, namely:

- (1) the separation of time and space
- (2) the development of disembedding mechanisms, and
- (3) the reflexive appropriation of knowledge

disengaged some basic forms of trust relations from the attributes of local contexts. Modern institutions are grounded in reflexivity and modern individuals, without the guidance of traditional authority, must self-reflexively construct their identities (Misztal, 1996). Consequently, the conditions of trust in pre-modern and modern societies are totally different, with the former based on personal trust secured by kinship, community, religion and tradition, and the latter resting on trust in abstract systems (Giddens, 1991).

According to Dunn (1984) the rationality of trust within particular structures of social and political relations is a pressing issue in political understanding in any society of the modern world. Similarly, men need to trust one another if they are to associate together in the achievement of those objectives which they cannot gain by their own individual action (Parry, 1976). Trust is a social good to be protected just as much as the air we breathe or the water we drink; when it is damaged, the continuity of the whole suffers; and when it is destroyed, societies falter and collapse (Bok, 1979). Similarly, a nation's well-being, as well as its ability to compete, is conditioned by a single pervasive cultural characteristic: the level of trust inherent in a society (Fukuyama, 1995). Seligman (1997) states that any long-range

attempt at constructing a social order and continuity of social frameworks of interaction must be predicated on the development of stable relations of mutual trust between social actors.

In this context one of the major areas where the study of trust has been central, has been the study of modernisation. Seligman (1997) goes further on by saying that the focus on the changing nature of trust in modernising societies is indeed not surprising given the extraordinary importance of a universal basis of trust in modern, democratic societies. The emphasis in modern societies on consensus, the ideology of pragmatism, problem-solving, and technocratic expertise, as well as conflict management (as opposed to ideological fission), are all founded on an image of society based on inter-connected networks of trust – among citizens, families, voluntary organisations, religious denominations, civic associations, and the like (Seligman, 1997).

### **1.5.1 Trust as Prerequisite for Democracy**

Cladis (1992) states that there are some fundamental practices of democracy that cannot and will not be followed without some elementary measure of trust. Pye and Verba (1965) distinguished between two types of political cultures: those built upon the expectation that most people are to be distrusted and, that strangers in particular are likely to be dangerous. Sztompka (1999) asks the question what those democratic practices are that require a measure of trust. He states that:

- (1) democracy requires communication among citizens (the exchange of opinions, the formulation of political choices, the articulation of political support, and so forth)
- (2) democracy requires tolerance (acknowledgement of differences, recognition of plurality of opinions, lifestyles, ways of life, tastes, and preferences)
- (3) democracy replaces conflict and struggle by compromise and consensus (mutual willingness to obey rules)

- (4) democracy demands some level of civility of public disputes (focusing on the subject, avoiding ad hominem attacks, recognising the dignity of the opponent, and so forth)
- (5) democracy requires participation (it needs active citizens, ready to get engaged in the democratic institutions, as well as the associations and organisations, of civil society)
- (6) democracy requires educated citizens (a considerable amount of information, knowledge, evaluative and discerning capabilities).

To sum it up, Sztompka (1999) states that to acquire civic competence, people have to trust the sources of political information and knowledge: to believe in the trustfulness and authenticity of public messages, the credibility of media, accuracy of statistical data, adequacy of personal information, and so forth.

## **1.6 Functions of Trust**

Before we turn to the relativisation of functions of trust, we must specify what functions in general could be at stake. For Sztompka (1999), there are basically two distinctions: personal functions for the partners taking part in the relationship (truster and trustee), and functions for the wider society (community, group, etc.) within which the relationship takes place.

### **1.6.1 Functions of Trust at the Personal Level**

At the partner level, generally speaking, endowing others with trust evokes, positive actions toward these others. Trust liberates and mobilises human agency, and it releases creative, uninhibited, innovative, entrepreneurial activism toward other people (Luhmann, 1988). We are more open towards others, more ready to initiate interactions, to enter into lasting relationships with them (Sztompka, 1999). For example, belief in the benignity of one's fellow citizens is directly related to one's propensity to join with others in political activity (Almond and Verba, 1965). And interactions with those whom we endow with trust are

liberated from anxiety, suspicion, and watchfulness, and allow for more spontaneity and openness. According to Sztompka (1999), we are released from the necessity to monitor and control every move of others, constantly to 'look at their hands'.

### **1.6.2 Functions of Trust for Wider Communities**

Trust has important functions, not only for partners, but also for wider communities (groups, associations, organisations, etc.) within which it prevails. According to Sztompka (1999), first of all it encourages sociability, participation with others in various forms of associations, and in this way it enriches the network of interpersonal ties, enlarges the field of interactions, and allows for greater intimacy of interpersonal contacts. In other words, it increases what modern authors describe as 'spontaneous sociability' (Fukuyama, 1995), or 'civic engagement' (Almond and Verba, 1965).

Next, trust favours the spread of communication and overcomes the syndrome of pluralistic ignorance, preventing spontaneous collective action (Allport, 1954). Third, trust encourages tolerance, acceptance of strangers, recognition of cultural or political differences as legitimate – because it allows them to be perceived in a nonthreatening manner (Sztompka, 1999). In this way, trust bridles expressions of inter-group hostility and xenophobia, and civilises disputes (Parry, 1976). Fourth, the trust culture strengthens the bond of an individual with the community (the family, the nation, the church, etc.), contributes to feelings of identity, and generates strong collective solidarities leading to co-operation, reciprocal help and even the readiness for sacrifice on behalf of others (Sztompka, 1999). Finally, when the culture of trust is present, transaction costs are significantly lowered and chances for co-operation increased (Offe, 1996). Briefly put, when there is trust there are increased possibilities for experience and action (Luhmann, 1979).

Sztompka's functions for partners in the relationship and for the wider communities are briefly summarised in the following table:

<b>For Partners in the Relationship, trust:</b>	<b>For Wider Communities, trust:</b>
(1) evokes positive actions toward others	(1) encourages sociability, participation with others in various forms of associations, and enlarges the field of interactions
(2) releases creative, uninhibited, innovative, entrepreneurial activism	(2) favours the spread of communication and overcomes the syndrome of pluralistic ignorance
(3) liberates from anxiety, suspicion, and watchfulness	(3) encourages tolerance, acceptance of strangers, recognition of cultural or political differences as legitimate
(4) allows for more spontaneity and openness	(4) strengthens the bond of an individual with the community
(5) released from the necessity to monitor and control every move of others	(5) lowers transaction costs significantly and increases chances for co-operation

Figure 3: Comparison of trust functions between relationship partners and wider communities (Sztompka, 1999)

In conclusion, the personal and communal functions of trust can perhaps be best summarised by the following statement by Sztompka (1999): simply put, it is functional to trust the trustworthy, and it is equally functional to distrust the untrustworthy. When we trust who are trustworthy there is a good chance that our trust will be met and that both ourselves as well as our partners will reap all the benefits of trusting, being trusted, having one's trust met, and meeting trust. On the wider social scale it leads to all the beneficial consequences of repeated gratifying experiences with trust, including the emergence of the culture of trust (Sztompka, 1999).

Similar to Sztompka, Misztal (1996) identifies three main functions of trust, namely (1) the integrative function of trust, (2) reduction of complexity, and (3) trust as a lubricant of co-operation, which are briefly explained:

### **1.6.3 The Integrative Function of Trust**

In this context, the concept of solidarity by Parsons (1971) is used to cope with the difficult task of the conceptualisation of the interrelation of social and cultural systems. Solidarity is seen as the main characteristic of a legitimate order of societal community, whose primary function is to define the obligations of loyalty to the societal collectivity. According to Parsons (1971), the integration through trust is secured thanks to the capacity of a societal community to produce solidarity, understood as a generalised capacity to control and to 'bring into line' the behaviour, and to promote the conditions of harmonious co-operation.

### **1.6.4 Reduction of Complexity**

The modern world is and presents itself as an unmanageable complexity, because of the increasing diversification and particularisation of familiarities and unfamiliarities (Luhmann, 1988). Therefore, in a more contingent and complex world, risk-taking rationality is required, and risk-taking will as far as others are involved, require trust. The characterisation of modern life as increasingly complex and contingent led to the observation that there is a need for generalised media that generate trust without eliminating the reality of choice (Miztal, 1996). Consequently, trust is seen as one of the generalised media of communication (others being love, money, and power), and as such reduces the complexity of the world faced by the individual actor by providing the capacity for intersubjective transmission of acts of selection over shorter or longer chains (Luhmann, 1988). According to Miztal (1996), one of the most important points Luhmann makes is that trust can be understood and compared with other functionally equivalent mechanisms only from the point of view of its function.

In conclusion, trust serves to increase the potential of a system for complexity, and its function is the reduction of social complexity by increasing the tolerance of uncertainty (Luhmann, 1988).

### **1.6.5 Trust as a Lubricant of Co-Operation**

According to Misztal (1996), there are two general types of lubricants in the context of trust: trust as a social lubricant and trust as an economic lubricant of co-operation. The concept of trust, seen as a social lubricant, which facilitates co-operation, is closely related to the notion of credibility, which – by enhancing the probability of carrying out promises and threats – promotes co-operation but may also promote violence (Misztal, 1996). According to Arrow (1974), trust from the economists' perspective is a remarkably efficient lubricant to economic exchange or the most efficient mechanism for governing transactions. Trust is viewed as implicit contracting or as a unique commodity, which cannot be 'bought very easily' and which is fragile with respect to substitutes, such as insurance, monitoring, rewards or sanctions (Arrow, 1974).

### **1.6.6 Functional Substitutes for Trust**

According to Sztompka (1999), the logic of functionalist reasoning leads us to suspect that, when trust is missing, the resulting vacuum will be filled with some alternative arrangements providing similar functions and meeting universal cravings for certainty, predictability, order and the like. These are functional substitutes for trust. Similarly, Luhmann (1979) states that anyone who does not trust must turn to functionality equivalent strategies for the reduction of complexity in order to be able to define a practically meaningful situation at all.

Sztompka (1999) identifies the following seven functional substitutes for trust:

- (1) Providentialism:** the regression from the discourse of agency toward the discourse of fate, resorting to ancient 'fortuna' rather than effort
  
- (2) Corruption:** spreading in a society, it provides some misleading sense of orderliness and predictability, some feeling of control over a chaotic environment, some way to manipulate others into doing what we want them to do

- (3) Vigilance:** taking into private hands the direct supervision and control of others, whose competence or integrity is put into doubt, or whose accountability is seen as weak, due to inefficiency or lax standards of the enforcing agencies
- (4) Litigiousness:** the increasing use of binding arbitration or the rise of an interventionist judiciary; there is unusually an inverse relationship between rules and trust: the more people depend on rules to regulate their interactions, the less they trust each other, and vice versa
- (5) Ghettoisation:** closing in, building impenetrable boundaries around a group in an alien and threatening environment; by cutting the external world off, people reduce some of its complexity and uncertainty
- (6) Paternalisation:** when a culture of distrusts develops, people start to dream about a father figure, a strong autocratic leader, a charismatic personality, who would purge with an iron hand all untrustworthy, suspicious or 'alien' persons, organisations, and institutions, and who would restore the semblance of order, predictability, and the continuity in social life
- (7) Externalisation:** in the climate of distrust against local politicians, institutions, products, and so forth, people turn to foreign societies, and deposit their trust in their leaders, organisations, or goods

The discussion of the functions of trust has shown – with a number of exceptions, relativisations, and reservations – that trust has generally beneficial consequences for the partners in social relationships, and the groups to which they belong, as well as for the wider social life. Trust not only secures the stability of social relationships, but is also indispensable in order to increase a social system's potential for action beyond elementary forms (Luhmann, 1979).

## **1.7 Trust as Exchange**

Trust is central to all transactions and yet economists rarely discuss the notion (Dasgupta, 1988). It is treated rather as background environment, present whenever called upon, a sort of ever-ready lubricant that permits voluntary participation in production and exchange. According to Seligman (1997), a number of recent comparative studies have stressed just

how central trust is to the structure of associational life based on co-operation that makes economic development, if not civil society, possible at all. Fukuyama (1995) states that trust is the expectation that arises within a community of regular, honest and co-operative behaviour, based on commonly shared norms, on the part of other members of that community. It is this trust which creates a moral community among social actors by providing a form of social capital that can only be acquired and utilised by the group as a whole and which allows for the existence of generalised trust among its members, as opposed to individual capital which can be acquired by individuals and used for the pursuit of private goods, such as education, training, etc. (Seligman, 1997). Several authors describe, in the context of trust as exchange, trust as a 'social lubricant'. It is this very property of the term trust, that makes of such as potent system lubricant (Seligman, 1997). Similarly, trust in the agency of individual actors as an aspect of unconditional general exchange must rely on familiarity in order to work as precisely that lubricant, that form of social capital, that allows for associational life.

According to Carnevale and Wechsler (1992), trust encourages the exchange of relevant information and determines whether team members are willing to allow others to influence their decisions and actions, which in turn is essential for facilitating effective problem solving. Trust as co-operative exchange is a more complex phenomenon than gift giving because the relationships between co-operation and trust are less straightforward than those between trust and gift giving (Misztal, 1996).

Seligman (1997) adds, that just as the middle ages did not live by faith alone, we do not live by trust. Its existence as an unconditional principle of generalised exchange does not make of it a daily facet of our lives.

Anderson and Narus (1990) define trust, in the context of exchange, as the belief that the exchange partner will perform actions that result in positive outcomes as well as not take unexpected actions that result in negative outcomes. Conceptually, trust in relational exchanges is the cornerstone of developing strategic partnerships and greatly impacts the level of commitment between exchange partners (Morgan and Hunt, 1994). The relevance of trust building activities in exchange relationships is explored by Zucker (1986). Zucker asserts that while trust may often be assumed to be present or absent, it is in fact routinely produced and that such a production is fundamental to the understanding of exchange in a social system.

In conclusion, Seligman (1997) states that the idea of trust as a condition of interaction between morally autonomous and economically agentic individuals is a central component of the principles of generalised exchange, or economic unconditionalities, that structure and mediate the workings of the market in contemporary societies.

### **1.8 Trust and Risk**

Placing trust, that is, making bets about the future uncertain and uncontrollable actions of others, is always accompanied by risk (Kollock, 1994). This is so because there is always a possibility that those future anticipated actions will be harmful for us, or that our entrusting will be abuse or taken advantage of, or that our effort to evoke trust will backfire and produce disdain instead of tightened bonds (Sztompka, 1999). What makes trust so puzzling is that to trust involves more than believing; in fact to trust is to believe despite uncertainty (Misztal, 1996). Thus, trust always involves an element of risk resulting from our inability to monitor other's behaviour, from our inability to have complete knowledge about other people's motivations, and generally, from the contingency of social reality. Consequently, one's behaviour is influenced by one's beliefs about the likelihood of others behaving or not

behaving in a certain way rather than solely by a cognitive understanding or by firm and certain calculation (Misztal, 1996).

Johnson (1993) notes that to speak of the origins of trust is to describe the variety of ways in which agents become conscious of the freedom of others. According to Seligman (1997), when agency comes to play a major role, when it emerges as a potential for shaping the nature of interaction, that trust must also become to play a part in defining interpersonal relations. This is the connection between trust and risk. In his point of view, trust is not only a means of negotiating risk, it implies risk (by definition, if it is a means of negotiating that which is unknown). Thus, trust implies the risk that is incurred when we cannot expect a return or a reciprocal action on alter's part (which we would at least within certain boundaries, when interaction is defined solely by the reciprocally defined nature of role obligations and commitments). In Luhmann's (1993) terms: trust cannot be demanded, only offered and accepted. What it is that cannot be demanded but only offered must then be something existing beyond role expectations.

To illustrate the connection between trust and risk, Seligmann (1997) provides the following example: the use of foul language by a teacher in a classroom. He raises the question what is involved in such action. For one, the teacher is clearly stepping outside of role expectations and engaging in (verbal) behaviour not generally thought to be part of his or her role. By doing so the teacher is incurring a risk (at present that he or she may be charged with sexual harassment and at an earlier time, of the moral opprobrium of his or her colleagues if and when word of this behaviour got out). In doing so, the teacher sets up the possibility of interaction with students that is not (or not only) defined by system expectations. By taking the risk of stepping beyond systematically defined role expectations, the teacher also opens the possibility of establishing a relation which includes some element of trust and not solely of confidence. Thus, stepping out of the 'role' involves risk taking,

which will be met by either trust or mistrust, which are indeed the only possible responses to behaviour that cannot be encoded within the existing prescriptive formula of role definitions (Seligman, 1997).

Coleman (1990) notes that all trust situations involve a time lag, and it is this time asymmetry in delivery which introduces risk into unilateral action. In a broader sense, trust is a purposive behaviour aiming at the maximisation of utility under risk. Thus, mutual trust is seen as a form of social capital since it reduces the cost of monitoring and sanctioning activities (Coleman, 1990).

Sztompka (1999) provides a comprehensive analysis about how risk appears in the act of trusting in four different guises:

**First Degree Risk:** possibility of future adverse events totally independent of our act of trusting: the risk that other will behave badly toward ourselves, or their conduct will simply disappoint our expectations

**Second Degree Risk:** linked to the very act of trusting; beyond the risk of improper or harmful conduct of others, there is a surplus of negative psychological experiences due to our placing somebody who apparently had not deserved it

**Third Degree Risk:** occurs only in those cases when the trustee is aware of and accepts our credit of trust, and is therefore under some moral obligation to meet it; this usually happens in close, intimate relationships, like friendship, love, family ties – where some amount of trust, recognised by the other party, is a taken-for-granted, almost definitional component

**Fourth Degree Risk:** accompanies the specific case of entrusting some valued object to somebody's voluntary care; here the risk of breaching trust is much more tangible, and not limited to psychological displeasure

## **1.9 Problems and Limits of Trust**

### **1.9.1 Distrust**

Sztompka (1999) states that the concept of distrust is treated as the negative mirror-image of trust. It is also a bet, but a negative bet. He goes on by saying that distrust involves negative expectations about the actions of others (of their harmful, vicious, detrimental actions toward myself), and it involves negative, defensive commitment (avoiding, escaping, distancing myself, refusing actions, taking protective measures against those I distrust).

The term mistrust refers to a neutral situation, when both trust and distrust are suspended (Sztompka, 1999). It means the lack of clear expectations, as well as the hesitation about committing oneself. Sztompka uses the term mistrust to indicate a temporary, intermediate phase in the dynamics of trust-building, or trust depletion. Mistrust is either trust destroyed, or former distrust healed. It seems that mistrust resulting from the breach of trust, easily leads to full-fledged distrust, whereas mistrust resulting from the withdrawal of unjustified distrust will build toward full-fledged trust more slowly (Sztompka, 1999).

According to Gambetta (1988), if there is a lack of confidence there will also be a diffuse sentiment of dissatisfaction and alienation or even anomie. This may have no immediate impact on the system. If trust is lacking, however, this changes the way people decide about important issues. He goes on by saying that the development of trust and distrust depends on local milieu and personal experience.

Seligman (1997) states that not only is trust not analogous to either faith or confidence, but distrust is defined as something very different from lack of confidence. Thus, for if trust is to be distinguished from confidence, then distrust must also refer to something other than lack of confidence.

Distrust binds one's hands through constant vigilance and controls of the other party. It pushes toward safe, defensive routines and avoidance of 'sticking one's neck out' (Sztompka, 1999). Furthermore, it deprives one of needed goods that are withheld and not entrusted. In general distrust leads to a reduction of activeness, isolation, and preventive hostile conduct.

The problems of distrust in a social context are further explained in five points by Sztompka (1999): distrust erodes social capital, leading to isolation, atomisation, breakdown of associations, and decay of interpersonal networks. Second, it closes the channels of communications, leads to isolation of societal members, and contributes to 'pluralistic ignorance' (Allport, 1954). Third, it mobilises defensive attitudes, hostile stereotypes, rumours, and prejudices, as well as downright xenophobia. Fourth, it alienates and uproots an individual, inciting the search for alternative, often illicit identities (in gangs, the Mafia, deviant subcultures, etc.). Fifth, through a sort of halo effect, the diffuse culture of distrust is apt to expand toward interpersonal dealings as well as relations with outsiders. People who do not trust one another will end up co-operating only under a system of formal rules and regulations, which have to be negotiated, agreed to, litigated, and enforced, sometimes by coercive means. In other words, widespread distrust in a society imposes a kind of tax (Fukuyama, 1995).

Sztompka's five points are briefly summarised in the following table:

<b><u>Distrust in a Social Context:</u></b>
(1) erodes social capital, leading to isolation, atomisation, breakdown of associations
(2) closes the channels of communications and leads to isolation of societal members
(3) mobilises defensive attitudes, hostile stereotypes, rumours, and prejudices
(4) alienates and uproots an individual, inciting the search for alternative, often illicit identities
(5) is apt to expand toward interpersonal dealings as well as relations with outsiders

Figure 4: Distrust in a social context (Sztompka, 1999)

### **1.9.2 Social System Differences**

In order to influence the functioning of a social system, trust needs to be embodied in social institutions (Miztal, 1996). However, not all social systems generate the same amount of trust; for instance, the level of trust in southern Italy is considerably lower than in northern Italy (Gambetta, 1993). Furthermore, in some systems distrust can play an integrative function (Goldfarb, 1991). Thus, trust cannot be fully understood and studied without the examination of institutions as repositories of a legacy of values and without addressing a practical issue of how far human beings' concepts of duties and obligations are influenced by the societal institutions which organise ways in which people are bound together (Miztal, 1996). In essence, the problem of constituting trust in society is the issue of the conditions necessary for social order and human action to continue.

### **1.9.3 Gender Differences**

According to Wrightsman (1992), in heterogeneous samples (that is, samples that are not restricted by occupation or other value-related factors), men's philosophies of human nature seem to be less favourable and less oriented toward individual differences than are women's. Evidence can be found in a study of freshman classes at Peabody college, tested between 1962 and 1971. In each of the eight freshman classes, the women's scores were more positive for trustworthiness, altruism, independence, and strength of will and rationality than were the men's scores, and, in 12 of these 32 comparisons, the differences were statistically significant (Wrightman, 1992). Similar gender differences were observed in a study by Cox (1972). He found that women's scores (on four substantive subscales: trustworthiness, altruism, independence, strength of will and rationality) were significantly more positive than men's scores. According to Wrightsman (1992), gender differences in social sensitivity can also be demonstrated, that is, women are better than men at simulating the personality patterns characteristics of other people. In summary, Tyler (1965) concludes, that females are more personal than males in their orientation to life seems clearly warranted. Recent

research (Fletcher et. al., 1986) indicates that women also make more complex attributions of human behaviour than do men.

#### **1.9.4 Racial Differences**

Results of a trustworthiness study conducted by Johnson (1969) indicate that each racial group sees itself as distinctly more positive (on the substantive scale) than it sees 'other people' (Wrightsman, 1992). When answering statements about 'most whites', African-American respondents indicated even more negative attitudes than when they responded 'most Negroes and Whites'. Likewise, white respondents demonstrated their most negative attitudes when the stem was 'most blacks'. A conclusion of Johnson's study is that members of a particular segment of society have more favourable beliefs about their own group than about people in general (Wrightsman, 1992). Further evidence that it is the trusting aspect of philosophies of human nature that most differentiate African-Americans from whites comes from a study by Claxton (1971). According to the study, only in regard to trustworthiness is there a significant difference, with African-Americans more negative than Whites. The hypothesis of racial differences in philosophies of human nature and especially with regard to trust is well confirmed. Wrightsman (1992) states that consistent differences in trust of human nature are found between blacks and whites, whether the groups compared are middle class or lower class, college students or adults, unskilled labourers or professional workers.

#### **1.9.5 Age Differences**

According to Wrightsman (1992) age difference with respect to assumptions about human nature and especially trust, have not been adequately studied, but several studies are consistent in finding that college students have less favourable beliefs about human nature than do older adults. In comparing older and younger faculty members of a community college, Cox (1972) found that the older group has higher scores on strength of will and

rationality, complexity and multiplexity. Because of the absence of representative samples that permit genuine age comparisons, we cannot say with confidence that older adults have more favourable beliefs about human nature than younger adults. It does appear that college-student samples possess less favourable beliefs than do the older adult samples that have been tested (Wrightsmann, 1992).

### **1.9.6 Educating for Trust**

According to Sztompka (1999), the most important institutional measures to shape personal endowment relevant for being trustful and trustworthy, fall under the aegis of education. Educating for trust includes a number of aspects. First, there is education in a general sense: raising public enlightenment (factual knowledge), as well as moral sensitiveness (Sztompka, 1999). Similarly, to build trust, an educated and discerning public is needed (Giddens, 1991). According to Lash (1993), only a considerable level of education makes it possible to avoid the pitfalls of naïve, blind trust and obsessive, paranoid distrust.

Second, there is the implicit teaching of trust in healthy, close, and intimate family life (Sztompka, 1999). The psychological development of a propensity to trust involves extensive investment, especially by others, such as parents (Hardin, 1993). Similarly, Eisenstadt and Roninger (1984) state that intimate family life is a crucial early force in shaping trust. Third, there must be a direct emphasis on trust at schools (Sztompka, 1999). It is crucial to build and sustain trust in the relationships of teachers and pupils, as well as among the school children themselves.

Fourth, to raise the importance of trust in people's perception, one of the possible measures is evoking tradition, emphasising continuity of lifeways, rules, customs (Sztompka, 1999). In traditional societies there is more ontological security and trust. Where tradition rules, the future is at least in part predictable, it will follow traditional ways (Giddens, 1991).

While traditional society cannot be regained, it may be imaginatively recreated in various experiences – art, literature, media – with the emphasis on trust. Fifth, an attempt must be made to link trust in people’s imagination with other available resources (Sztompka, 1999). For example, much can be gained by the recourse to religion, and borrowing from it the emphasis on metaphysical trust. Gambetta (1988) states that if we are lucky enough to live in a society which holds some moral and religious beliefs – a side effect of which is to motivate co-operation for its inherent virtues – we can make good use of them. He also states that trust may emerge as a by-product of moral and religious values which prescribe honesty and mutual love.

Sixth, the public debate, both directly and through the media, must be open to the issues of trust and distrust, and their current illustrations (Sztompka, 1999). What Bok (1979) calls public discourse about moral choice is needed in classes, in professional organisations, in government. Basically it is through the exercise of such appeals and the debates that they engender that a more finely tuned moral sense will develop (Bok, 1979). Lastly, seventh, there must be the education for trust not only by precept, but through everyday experience (Sztompka, 1999).

Trust must be shown to pay, by being rewarded, and breaches of trust must prove to be costly, by being punished. According to Bok (1979), throughout society all would benefit if the incentive structure associated with deceit were changed: if the gains from deception were lowered, and honesty made more worthwhile in the short run. Thus, an instrumental value of trust, as an ultimately profitable way of conduct, must be demonstrated.

Sztompka's seven steps for educating for trust are briefly summarised in the following table:

Step 1:	Education in a general sense
Step 2:	Implicit teaching of trust in family life
Step 3:	Emphasis on trust in schools
Step 4:	Evoking tradition, emphasising continuity of rules and customs
Step 5:	Linking trust in people's imagination with other available moral resources
Step 6:	Open public debate
Step 7:	Education for trust through everyday experience

Figure 5: Steps in trust education (Sztompka, 1999)

### **1.10 Can we trust Trust ?**

According to Misztal (1996), in the modern world we are no longer placed in a fixed social setting and these new conditions of expanded choices, opportunities and dependencies require commitment and a sustained belief in the ability of systems to perform and maintain conditions, rather than personal trust. Similarly Luhmann (1988) states that the symbols that represent the unity of a system, do not perform an integrative function but only symbolise the meaning of integration. Hence, trust resides in the actors' ability to read meaning and their rational perception that human beings' ability to function rests on 'trust in trust' (Misztal, 1996). Hence, modern societies are characterised by the increasing importance of system trust, which is built on the belief that others also trust. Both the system and the actors benefit from trust's ability to reduce uncertainty caused by social complexity (Misztal, 1996). She goes on by saying that this notion of trust rests on a representational base and it ensures that everything seems in proper order, which in turn, increases our 'trust in trust'. Thus, the cognitive basis of trust lies in that each trusts on the assumption that others trust, or trust in trust (Luhmann, 1988).

Gambetta (1988) points out that (at times) we may want less co-operation and trust rather than more, especially among those who are threatening us, and whose co-operation is a hindrance to ours. According to Schelling (1984), we cannot always say whether greater trust and co-operation are in fact desirable. The problem, however, is not only that we may want less trust and co-operation among our enemies, but also that we may not want it among ourselves, at least not all the time; and it is not just that we may lazily wish not to have to co-operate, but that we may wish for something else instead, notably competition.

To illustrate his point of view Gambetta (1988) uses the example of the Prisoner's Dilemma: the mere expectation that the second player might choose to defect can lead the first player to do so, if only in self-defence. The first player's anticipation of the second's defection may be based simply on the belief that the second player is unconditionally uncooperative. But, more tragically, it may also be based on the fear that the second player will not trust him to co-operate, and will defect as a result of his lack of trust. Thus the outcome converges on a sub-optimal equilibrium, even if both players might have been conditionally predisposed to co-operate. According to Gambetta (1988) the problem, therefore, is essentially one of communication: even if people have perfect adequate motives for co-operation they still need to know about each other's motives to trust each other, or at least the effectiveness of their motives. Generally speaking, even if people's motives are not unquestioningly egoistic, trust and co-operation may still encounter obstacles.

Clearly, the higher the level of trust the higher the likelihood of co-operation, but co-operative behaviour does not depend on trust alone, and the optimal threshold of trust will vary according to the occasion (Gambetta, 1988). Therefore it may be important to see how a certain level of trust is reached, and once it is reached how trust may be effective for action yielding potential co-operation, depending on the constraints, costs and benefits presented by specific situations.

## **2. THE INTERNET AND ELECTRONIC COMMERCE**

### **2.1 Introduction**

This section provides a brief overview about the background, the development and the use of the Internet and electronic commerce. It is not the goal of this section to give a detailed discussion about the Internet or e-Commerce. It rather serves as a introduction or technical platform for the ensuing study at hand, which deals with the topic trust in e-Commerce. Therefore, not every information about the Internet and e-Commerce have been explored – rather the concepts relevant for the discussion of trust in e-Commerce have been investigated and are presented in this section. Some of the more relevant facts about the Internet and e-Commerce are discussed in much greater depth in the next section of the literature review.

### **2.2 The Internet**

According to PriceWaterhouseCoopers (1999), it is difficult to find an industry – financial services, manufacturing, health care, travel, communications, transportation – that is not being changed by the Internet today. According to Miller (1994), the Internet is the world's largest and most widely used computer network. Technically, the Internet is a highly decentralised network of computer networks that includes backbone networks, wide area networks (WANs), and local area networks (LANs). The Internet originated in the 1960s when the US Department of Defence, through its Advanced Research Projects Agency, funded research on linking computer networks that were currently incompatible and automatically rerouting information around damaged or non functioning components of a network (Peterson et al., 1997). The original purpose of the Internet was to provide a stable and fast method of electronic communication for military and government agencies (Miller, 1994).

According to Hoffman and Novak (1997), the World Wide Web (WWW) is a distributed hypermedia environment within the Internet which was originally developed by the European Particle Physics Laboratory. Global hypermedia allows multimedia information to be located on a network of servers around the world which are interconnected allowing one to travel through the information by clicking on hyperlinks. The present popularity of the WWW as a commercial medium (in contrast to other networks on the Internet) is due to its ability to facilitate global sharing of information and resources, and its potential to provide an efficient channel for advertising, marketing, and even direct distribution of certain goods and information services.

It is difficult to gather accurate statistics about its usage on local or global scale. As the Internet is a network of networks, each individual network hosts a varying number of PCs which have a varying number of users. Additionally Morgan (1996) argues that accurate figures regarding the use of the Internet and the World Wide Web are impossible to obtain. Estimates vary widely, largely depending on the method of measurement and different definition of 'use'.

The online population is continuing to grow at an impressive rate (Boston Consulting Group, 1999). There are already over 80 million North Americans on the Internet and there could be as many as 177 million users by 2003. According to Deloitte Consulting (2000), by the year 2000 over 250 million users will be connected to the Internet. This amazing phenomenon has already affected many facets of our lifestyle and work style; yet all indications are that the revolution is still in its infancy. Business to business transactions combined with U.S. retail Internet transactions are predicted to generate revenue over \$1,1 trillion in 2002 (Deloitte, 2000). The Internet's growth is depicted in the two diagrams on the following page:

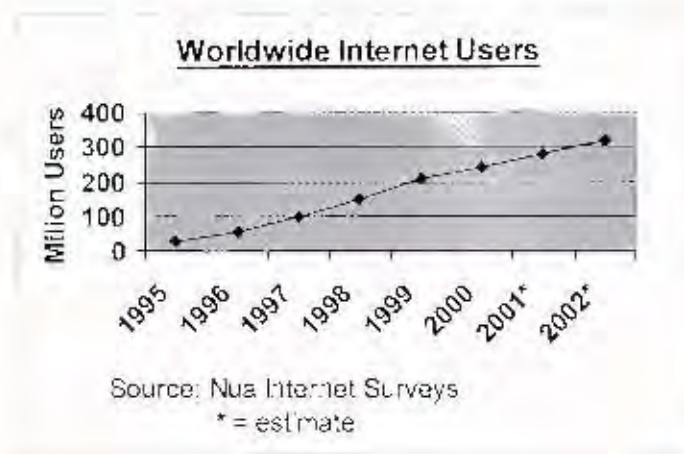


Figure 5: Worldwide Internet users (NJA, 1999)



Figure 7: Growth in U.S. online population  
(Boston Consulting Group, 1999)

Hoffman and Novak (1997) identify some of the main benefits of the Internet as a commercial medium: distribution benefits, lower transaction costs, marketing communication benefits, improved buyer-seller relationships, operational benefits and improved cross-border information and transaction flows. Despite the rapid growth and adoption of the Internet in most industrialised countries, Morgan (1996) argues that the WWW still has some

fundamental limitations as a marketing channel which marketers may not be aware of. In particular, the size and composition of the audience, the Internet culture, the limitations of the technology, legislative and ethical issues and security – all undermine the effectiveness of the Internet as a powerful marketing and world-wide distribution channel.

The most common drawbacks to the use and widespread adoption of the Internet are: security and privacy concerns, violations of intellectual property rights, copyrights and patents, lack of awareness and knowledge of the Internet, cultural and language barriers, and information overload from the customer's perspective – all which undermine the Internet's potential of becoming a truly global information and sales channel. The issues surrounding security and privacy concerns will be specifically addressed in the 'Trust in e-Commerce' section of the literature review.

### **2.3 Electronic Commerce**

Commercial activity on the Internet has been increasing rapidly since the early 1990s and the potential of the World Wide Web on the Internet as a commercial medium and marketplace has been widely documented in a variety of media. Over half of today's wired population are consumers who shop for or buy products online (Boston Consulting Group, 1999). The rapid rise of e-Commerce is prompting many retailers to rush online. There is no doubt that global Internet transactions will continue to increase in importance. As Cairncross (1997) emphasises, the telecom network of today implies that distance will no longer be a barrier to buyer and seller in the new economy's marketplace. According to Deloitte Consulting (2000), Fortune 500 companies have moved rapidly to take advantage of this new phenomenon to gather information, reduce costs and gain new customers. This is true for both business-to-business (B2B) and business-to-consumer (B2C) markets.

There is no common definition of the term 'electronic commerce'. A useful definition provided by Oracle Corporation (2000) is: "... using leading edge technologies, including computers, servers, databases, software, and high speed data links to automate the maximum functions in a business on local or global scale". On the other hand, electronic commerce is not just about transactions, it is also about relationships. Bonde (1998) states that for successful e-Commerce, companies must address the complete 'Internet customer life cycle', in which they can provide customised products, deliver personalised service, and adapt to change.

Forrester Research (Garcia, 1998) predicts that U.S. Internet commerce software license revenues will reach \$3.8 billion by 2002, up from \$121 million in 1997. By 2002, 98% of large (up to 5000 employees) and very large (more than 5000 employees) companies will be online, while 85% of medium-sized companies (up to 1000 employees) and 45% of small firms (up to 100 employees) will have connections to the Internet. Forrester forecasts that Internet business trade will grow to \$327 billion by 2002, and sales on the Web will reach \$17 billion by 2002. Similarly, the U.S. Commerce Department (1998) estimates that the value of business-to-business e-Commerce transactions will be more than \$300 billion in 2002. The Commerce Department report says that the number of U.S. and Canadian online purchasers doubled in the second half of 1997 to 10 million people. The report cites dramatic examples of e-Business success.

According to a study by Answer Think Consulting Group (ACG, 1998), electronic commerce has evolved into a viable business channel, but there is need for companies to integrate the e-Commerce channel better into the organisation. They also conclude that many corporate Web sites don't position their organisations well in the electronic business world. Additionally, according to the survey, fewer than 50 percent of the Web sites were properly equipped to handle electronic business.

In 1999, Forrester Research found that American online business-to-consumer (B2C) transactions totalled approximately \$20 billion, with a projected increase to \$184 billion by 2004. McKinsey and Company (2000) predicts that online sales could account for as much as 10 percent of the total U.S. retail market by 2003. However, while these sales numbers and predictions are impressive, it is important to note that online sales accounted for 0,5 and 1,4 percent of all retail sales in 1998 and 1999, respectively (Corporate Strategy Board, 2000). Along similar lines, current sales use of the Internet demonstrates that few companies have leveraged the Internet beyond Web site functionality and maximised 'true' e-Commerce capabilities.

### Sales Use of the Internet

Activity	Percentage of Surveyed Firms*
To provide own product feature information	86%
To provide customer self-help information	49%
To advertise in target markets	45%
To collect customer/lead user information	41%
To provide product use information	41%
To provide interactive customer service	33%
To provide own product availability information	29%
To provide own product price information	22%
To sell collectibles/merchandise	16%
To sell existing core products	14%
To provide competitor product feature data	10%
To sell "on-line only" product versions	8%
To offload distressed inventory	6%
To provide competitor product price data	4%

\*Surveyed firms are 10 heads of sales at Fortune 500 companies  
 Source: Corporate Executive Board, Sales Executive Council, 1999

Figure 8: Sales use of the Internet (Corporate Strategy Board, 2000)

While many firms have launched e-Commerce initiatives, few have developed the internal infrastructure to increase activity in this space (Corporate Strategy Board, 2000). A study conducted by Benchmarking Partners on behalf of KPMG Consulting found that of 46 companies, only 26 percent had an e-Commerce executive or a centralised e-Commerce decision maker, yet 65 percent considered e-Commerce one of their most important initiatives (Corporate Strategy Board, 2000).

The most common drawbacks to successful electronic commerce are the absence of a (global) uniform commercial code and legal framework, concerns about security and privacy protection, technical barriers to the full commercialisation of the Web, lack of adequate electronic payment and fulfilment systems, and unrealistic expectations about electronic commerce. Some of the issues will be examined in detail in the next section of the literature review. For an illustration about the myths and realities of electronic commerce, please refer to appendix 5, on page A30.

## **2.4 Internet Communication**

The Internet is likely to change the ways which marketers (traditionally) use to communicate with their target audience. According to Hoffman et al. (1997) firms use various media to communicate with their current and potential customers. Marketing communications perform three functions: inform, remind, and persuade (Anderson and Rubin, 1986). The traditional one-to-many marketing communications model for mass media is shown below in Figure 9. In this passive model, firms (denoted by F), provide content through a medium to a mass market of consumers (denoted by C). The first two functions of marketing communications may be performed by a traditional communication models. However, the persuasion function necessary for differentiating a product or brand is limited by the unidirectionality of traditional mass media. Please refer to the models on the following page.

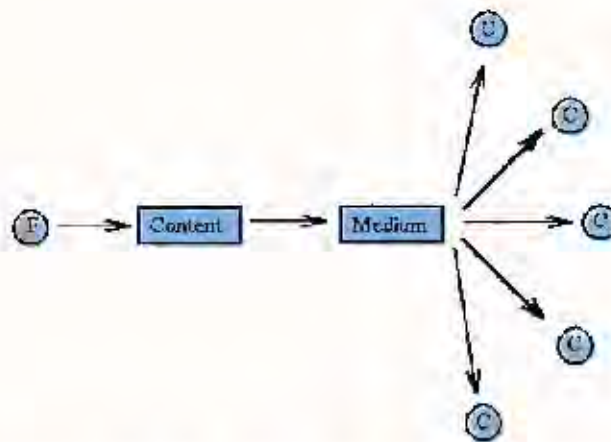


Figure 9: Traditional Mass Media Model of One-to-Many Marketing Communication  
Hoffman and Novak (1996)

The Internet, a revolution in distributed computing and interactive multimedia many-to-many communication, is dramatically altering this traditional view of communication media. As Figure 10 indicates, the new many-to-many marketing communications model defining the Web offers a radical departure from traditional marketing environments (Hoffman and Novak, 1996a). Figure 10 suggests that the Internet offers an alternative to mass media communication.

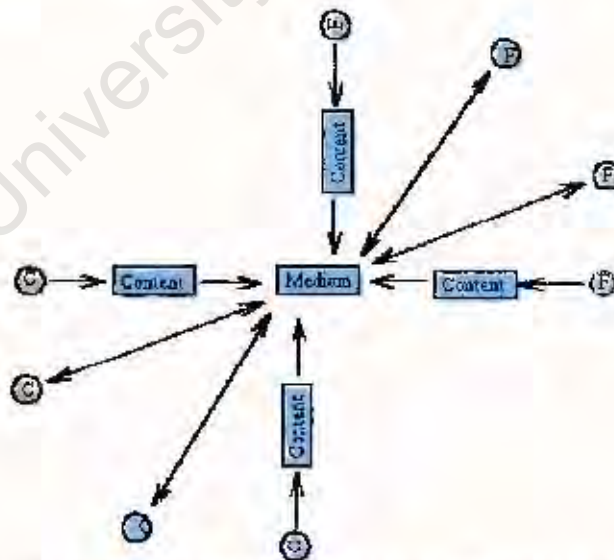


Figure 10: New Model of Marketing Communication for the Web  
(Hoffman) and Novak (1996)

## **2.5 South African Internet Facts**

Due to the decentralised nature of the Internet it is very difficult to obtain reliable statistics about South African Internet users and their 'online behaviour'. Nevertheless, the major findings of the most recent Internet user survey from MSN (2000) will be cited to provide useful insights about South African Internet users, their online habits and their demographic profiles. Where appropriate these findings are compared to earlier Internet user surveys from Webchek (1999). According to the MSN (2000) South African Internet user survey, approximately 12 000 Web users supplied answers to a complete set of 61 questions. The survey was conducted on the MSN portal site but the server application used to collect the actual data was served from WinWin Technologies' servers in the United States. The server application at the heart of the survey allowed users to either answer all questions consecutively, or abandon the survey at any time and return at their leisure to complete it. The application remembered the last question answered and presented users with the next unanswered question upon their return. This Internet survey, the biggest to date in South Africa, was conducted during July and August 2000 on the msn.co.za site. The survey was incentive driven and heavily promoted on the MSN homepage during the three weeks running time.

### 2.5.1 Age

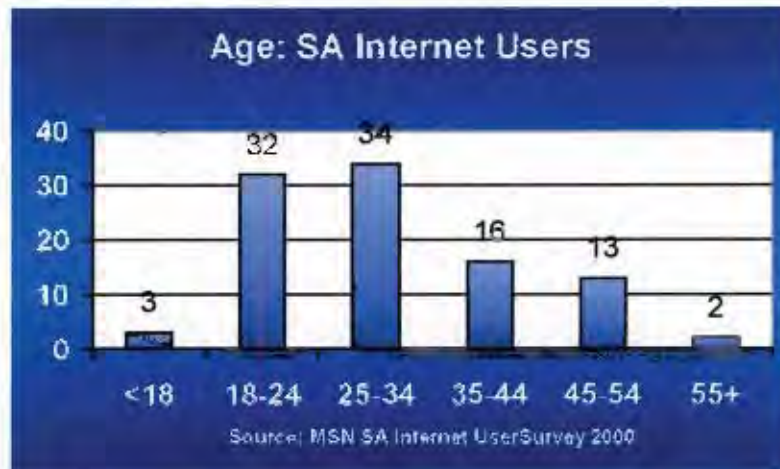


Figure 11: Age, South African Internet Users, Source: MSN Internet User Survey 2000

The majority of the respondents, namely 66%, fell in the 18 to 34 year age group. Approximately one sixth fell in the 35 to 44 band (16%). Only a small fraction of the respondents were younger than 18 years (3%), or older than 44 years (15%).

Compared to the diagram below, which depicts the general age distribution in South Africa, Internet users in South Africa tend to be young (note that the younger age group should be excluded from comparisons for literacy reasons).



Figure 12: Age, SA Population, Source: MSN Internet User Survey 2000

Looking at the number of respondents below the age of 35 it can be seen that this group accounts for more than two thirds of the total respondents, compared to only half of South Africa's total adult population. According to MSN (2000) this difference becomes more marked for higher age bands, indicating that the Internet is still largely a tool of younger generations.

Although this age bias is more prominent in South Africa, these findings are in line with similar research conducted in the U.S. According to the Ernst & Young second annual Internet shopping study (2000), one third of U.S. online shoppers are below 40 years, compared to one quarter (25%) of the total adult population. The age bias in this survey is also similar to the findings of Webchek's 1999 survey – suggesting that the bias towards younger Internet users will be slow to disappear, even though the existing population of Internet users is ageing each year.

### 2.5.2 Gender

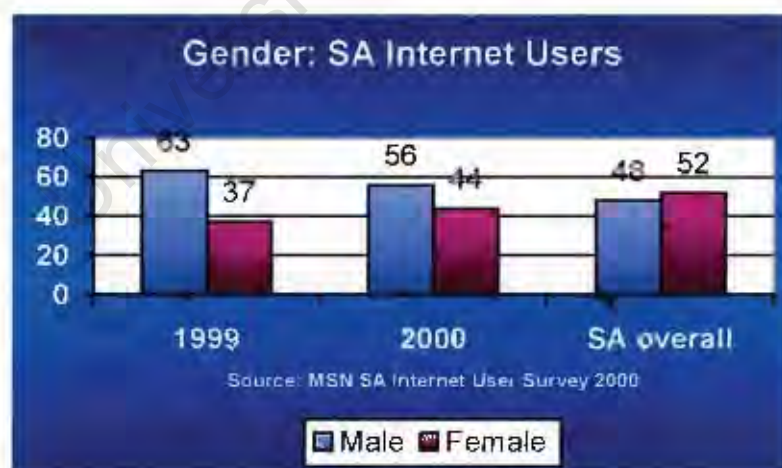


Figure 13: Gender, South African Internet Users, Source: MSN Internet User Survey 2000

Slightly more than half (56%) of the survey respondents were male (44% were female respondents). If these figures are compared to the gender distribution of the general South African population (48% male, 52% female), there is a slight bias in favour of men. This bias has decreased since Webchek's 1999 survey, which recorded 63% male respondents and 37% female respondents. According to MSN (2000) this indicates that women are increasingly embracing the Internet as a media type with which they are as comfortable as men.

### 2.5.3 Location

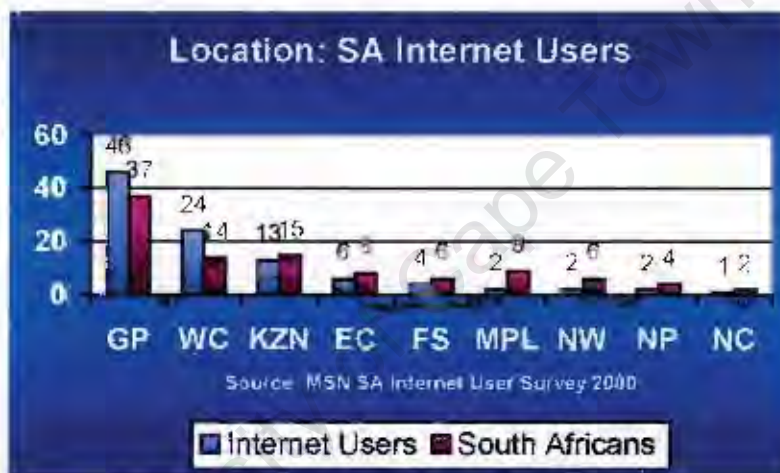


Figure 14: Location, South African Internet Users, Source: MSN Internet User Survey 2000

Key to SA Provinces: GP = Gauteng, WC = Western Cape, KZN = KwaZulu Natal, EC = Eastern Cape, FS = Free State, MPL = Mpumalanga, NW = North West, NP = Northern Province, NC = Northern Cape.

According to the MSN Internet user survey (2000), the geographic distribution of South African Internet users is similar to the general distribution of the South African population, with a bias towards major urban centres: Gauteng and the Western Cape. This slant is predictable, as costs of dial-up and leased line connections to the Internet tend to be lowest in urban areas and higher in rural areas.

### **2.5.4 Education**

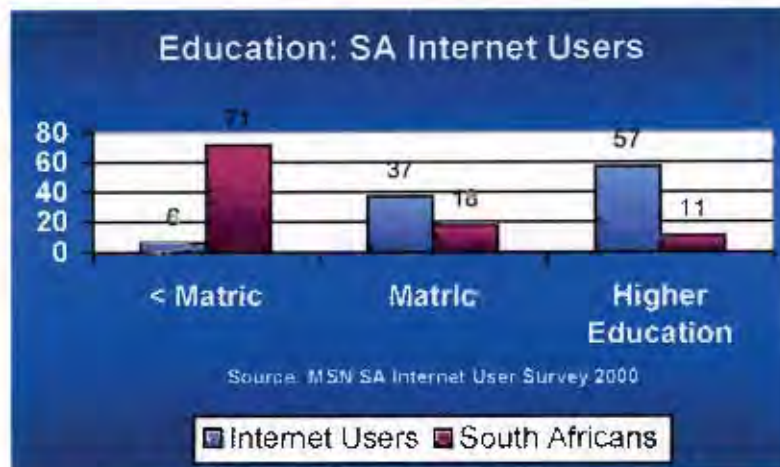


Figure 15: Education, South African Internet Users, Source: MSN Internet User Survey 2000

In the U.S. almost all (94%) of online buyers have at least a high school education, compared to only three quarters (71%) of the general population (Ernst & Young, 2000). The results of the South African survey reveal an even higher slant towards educated users: Internet users are almost twice as likely as the average South African to have a matric level education and almost six times more likely to have completed some form of higher education. This slant, however, may reflect more on South Africa's historical education imbalances than on the education of Internet users specifically.

### **2.5.5 Work Status**

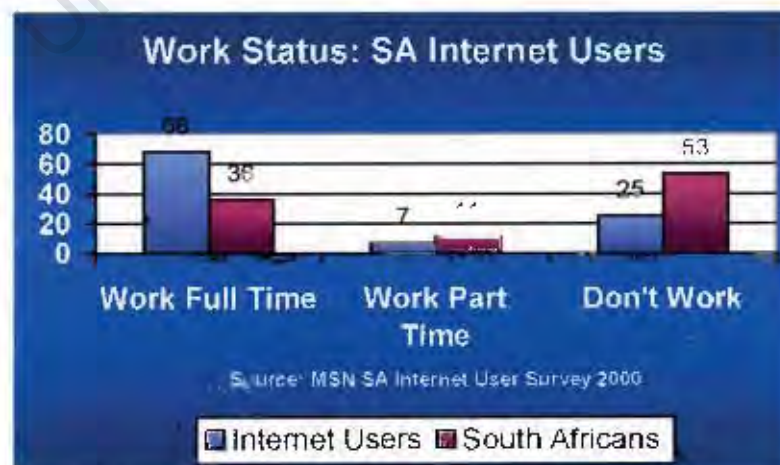


Figure 16: Work Status, South African Internet Users, Source: MSN Internet User Survey 2000

As well as being well-educated, the average South African Internet user is in full time (68%) or part time (7%) employment. Only a relatively small number of Internet users are unemployed (2%), or retired (1%). A high percentage of respondents, classified as 'don't work' are students (19%).

### **2.5.6 Income**

As would be expected from the high levels of education and employment amongst survey respondents, the average monthly income of South African Internet users is substantially higher than that of most South Africans (MSN, 2000).

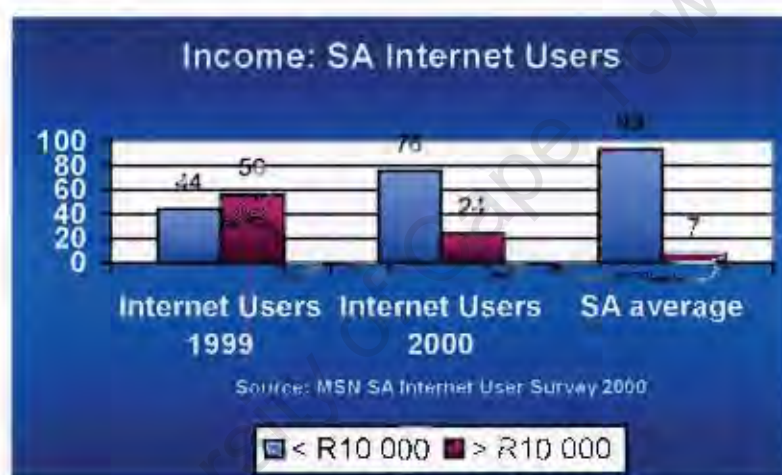


Figure 17: Income, South African Internet Users, Source: MSN Internet User Survey 2000

According to the survey, more than a quarter of the respondents have a monthly income of R10 000 or more, with half of this group (11%) falling in the R15 000+ category. Only 7% of the general South African population have an income above R10 000, making Internet users three to four times more likely to fall into this high income bracket than the average person.

### 2.5.7 Disposable Income

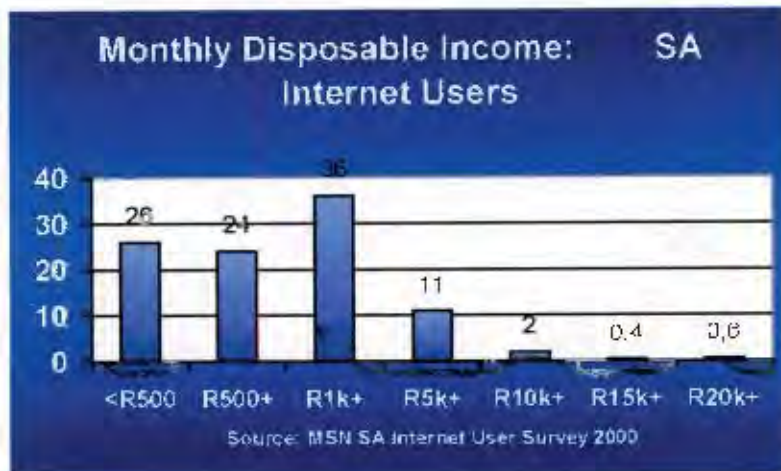


Figure 18: Disposable Income, South African Internet Users, Source: MSN Internet User Survey 2000

Internet users are characterised by high disposable incomes (MSN, 2000). More than one in ten (11%) have more than R5 000 left each month after fixed expenses and a further 39% have between R1 000 and R5 000 left. Only a quarter (26%) had less than R500 of disposable income with the remaining quarter (24%) having between R500 and R1 000 available to spend.

### 2.5.8 Leisure Activities

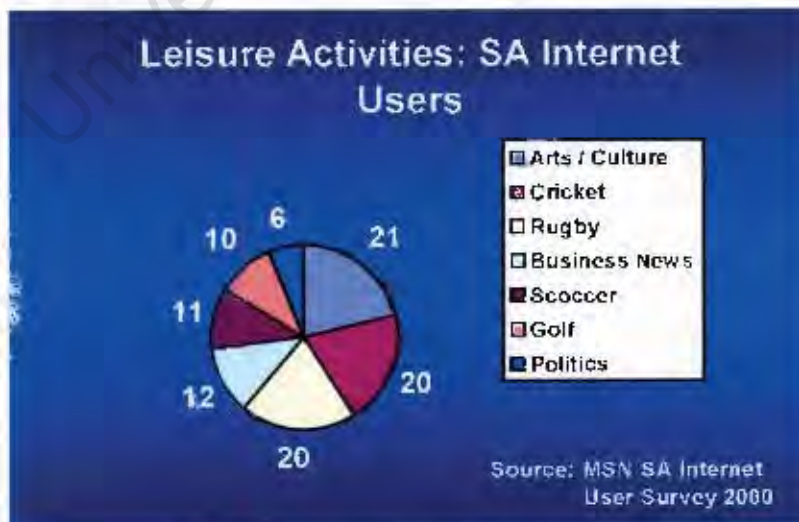


Figure 19: Leisure Activities, South African Internet Users, Source: MSN Internet User Survey 2000

Sport is one of the most popular leisure activities for both men and women, although arts and culture and other entertainment activities were ranked higher by women than any particular sport.

### **2.5.9 Marital Status**

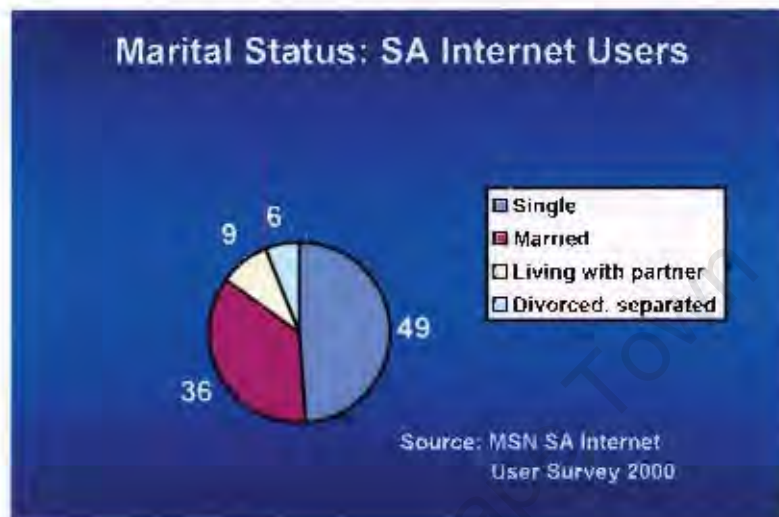


Figure 20: Marital Status, South African Internet Users, Source: MSN Internet User Survey 2000

The typical South African Internet user is single (49%) without children (62%). Only one third (36%) of the survey respondents are married. Only a small proportion of the respondents live with a partner (9%), or are divorced, live separated or are widowed (6%).

### 2.5.10 Online Relationships

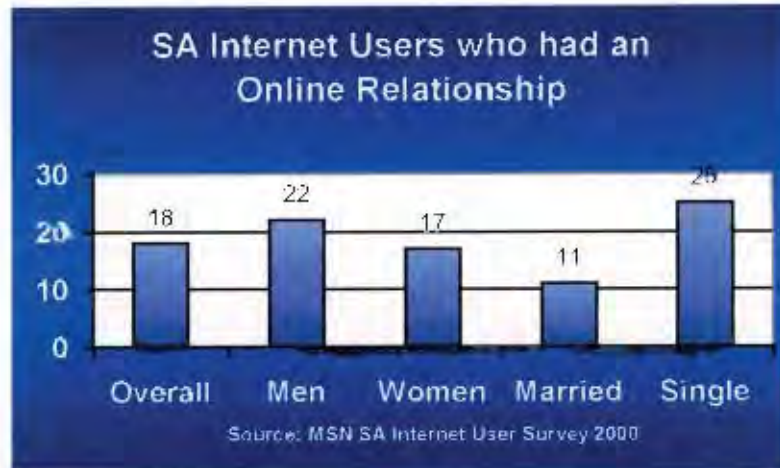


Figure 21: Online Relationships, South African Internet Users, Source: MSN Internet User Survey 2000

Among the respondents, one in five (18%) of all South African Internet users claim to have had an online relationship, with single people twice as likely (25%) to have done so as married people (11%). When asked what they thought was 'cool' about online relationships, respondents' most common answer was 'nothing' (39%), followed by 'anonymity' (22%).

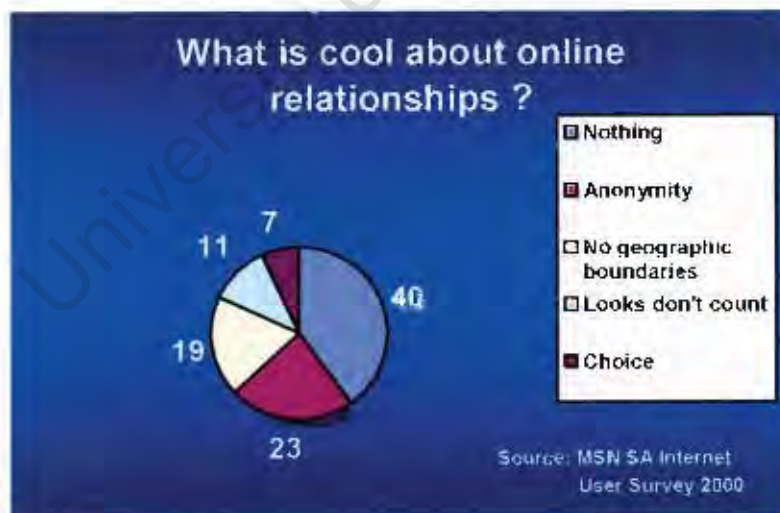


Figure 22: Perceptions of online relationships, Source: MSN Internet User Survey 2000

### 2.5.11 Frequency of Use

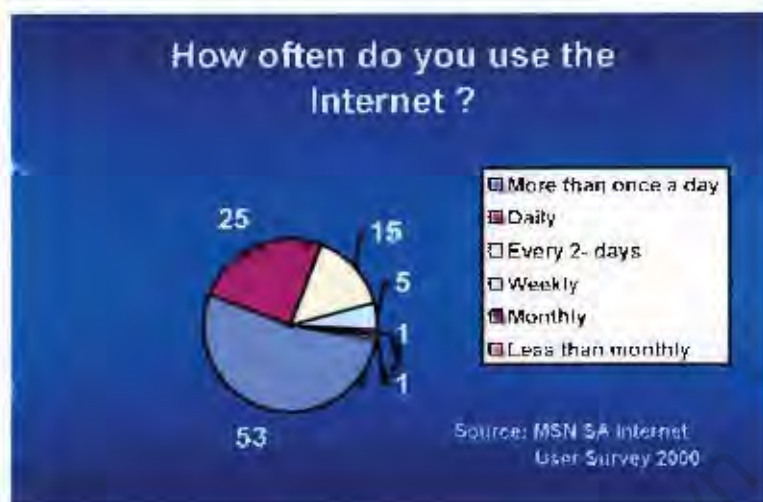


Figure 23: Frequency of Use, South African Internet Users, Source: MSN Internet User Survey 2000

More than half (53%) of the Internet users surveyed use the Internet more than once each day. A further quarter (25%) use the Net daily and almost another quarter (20%) use the Net less than once a day but at least once per week. Only a small fraction use the Internet less than once per week (1%) or less than once a month (1%).

### 2.5.12 Reasons for Use

According to the MSN Internet user survey (2000), the primary reason people use the Internet is now email, with searching for information a close second. Others uses include reading news and current affairs (13%) and online banking (9%). Please refer to the diagram on the following page.

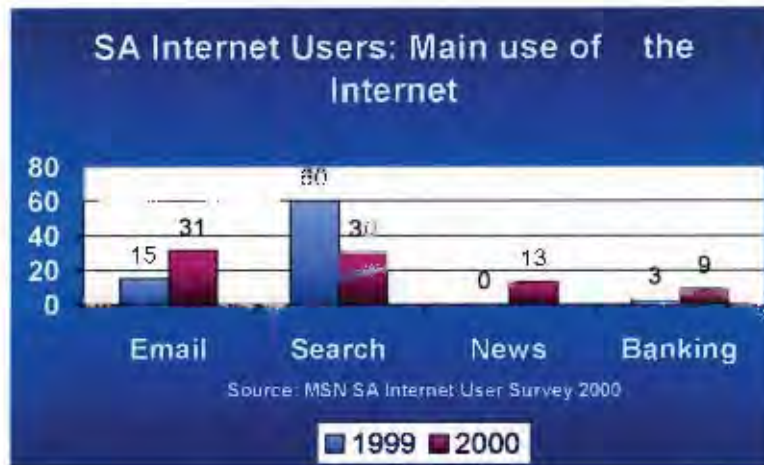


Figure 24: Reasons for Use, South African Internet Users, Source: MSN Internet User Survey 2000

According to the survey, women are more likely (36%) to use the Net for email than men (24%) and men are more likely (30%) to use the Internet to search than women (29%). Comparing these results to the 1999 Webchek survey, a definite shift in the focus of users can be seen. In the 1999 survey the majority of respondents used the Web mainly to search for information (60%), with only a fraction using it mainly for email (15%). This shift indicates that the Internet seems to become more a communications tool than a library.

### **2.5.13 Perceptions of Online Advertising**

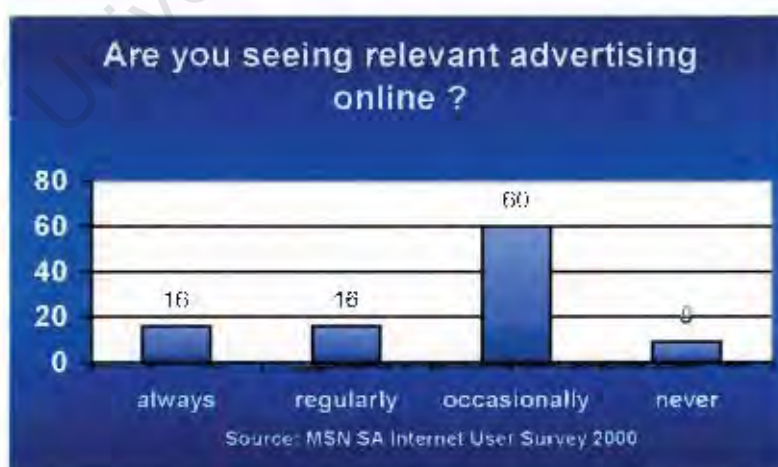


Figure 25: Online Advertising, South African Internet Users, Source: MSN Internet User Survey 2000

Most Internet users surveyed occasionally (60%), regularly (16%) or always see relevant advertising online. Only a small number (9%) claim never to see relevant online advertising. According to the survey, men seem to rate the relevance of online advertising slightly higher than women, possibly indicating that advertisers are not targeting enough of their adverts at women. Generally speaking, Internet users felt that online advertising is relevant to them, a good indicator for the future of online marketing.

#### **2.5.14 Online Shopping**

The type of goods bought by South African Internet users mirrors international buying pattern (MSN, 2000). Books (22%) and music (15%) are the most common purchased goods in South Africa on the Internet. This is also true globally, with books (29%) and music (20%) followed by software (11%).

In South Africa, after books and music, men tend to buy games, computer goods and videos, while women purchase health and beauty products, flowers and clothes (MSN, 2000).



Figure 26: Online Shopping, South African Internet Users, Source: MSN Internet User Survey 2000

The graph indicates that more than one third (36%) of South African Internet users have purchased goods online. This is an increase over the one quarter (24%) measured in Webchek's 1999 user survey. According to MSN (2000), South Africa compares well to other countries. One in ten (10%) Internet users globally have bought goods over the Internet, and even in the United States, slightly more than a quarter (27%) of Internet users have shopped online. The survey seems to indicate that South Africans are accepting online shopping faster than the rest of the world. Nevertheless, of those people who have bought goods online, only 12% shop online more than once a month. A third (34%) of Internet users say that they do not often shop online.

## **2.6 Online Retailing**

### **2.6.1 General Trends in Online Retailing**

Mowrey (2000) states that once drawn into shopping online for a particular product, two thirds of a consumer's spending in that category ends up going to Net companies, according to a recent study by ActivMedia Research. Shoppers (in the U.S.) spend an average of \$312 per month online across 10 retail categories, compared with offline monthly spending of only \$144 for the same items. ActivMedia predicts that online retail sales amount to \$109 billion during 2000, up from \$53 billion in 1999, with computers and electronic purchases accounting for 59% of the total. A comprehensive overview of ActivMedia research findings is presented in appendix 6, on page A32.

Another study, by The Boston Consulting Group (2000), offers new insights into online consumer behaviour. It shows that while Internet users are rapidly becoming Internet shoppers, purchase failures, security fears and service frustrations are rampant. According to the study, over half (57%) of Internet users (in the U.S.) have shopped for and 51% have

purchased goods or services online. The typical online purchaser completed 10 transactions and spent \$460 online over the last 12 months. Yet 28% of all attempted online purchases failed, and four out of five customers who have purchased online experienced at least one failed purchase attempt over the same period. These failures resulted from technical problems consumers encountered with the sites, difficulties in finding products, and logistical and delivery problems after the sale (Boston Consulting Group, 2000).

According to Deloitte Consulting (2000), for many retail products, Internet based software agents called 'shop bots' will search for products, compare prices, conduct transactions, and arrange for delivery – all based on instructions that consumers provide them. Furthermore, certain types of products will 'morph' into digital bits in order to be transported from producer to consumer. These products will adapt their form so they can be delivered over the Internet in order to minimise transaction and transportation costs (Deloitte Consulting, 2000). At the same time, the line between producer and consumer will blur as producers allow consumers to participate in the process of creating the unique product desired. Lastly, Internet transactions will alter the traditional form of money as security and privacy solutions allow for extensive use of digital cash; shop bots as well as humans will begin to use 'electronic wallets' to complete their purchases (Deloitte Consulting, 2000).

### **2.6.2 Online Consumer Behaviour**

According to Boston Consulting Group (1999), online shopping and purchasing has become a widespread consumer phenomenon: 57 percent of Internet users have shopped for and 51 percent have purchased goods or services online. Nevertheless, desire to communicate, not shop, or buy, is the main motivation for going online (Boston Consulting Group, 1999). According to their research, over 80 percent of all Internet users suggest that the Internet's ability to function as an effective communication medium was a reason for getting online

initially, while only 2 percent of users said their main motivation for going online was to shop. This is illustrated graphically by the two graphs below:

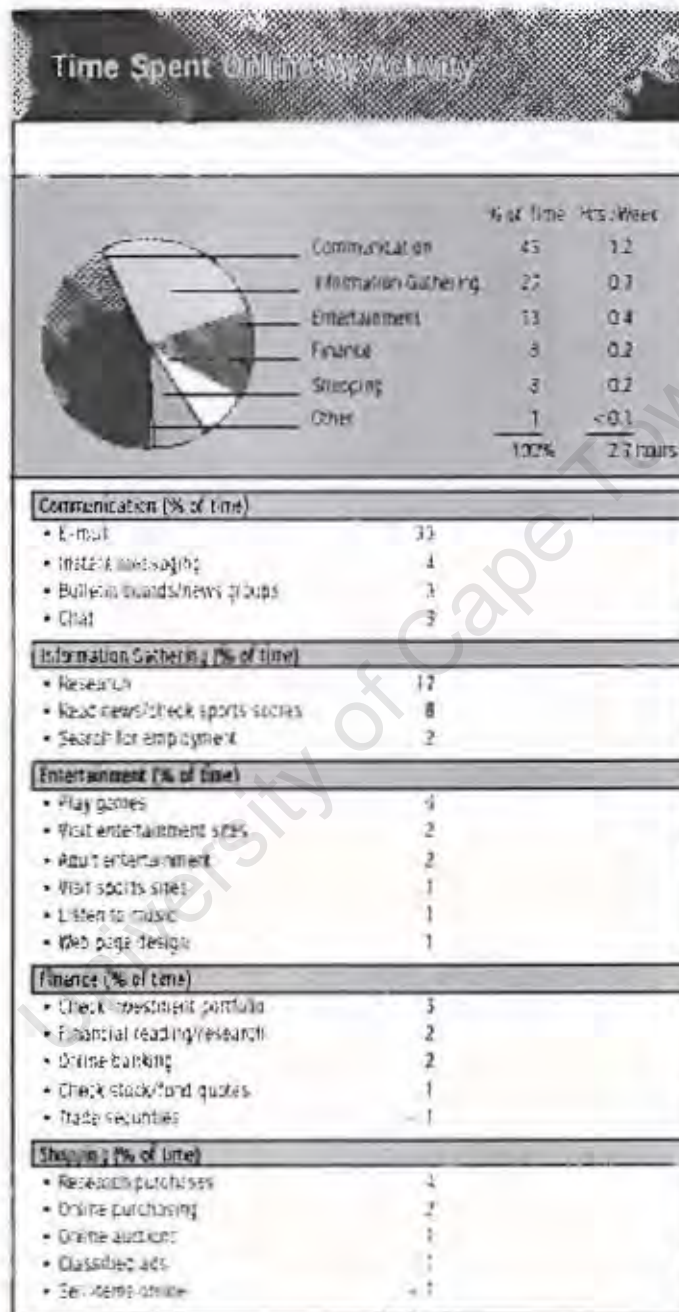


Figure 28: Time spent online by activity  
(Boston Consulting Group, 1999)

Motivations for Getting Online		
% of Internet Users Selecting as Reason for Initially Getting Online at Home		
	As <u>A</u> Reason	As <u>Top</u> Reason
To communicate with friends/family/friends (e-mail, chat)	91	33
To research topics of interest	76	11
To use the Internet for educational purposes (for self)	67	4
Was curious – wanted to see what the fuss was about	47	9
To keep track of items of personal interest	40	3
To avoid getting left behind/to keep up with the times	37	5
For the benefit of my children/old ones	29	7
To buy things/shop online	26	2
To perform work-related functions	25	6
To conduct my personal finances (online banking/investing)	15	2

Figure 27: Motivations for getting online (Boston Consulting Group, 1999)

Online transactions occur across a variety of product categories. According to Boston Consulting Group (1999), the higher penetration categories are books, computer software, and CDs / videos. The highest purchase frequency categories are collectibles, CDs / videos and books; consumers in these categories made an average of three category purchases over the last 12 months (Boston Consulting Group, 1999). Please refer to appendix 7 for a diagram of online purchasing penetration, listed by product category.

Moving Internet users to the threshold of their first online purchase invariably means giving them a good reason to buy (Boston Consulting Group, 1999). And the overwhelming motivation for that first online purchase is convenience as 46 percent of online purchasers attest:

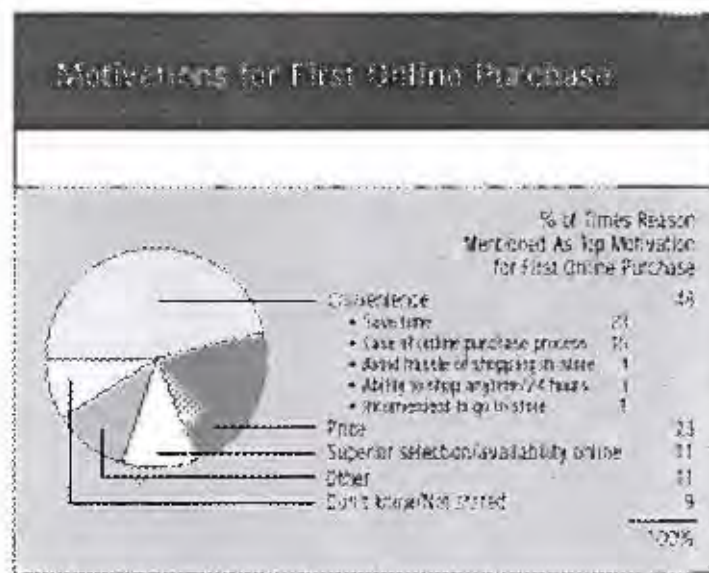


Figure 29: Motivations for first online purchase  
(Boston Consulting Group, 1999)



Figure 30: Category of first online purchase  
(Boston Consulting Group, 1999)

Furthermore, a good first online purchase experience shapes positive consumer attitudes about online shopping (Boston Consulting Group, 1999). Please refer to appendix 8, on page A34, to see what levers retailers have at their disposal to accelerate the migration of shopping and spending online.

For many of today's online buyers, the purchase process can be a frustrating and ultimately disappointing one (Boston Consulting Group, 1999). Despite the potential benefits of shopping and purchasing online, consumers encounter many barriers and compromises along the path to purchasing. According to a Boston Consulting Group study (1999), 28 percent of all online consumer purchase attempts fail. These figures are supported by findings from Deloitte & Touche research (2000): one third of all online transactions are eventually cancelled or abandoned before they are completed. The two graphs below indicate the most common consumers online purchasing problems:

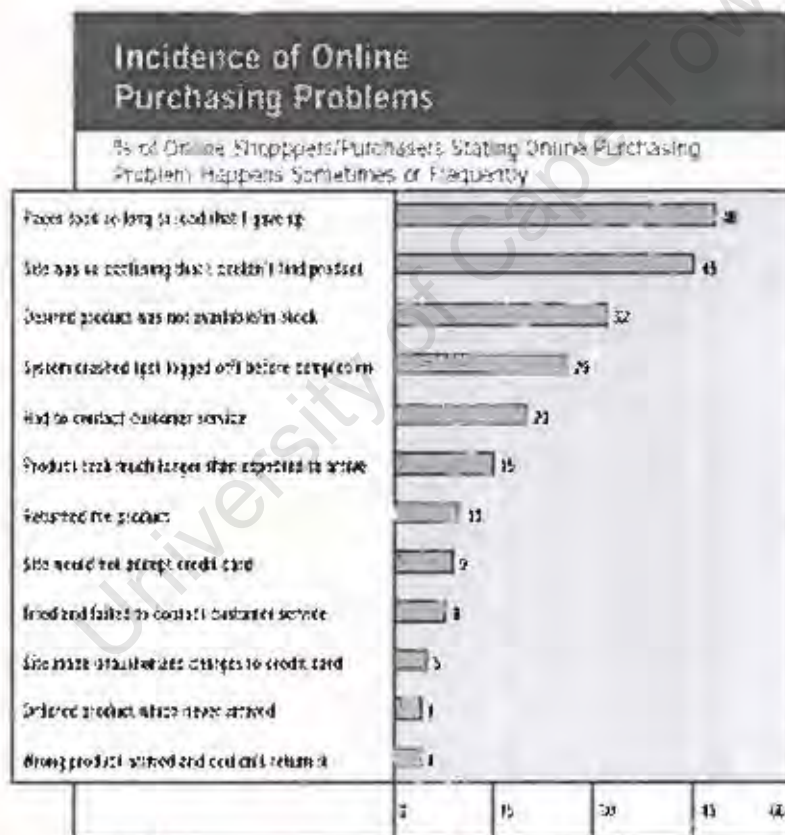


Figure 31: Incidence of online purchasing problems  
(Boston Consulting Group, 1999)

Impact of Failed Purchase Attempts on Future Purchase Behavior	
Consequence of Failed Purchase Attempt	% of Respondents Who Had Ever Suffered a Failed Purchase Attempt Stating Consequence Applies to Them
<i>Impact on site where failed purchase attempt occurred</i>	
1. Stopped shopping at that particular Web site	21%
2. Stopped purchasing at that particular Web site	22%
3. Stopped purchasing items that particular company's online store	7%
4. Had no impact whatsoever	49%
<i>Impact on online shopping/purchasing behavior in general</i>	
1. Stopped shopping online	2%
2. Stopped purchasing online	17%
3. Stopped shopping online, but only for that type of product	4%
4. Stopped purchasing online, but only for that type of product	13%

Figure 37: Impact of failed purchase attempts (Boston Consulting Group, 1999)

Every failed purchase attempt carries potentially harsh and irreversible consequences for the retailer. According to Boston Consulting Group (1999), online consumers are not very forgiving, maybe because purchasing online is new for most of them that they are in a constant state of evaluating it. A single bad experience at a site can cause many consumers to sever their ties with the retailer. That is why retailers must quickly address consumers' concerns and improve the quality of the online purchase experience in order to prosper in the online environment.

Appendix 10, on page A36, depicts a checklist for online retailers and appendix 9, on page A35, shows a table with the 'ten commandments' for pleasing the online consumer.

### **2.6.3 Myths and Realities of Online Retailing**

According to the Boston Consulting Group (1999), business success is grounded in the ability to understand where the economy is heading, which products will sell, and how markets will evolve. For Internet retailers this means anticipating, in big picture terms, where the emerging opportunities will lie but not locking into an inflexible business model or strategic direction. A big challenge, with respect to the Internet, is to resist the false assumptions that can lead a company astray. The Boston Consulting Group has identified five myths that are being debunked by the experiences of online retailers:

**Myth #1:** *Because the impact of technology and the pace of technological change are unpredictable, companies should wait before doing business on the Internet.*

→ Moore's Law states that computing power doubles every 18 months - this has proved true for the last 15 years and will probably remain true for the next 10 years. The question, then, is not *if* but *when* those economics will penetrate a company's value chain and how they can create an opportunity.

**Myth #2:** *Only certain products can be marketed and sold on the Internet.*

→ The reality is that online retailers are using a wide variety of business models to sell almost any product or service. The key to successful online retailing is the retailer's ability to leverage the information power and reach of the Internet to create an end-to-end experience that is enjoyable and offers value.

**Myth #3:** *E-Commerce will be a zero-sum game.*

→ Rather than create new markets, so the theory goes, e-Commerce will simply shift sales from traditional retail channels to the online channel. Online retailing, however, can actually increase overall demand for products.

**Myth #4:** *All goods and services offered online will become commodities.*

→ Producers should watch very closely as consumers begin to design their own products and climb the price ladder. By understanding the psychology on online shopping, marketers can move their customers out of the commodities mentality into a personalised, big-ticket shopping experience.

**Myth #5:** *Online commerce and offline commerce are separate worlds.*

- In fact, some of the most successful online retailers blend their online and offline channels. Contrary to popular belief, about 60% of all online retailing revenues in 1998 were generated by retailers who already had an offline presence.

#### **2.6.4 Lessons for Online Retailers**

The current literature for electronic commerce offer a variety of help, advice, guidance and consulting services for established players and dot.com start-ups to succeed in the electronic commerce environment. The Boston Consulting Group has identified '5 Lessons for Online Retailers'. Their study offers key lessons to help online retailers successfully and consistently deliver a satisfying purchase experience:

Lesson 1: **Help the mass market move online** by removing access barriers and compromises consumer encounter in the online purchasing process.

Lesson 2: **Get on the consumer's shortlist of top five bookmarks.** Research shows that consumers frequent only a small number of favourite retail sites. For retailers the ultimate goal is to increase the likelihood of becoming a core site by using customer information, promotions and tools like bookmarks to encourage repeat visits.

Lesson 3: **Engineer a flawless, end-to-end purchase experience** that delivers on consumer expectations from first contact through to the arrival of the product in the home.

Lesson 4: **Target and clinch the heavy purchaser,** the group of customers who will drive the business and deliver the greatest value. Online shopping is highly concentrated with 5% of the online population accounting for 40% of all transactions. These heavy purchasers averaged five times as much online as did typical online purchasers over the same period.

Lesson 5: **Cross leverage online and offline channels.** Retailers operating offline and online cannot separate the two channels in the minds of consumers. Over 60% of online purchasers say that if they are dissatisfied with a company's Web site, they would be less likely to purchase from that company offline.

## **3. TRUST IN E-COMMERCE**

### **3.1 Introduction**

The topic 'Trust in e-Commerce' is widely documented in a number of articles, industry white papers, reviews and as excerpts within other publications. There is often great inconsistency in the way the authors are dealing with the topic, and often authors limit themselves to present some cases of online fraud or other electronic commerce 'failures' to condemn the Internet as a medium which is generally untrustworthy and also generally distrusted by its users. In short, there are plenty of generic, ill-researched documents which deal with the topic 'Trust in e-Commerce' and make use of single incidents to portray an incomplete picture, simply to leverage the current public interest in these incidents.

For the purpose of a useful and insightful discussion, the following seven credible and authentic resources have been selected, which specifically deal with the topic 'Trust in e-Commerce':

1. Cheskin Research: Trust in e-Commerce (1999)
2. TRUSTe White Paper: Building Trust Online (2000)
3. Deloitte & Touche: Selected eBusiness Issues (1999)
4. PriceWaterhouseCoopers: e-Business, A Matter of Trust (1999)
5. Boston Consulting Group: Winning the Online Consumer (1999)
6. Ernst & Young: Publications from the Centre for Trust Online (2000)
7. Urban, Sultan, Qualls: Placing Trust at the Center of Your Internet Strategy (2000)

These resources and publications were identified as currently the most relevant dealing with the topic under review. In the following passages of the literature review these resources form the basis for a discussion in which commonalities as well as contrasting views are presented, all centred around the topic 'Trust in e-Commerce'.

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### **3.2 Trust in e-Commerce: The Theory**

According to Cheskin Research (1999), as the Internet develops and matures, its success will largely depend on gaining and maintaining the trust of visitors. Similarly, Urban, Sultan and Qualls (2000) state that consumers make Internet buying decisions on the basis of trust. The concept of trust is crucial because it affects a number of factors essential to online transactions, including security and privacy (Cheskin Research, 1999). Simply put, without trust, development of e-Commerce cannot reach its full potential and opportunity for growth is lost forever (PriceWaterhouseCoopers, 1999).

Similarly, Deloitte & Touche research (1999) states that trust and the protection of personal data are central to successful e-Commerce. It is built through such things as reputation, relationships, knowledge of the other party's business, a history of successful transactions, and familiarity with the protocols of business (Deloitte & Touche, 1999). TRUSTe (2000) state, that the lack of trust in the Internet has staggering implications for the willingness of consumers to look to it as a place to conduct business, ultimately leading to the failure of Internet-based business models. Ernst & Young (2000) add, that trust and its position as the central precursor to commerce, is embodied in all market structures and processes. They go as far as to say, that as market structures and processes evolve rapidly in e-Commerce, the underlying legacy trust mechanisms become increasingly ineffective. The absence of a universal consensus on how trust is established in e-Commerce is today one of the most significant inhibitors to e-Commerce (Ernst & Young, 2000). Similarly, Urban, Sultan and Qualls (2000) add that Internet trust is going to become a key differentiator that will determine the success or failure of many retail Web companies.

Because time is key to deepening trust, Internet trust is still relatively shallow (Cheskin Research, 1999). According to their research, the 'forms' that suggest trustworthiness are

the main determinants of whether someone will take a chance. Cheskin Research has identified six types of such forms, which will be investigated individually:

- (1) **Seals of approval:** symbols, like VeriSign and Visa, designed to re-assure the visitor that security been established
- (2) **Brand:** the company's promise to deliver specific attributes and its credibility based on reputation and the visitor's possible previous experience
- (3) **Navigation:** the ease of finding what the visitor seeks
- (4) **Fulfilment:** clearly indicates how orders will be processed, and provides information on how to seek recourse if there are problems
- (5) **Presentation:** design attributes that connote quality and professionalism
- (6) **Technology:** state of the art connotes professionalism, even if it is difficult to use

These six 'building blocks' of trust are broken down into 28 different sub-sets. Please refer to appendix 11 to see in which ways trustworthiness may be established.

### **3.2.1 Developing Trust in e-Commerce**

According to Urban, Sultan and Qualls (2000), trust is built in a three-stage, cumulative process that establishes (1) trust in the Internet and the specific Web site, (2) trust in the information displayed and (3) trust in delivery fulfilment and service. Trust in the information cannot be established until the Web site itself is trusted, and trust in fulfilment requires prior trust in the Web site and in the information it provides. Web trust cannot be established unless all three elements are well executed. Nevertheless, as e-Business evolves, participants at all levels still exhibit a fundamental lack of trust in new, unprecedented approaches to doing business. Research from PriceWaterhouseCoopers (1999) indicates that consumers worry about the confidentiality and authenticity of transactions conducted online and they have serious concerns about controlling information once it is loosed into cyber-space.

According to Cheskin Research (1999), first and foremost it is important to recognise that 'trust' is understood by most consumers to be a dynamic process. Trust deepens or retreats based on experience. The trusting process begins when an individual perceives indications – 'forms' – that suggest a firm may be worthy of trust. Both consumers and firms understand that these forms are designed to represent trustworthiness. These formal claims to trustworthiness become strengthened over time and are eventually transformed into 'character traits', such as dependability, reliability and honesty (Cheskin Research, 1999). Similarly, PriceWaterhouseCoopers (1999) state that trust increases feelings of security, reduces inhibitions and defences, and frees people to share feelings and participate with one another in all manner of transacting.

Brand, navigation, fulfilment, presentation, up-to-date technology and the logos of security guaranteeing firms constitute the essential formal characteristics of Web sites that communicate trustworthiness to visitors (Cheskin Research, 1999).

Consumers tend to see the world of the Web as one of chaos, offering both possibilities and threats. According to Cheskin Research (1999), only after they believe they have secured control over their own personal data within the system, are they willing to begin to try out e-Commerce (Cheskin Research, 1999). Furthermore, while trust develops over time, communicating trustworthiness must occur as soon as interaction with a site begins.

While trustworthiness matters, it is not necessarily the key attribute of a brand in cyberspace (Cheskin Research, 1999). Strong fulfilment, navigation, overall value, selection and lower cost, are key, independent of trust issues. Consequently, taking steps that communicate trustworthiness simultaneously satisfies many of the other needs expressed by consumers (Cheskin Research, 1999).

Two processes of establishing and deepening trust, which appear very similar, are shown graphically below:

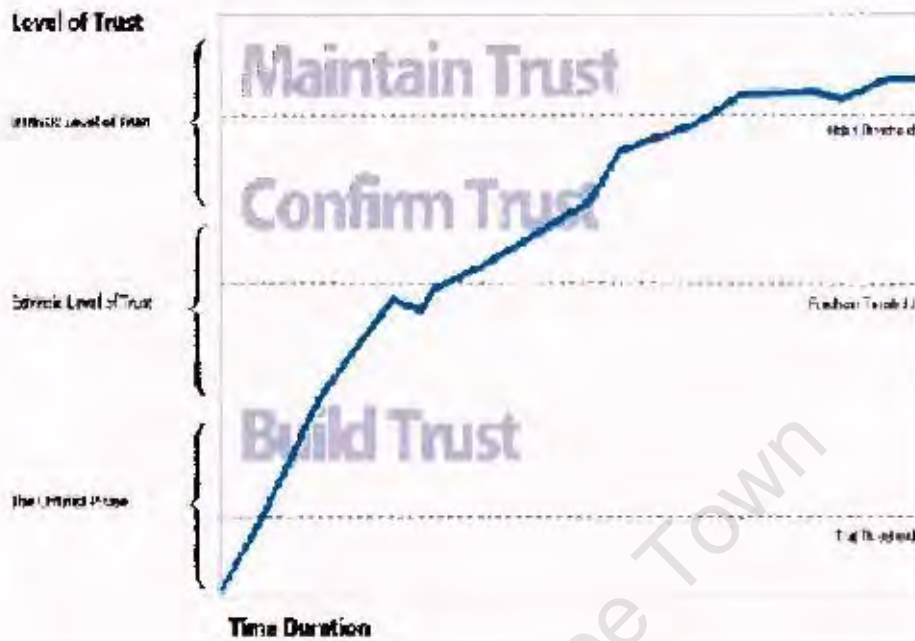


Figure 33: The deepening of trust (Cheskin Research, 1999)

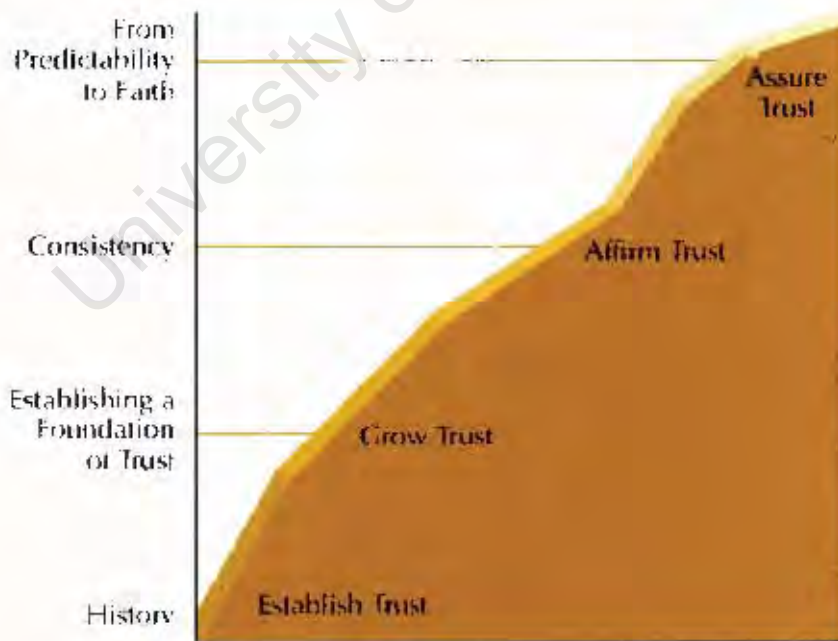


Figure 34: Establishing a trusting relationship (PriceWaterhouseCoopers, 1999)

According to PriceWaterhouseCoopers (1999), once a trusting relationship has been developed, it becomes the cornerstone that supports the organisation in virtually every effort it undertakes. Similarly to Cheskin Research's 6 building blocks of trust in e-Commerce, PriceWaterhouseCoopers (1999) have their own set of building blocks:

- (1) **History:** over time, experience replicates itself and ultimately a sense of trustworthiness develops, based on all that has come before
- (2) **Brand:** a company's brand is an important asset for communicating trust
- (3) **Reputation:** as an organisation's history fosters multiple transactions, the brand is strengthened
- (4) **Experience:** including, navigation, presentation, the functionality of underlying technologies, and scalability together provide for a rewarding experience
- (5) **Policy disclosure:** the organisation must determine exactly how it will conduct its business with all stakeholders and hold to that policy to ensure reputational integrity and avoid corruption of its history
- (6) **Endorsement:** trust can be assured through the inclusion of independent third party oversight that reinforces credibility of the institution

Cheskin Research's and PriceWaterhouseCoopers' building blocks for trust in e-Commerce are briefly listed in the following table:

Cheskin Research (1999)	PriceWaterhouseCoopers (1999)
1. Seals of Approval	1. History
2. Brand	2. Brand
3. Navigation	3. Reputation
4. Fulfilment	4. Experience, including: - Navigation - Presentation - Technology - Scalability
5. Presentation	5. Policy and Disclosure
6. Technology	6. Independent Endorsement

Figure 35: Comparison of the 'Building Blocks' of Trust

The main similarity of both approaches is, that their building blocks must be seen integrated or cumulative, rather than being isolated. The overlaps of some points are obvious, for example brand, technology, presentation, and so forth.

Nevertheless, the points provided by PriceWaterhouseCoopers (1999), seem more 'complete' from a holistic, enterprise-wide point of view, whereas Cheskin's points seem to focus, almost exclusively on front end, customer facing applications.

To sum up the section about the theory of trust in e-Commerce, Ernst & Young (2000) state that building, earning and keeping trust in the new electronic marketplace requires decision makers to acknowledge that many of the new dynamics of online commerce derive from some aspect of trust; either its absence, irrelevance, new relevance, or new sources and uses.

### **3.3 Privacy**

Without assured privacy and confidentiality, effective electronic commerce is not possible. Ernst & Young (2000) state that the 'online privacy issue' has rapidly emerged as one of the more prominent and, as yet, unresolved reactions to the erosion of legacy sources of trust in commerce. The explicit recognition of the economic value of privacy in e-Commerce settings establishes the necessary trust for consumers to release personal information for new commercial issues (Ernst & Young, 2000). According to TRUSTe's white paper (1999): ... consumers fear of privacy invasion on the Internet, while a minor concern for the Internet industry, threatens the ability to build trust online. Similarly PriceWaterhouseCoopers (1999) state that if trust is to be built into the e-Business process, privacy and confidentiality must be at its core. Conversely, Urban, Sultan and Qualls (2000) state that Web site trust can be enhanced by ensuring consumer privacy. Studies (Boston Consulting Group, 1999; TRUSTe, 1999) examined consumer attitudes towards the Internet and found a high level of distrust emanating largely from the fear that engaging in activities online would compromise personal privacy. Deloitte & Touche (1999) have identified various concerns about privacy

violation on the Internet, including: tracking consumers' movements, misuse of information, theft of information, corruption of information, theft of identity, and personal threats. According to PriceWaterhouseCoopers (1999), in business to consumer transactions protection of privacy has become a necessity: people are making it perfectly clear that they will not post personal information on the Internet unless they receive some guarantees. Thus, an important element of building trust is providing credible assurance to consumers that personal data will be protected and privacy respected (Deloitte & Touche, 1999).

According to Urban, Sultan and Qualls (2000), some sites use cookies to record a customer's activity on Web pages or secretly collect even more granular information about their customers by using Web "bugs" to collect click-stream data on every step of their Web-site activity. Many privacy advocates and customers consider these powerful marketing tools to be an invasion of privacy and worry that they are being used to build personal dossiers on individual users. Companies that are serious about building trust do not employ such methods unless the customer explicitly approves their use (Urban, Sultan and Qualls, 2000).

To maximise growth, brands focusing on e-Commerce need to address concerns about security and privacy (Cheskin Research, 1999). Some things that an e-Commerce site can do to address privacy concerns are:

- clearly state their policies on security and encryption
- ask for only necessary information
- provide shipping and return guarantees; and
- provide good communication with consumers.

A recent Business Week / Harris poll (1999) confirms that consumers care deeply about the core of a trusting relationship – privacy:

- Almost two-thirds of non-Internet users would be more likely to start using the Net if the privacy of their personal information and communication would be protected;
- Privacy was the number one reason individuals are choosing to stay off the Internet, coming in well ahead of cost, concerns with complicated technology, and unsolicited commercial email.

The OECD has developed guidelines, in the context of the Internet, which deal with fair information practices (guidelines reaffirmed 1998). They are the basis of most legislative and self-regulatory regimes for privacy protection:

- **Awareness:** consumers should be informed about what information is being collected, who is collecting it, and how it will be used
- **Choice:** consumers should be allowed to choose whether and how their personal information is used, and choices should be easy to exercise
- **Data Quality:** companies should ensure that the information they collect is accurate
- **Data Security:** companies should protect the information they collect
- **Consumer Access:** consumers should have reasonable access to information about them and should be able to correct it

### **3.4 Security**

Security is an essential component of trust. According to Deloitte & Touche (1999), security is important from the perspective of the business itself and from the perspective of stakeholders who transact business with it. Recent studies have shown that security is the number one concern keeping customers away from doing business on the Internet (Deloitte & Touche, 1999). Internet security and privacy are issues of personal control over personal

information (Cheskin Research, 1999). Satisfying most people regarding these issues is the first and most necessary step in beginning the trust building process.

While security of business information is important to the success of any operation, in the world of eBusiness it is crucial (PriceWaterhouseCoopers, 1999). Information can leak out quickly, sometimes untraceably. When it is gone, it is lost forever or, worse, it becomes a co-opted asset of the competition. The elements of eBusiness security, identified by PriceWaterhouseCoopers (1999) are:

- **Physical security:** physical barriers as access control devices
- **Personnel security:** processes and controls in place to ensure that only people of integrity are employed
- **Administrative security:** process and controls, such as eBusiness security policies, procedures, and training programmes
- **Communication security:** protection of information transmission
- **Operations:** processes and controls related to normal, day-to-day operations on-ramps to the Internet
- **Risk management:** formal analyses to identify threats, vulnerabilities, risks and security cost-benefits

Deloitte & Touche (1999) state, that establishing a secure eBusiness environment requires a comprehensive approach that includes policies, education, physical protection, security software, and manual security procedures. Finally, the entire security system must be routinely monitored, tested and validated. To be secure, eBusiness systems should ensure the following:

- **Confidentiality:** information is revealed only to those for whom it is intended
- **Integrity:** data processing is accurate and complete, and records cannot be created, altered, or destroyed maliciously or inadvertently, or by unauthorised individuals; data transmissions cannot be interfered with

- **Access Control:** only authorised individuals can access data or other resources and then only for authorised purposes
- **Authentication:** everyone accessing the system is identified and authenticated; message originators are authenticated
- **Authorisation:** only authorised transactions are processed
- **Nonrepudiation:** transactions are evidenced in such a way that they cannot be subsequently repudiated
- **Availability:** systems are protected from being maliciously or accidentally brought down or destroyed, and there are business continuity plans in case they are
- **Legitimate Use:** systems and data are used only for legitimate business purposes by authorised individuals

These points are generally confirmed within PriceWaterhouseCoopers' 'Establishing the Foundation of a new Security Model' (1999). Please refer to appendix 12, on page A38.

With today's complex networked systems, it is critical that security is built into business processes from the start and from the bottom up – not bolted on after the processes and systems have been designed and implemented (Deloitte & Touche, 1999). Building security in from the start has always been good practice, today it is essential, especially for building trust in e-Commerce.

### **3.4.1 Internet Fraud and Security Concerns**

Computer networks are the central nervous system of business and increasingly critical to their survival and success (Deloitte & Touche, 1999). Furthermore, the value of information systems and our dependence on them make them increasingly attractive targets for those who wish to disrupt, destroy, steal, defraud, misuse, or spy. Similarly, PriceWaterhouseCoopers (1999), point out that cyber-crime is the greatest opportunity for both casual and professional criminal activity and – a cruel irony – those companies whose

eBusiness capabilities are most advanced are often the most vulnerable to attack. Their research revealed that Internet fraud rose by a staggering 600% in 1998. According to Deloitte & Touche research (1999), some novel forms of well-tried fraud are emerging on the Internet as fraudsters adapt to the technology. These new types of fraud include:

- Impersonation
- Theft of credit information from digital communications
- Fraudulent electronic banking
- Electronic gambling and lottery frauds
- E-mail pyramid schemes

At its simplest, the Internet allows a fraudster to create a Web site that claims to be that of a reputable organisation. Victims are then induced to part with funds via credit card payments or to reveal valuable information. Unless the organisation being impersonated is told of the site, it may never find out (Deloitte & Touche, 1999). A fraudster can also create a 'business' that does not exist outside the Internet. Examples include 'banks' in fiscal paradises; unlicensed and uncontrolled gambling and lottery sites; and pyramid sales schemes that take advantage of the ease which people can be contacted by email. According to Deloitte & Touche research (1999), in each case victims are induced to part with money. These findings are supported by PriceWaterhouseCoopers (1999): criminals find the Internet attractive because they can instantly communicate with millions of potential victims – via professional looking Web sites that appear to offer legitimate sales, investment information, online newsletters, or email – at far lower cost than traditional means of communication.

### **3.4.2 Technology for Security**

According to PriceWaterhouseCoopers (1999), it is important that the technological infrastructure supports the ongoing growth of the organisation, that it continues to be reliable as technology evolves, and that it can always be demonstrated as reliable to

interested parties. If the basic technology is not reliable or resilient, if it cannot support the processes it is, by definition, untrustworthy (PriceWaterhouseCoopers, 1999). An organisation can lose customers because of high visibility problems like Web service failures or unreliable hardware. Encryption, digital signatures and digital certificates are the basic building blocks for protecting information, establishing identity, and providing that certain events occurred (Deloitte & Touche, 1999). Specifically they are used to ensure:

- **Confidentiality:** i.e. the message was not read by someone else
- **Authenticity:** i.e. the message came from whom it says, not from an impostor
- **Integrity:** i.e. the message was not modified in transit or replaced by a false message
- **Nonrepudiability:** i.e. the sender cannot deny that he sent the message

According to Cheskin Research (1999), consumers want to see that specific Web based security brands, such as VeriSign, use technologies understood to be important to security, such as encryption. Savvy security brands will work to equate their brands with such technologies, and explicitly mention their use of these technologies (Cheskin Research, 1999). In their research respondents were more familiar with the identification and privacy techniques, such as 'cookies' and 'encryption', and less familiar with specific companies that use technology to offer security, such as VeriSign, TRUSTe, DigiCash and SoftCart. Therefore, given the greater familiarity with the technologies than the security brands, companies like TRUSTe or VeriSign might enhance their credibility by associating their names with a security or privacy technique, such as 'encryption', in their logo design (Cheskin Research, 1999).

### **3.4.3 Encryption, Signatures and Digital Certificates**

Twenty years ago, virtually all encryption was based on secret key cryptography (i.e. the sender uses a secret key to encrypt the message, and the receiver uses the same key to decrypt it). The Public Key Infrastructure (PKI) was introduced in the late 1970s. Here each person gets a pair of keys, public key and a private key (Deloitte & Touche, 1999). Public keys are openly published for all to see, in the equivalent of a telephone directory. Private keys are kept secret and are never transmitted to or shared with anyone. PriceWaterhouseCoopers (1999) state that encryption is the only practical means to provide data confidentially. The main goal of an encryption algorithm is to ensure that a computer can encrypt and decrypt data efficiently when the keys are known. According to Deloitte & Touche research (1999), the security of public key encryption rests on the fact, although public and private keys are mathematically related, it is computationally infeasible to calculate a private key from knowledge of the corresponding public key. Encryption strength depends mainly on key length.

The characteristics of public key cryptography provide the basis for digital certificates. With public key cryptography, everything hinges on individuals being correctly identified with their public keys. This is where digital certificates enter the scene, which bind individual identities to public keys (Deloitte & Touche, 1999). A digital certificate is an electronic record that assures privacy; establishes the identity of the certificate bearer; and validates a digital signature to other parties (PriceWaterhouseCoopers, 1999). Digital certificates are issued by trusted third parties who certify that the owners of public keys are who they say they are. Trusted third parties that issue digital certificates are known as certification authorities (CAs). Their role is analogous to that of notaries in the world of traditional signatures (Deloitte & Touche, 1999). According to research from PriceWaterhouseCoopers (1999), seventy-two percent of Fortune 500 companies are planning to implement some certificate use by 1999, and another 20% are considering it.

According to Deloitte & Touche research (1999), it is important to understand exactly what a certificate represents and does not represent when one is presented. Certification authorities (CAs) will generally have a certification practice statement (CPS) that explains the practices it employs when issuing certificates, the security it employs to protect its own environment, and the legal rights and obligations of the CA and those who rely on its certificates (Deloitte & Touche, 1999).

Because certificate management is complex and many people may rely on certificate issues by certification authorities, it is critical that their computing environment are very secure and well controlled (Deloitte & Touche, 1999). The United Nations Commission on International Trade Law (UNCITRAL) has adopted a 'Model Law on Electronic Commerce' and has initiated subsequent work aimed at the preparation of uniform rules on digital signatures. The Organisation for Economic Co-operation and Development (OECD) also has work under way in this area. Other international organisations, including the World Trade Organisation (WTO), have also become involved in related issues. According to PriceWaterhouseCoopers (1999), digital certificates provide the basic functionality for encryption, and authentication, which form the basis for secure communications and secure commerce. PriceWaterhouseCoopers (1999) adds, that the establishment of a public key infrastructure depends on a combination of enabling legislation and government policy. Furthermore, there are no internationally accepted procedures for the establishment or licensing of certification authorities. Different governments take different positions with respect to whether private keys can or should be archived or held in escrow. Therefore, these differences create significant uncertainty and risk for both key holders and relying parties (PriceWaterhouseCoopers, 1999).

### **3.4.4 Firewalls**

Firewalls are an essential element of an e-Business defence architecture. Their purpose is to protect internal information and data processing networks from external attack (Deloitte & Touche, 1999). Composed of hardware and software components, a firewall acts as a checkpoint or filter between the corporate network and the Internet. Firewalls check incoming and outgoing traffic in order to keep intruders out while giving insiders access to the Internet in accordance with corporate policy (Deloitte & Touche, 1999). The best firewalls let companies determine in very fine detail, what combinations of people, programmes, systems and times are acceptable and which are not.

According to Deloitte & Touche (1999), firewalls are never 100 percent impenetrable and while firewalls are essential for protection against attack through the Internet, they are not sufficient on their own and must therefore be part of a comprehensive security regimen. Unfortunately, many organisations that are justifiably concerned about the security implications of Internet connections construct firewalls, but then leave doors open. Thus, like a thick steel doors in a wooden house, a sophisticated firewall may give a false sense of security, if it is not part of a strong security architecture (Deloitte & Touche, 1999). Additionally, firewalls do not provide much protection against viruses and other data-driven attacks. These must be prevented and contained by other organisation-wide control measures.

### **3.5 Regulatory Issues**

Many international institutions, national governments, and private sector organisations are actively involved in ensuring the orderly governance of the Internet and its new virtual territory (Deloitte & Touche, 1999). The Organisation for Economic Co-operation and

Development (OECD) has framed the issues as follows in describing the purpose of their October 1998 Ottawa Ministerial Level Electronic Commerce Conference:

"Put simply, global electronic commerce has far-reaching economic and social implications for the nature of work, daily life and the role of governments. . . . If the full economic and social potential of electronic commerce is to be realised, four sets of issues must be addressed:

- **Building trust** in electronic commerce by ensuring the security and privacy of transactions and data, and the protection of consumers.
- **Establishing ground rules** so that commercial laws, tax and customs tariffs, trade policy and market access, and intellectual property measures create a level playing field for electronic transactions.
- **Enhancing the information infrastructure** through common interoperable standards, and access to open networks.
- **Maximising the benefits** of electronic commerce by developing awareness and skills, encouraging widespread SME adoption, and ensuring participation and use by all countries.

These issues are both highly complex and interdependent. Moreover, they are broader than the scope of any single government or organisation; they require consensus building on a global basis at the highest business and political levels. . . . Electronic commerce involves a wide spectrum of policy issues, including the legal framework, institutional arrangements and technical infrastructure needed to support an international marketplace for electronic products and services. . . . The OECD has a contribution to make to this effort in several areas relating to electronic commerce, including: taxation, the protection of personal information and privacy, the rights and obligations of consumers, and electronic signatures and authentication. In addition, the OECD will address a number of broader analytical issues relating to the socio-economic impacts of electronic commerce within the knowledge-based

society.” (Note: the notes and resources from the OECD Ministerial Conference on Electronic Commerce can be accessed at: [www.ottawaoecdconference.com](http://www.ottawaoecdconference.com))

TRUSTe (1999) points out that the government regulatory approach – laws and statutes to regulate business data practices – reveals several flaws: first, unless there is global harmonisation of privacy laws, government sight is seriously challenged. Second, prohibitive government regulation could inhibit the Internet’s extraordinary growth and dynamism. And finally, in a rapidly changing and dynamic medium, unnecessary regulation of commercial activities can lead to significant unintended consequences, distorting the development of the electronic marketplace. In short, Internet business models must evolve rapidly to keep pace with the breakneck speed of change in the technology, and laws are likely to be outmoded by the time they are enacted (TRUSTe, 1999).

### **3.5.1 Self Regulation**

An alternative to the government regulatory approach for data privacy and security is industry self regulation and self governance. Self governance is a three-dimensional system that leverages pressure points, such as government oversight, forces of market dynamics and public scrutiny, to maintain and enforce appropriate privacy and security practices (TRUSTe, 1999). The United States and a number of other countries, including Canada, Japan and Australia, favour private sector, self-regulatory regimes to protect privacy (Deloitte & Touche, 1999). A number of organisations of the Internet industry have duly become involved in various attempts at self regulation: the Internet Alliance (IA), the Commercial Internet Exchange (CIX), the Information Technology Association of America (ITAA), the Interactive Industry Association (IIA), the Software Publishers Association (SPA), the Direct Marketing Association (DMA), and the recently formed Online Privacy Alliance (OPA).

The World Wide Web Consortium (W3C) is an international industry consortium founded to develop common protocols that promote the Web's evolution. The W3C has undertaken an ambitious 'Platform for Privacy Preferences Project' (P3P) that may be important in the longer term (Deloitte & Touche research, 1999). It has developed technical specifications for enabling consumers to choose what information may be collected about them and how it may be used and disclosed.

There are also several private sector initiatives being pursued in the United States and elsewhere, whereby Web sites are permitted to display a 'seal of approval' if they meet certain criteria (Deloitte & Touche, 1999). Two of the better known programmes are 'TRUSTe' and the 'Web Trust Seal of Assurance'. Both are independent, non-profit organisations whose missions are to build users' trust and confidence in the Internet by promoting the principles of disclosure and information consent. These principles and criteria deal with the following three broad questions that concern consumers:

- (1) **Business Practice Disclosure:** Does the company disclose and follow its business practices ?
- (2) **Transaction Integrity:** Does the company ensure that customers' orders are completed and billed as agreed ?
- (3) **Information Protection:** Does the company ensure that private customer information is protected from uses not related to its business ?

The core of these private sector initiatives is a 'privacy seal', a visual symbol that can be displayed by Web sites that meet the programmes requirements for data gathering and dissemination practices, and agree to participate in their dispute resolution processes (TRUSTe, 1999). TRUSTe's specific goal is to establish a seal that would send a clear signal to consumers that they could expect companies to adhere to certain requirements about the

way Web sites handle data, and that an independent, third party would hear and respond to their complaints and resolve their disputes. For a list of TRUSTe's core tenets, please refer to appendix 13, on page A39.

Although, self regulation has become a distinct characteristic of the Internet industry, there are drawbacks to this approach. According to Deloitte & Touche (1999), the Achilles heel of self-regulatory approaches tends to be the difficulty of enforcement. Effective enforcement mechanisms should include:

- **Consumer Recourse:** Companies should offer customers readily available and affordable mechanisms for resolving disputes.
- **Verification:** Companies' assertions about privacy statements and their implementation should be independently verified.
- **Consequences:** Failure to comply with fair information practices should have consequences that are stiff enough to be meaningful and swift enough to assure consumers that their concerns are addressed in a timely fashion.

### **3.5.2 Internet Taxation**

Tax authorities around the world have started to pay close attention to electronic commerce and there are many issues that concern them. Please note, that the issue of taxation is included in this discussion only for completeness and is only briefly dealt with. As Internet taxation is a much more macro-economic issue, and not directly linked to the building or developing of trust in e-Commerce, it is not investigated in great depth in this literature review.

According to Deloitte & Touche (1999), some tax authorities are concerned that global commerce on the Internet will siphon off traditional sources of tax revenue and are

considering ways to tighten the tax net on electronic transactions. The business community and certain governments are concerned that electronic commerce will be stifled if it is encumbered with onerous and potentially conflicting tax rules.

It was not long after commercial use of the Internet arrived that governments began to address the tax and legal ramifications of the Internet phenomenon (Deloitte & Touche, 1999). The U.S. government moved quickly to create a framework for addressing tax as well as other regulatory and legal issues. In November 1996, the Department of the treasury issued a discussion paper entitled 'Selected Tax Policy Implications of Global Electronic Commerce' ([www.ustreas.gov/taxpolicy/internet.html](http://www.ustreas.gov/taxpolicy/internet.html)). This paper takes the position that, wherever possible, existing tax concepts should be applied to global electronic commerce and tax treatment should be neutral between electronic and traditional methods of conducting business. This approach appears to have broad support, at least in principle, among other OECD member countries.

Outside the United States, several countries have issued discussion papers on Internet taxation, including Australia, Canada, New Zealand and the Netherlands (Deloitte & Touche, 1999). The South African government published their discussion paper, which entails a number of regulatory and legislative initiatives, including Internet taxation, in June 2000. Perhaps the most significant challenge facing taxing authorities is tax compliance (Deloitte & Touche, 1999). Private sector and international co-operation will be necessary to develop and implement software and hardware technologies to implement tax compliance solutions, such as:

- **Electronic Money:** transfers over the Internet, particularly if they take place outside the regulated banking system, can be virtually untraceable.
- **Identity:** people can successfully hide or change their identity on the Internet – using cryptographic techniques if necessary.

- **Record keeping and transaction verification:** special technologies may be required to verify the authenticity of electronic transactions – for example, digital signatures.
- **Disintermediation and information reporting:** banks, brokerage firms, and other have traditionally provided information to tax authorities – a complex and costly exercise; new intermediaries on the Web may not have the ability, resources, or will to do so.

Lastly, in order for a revenue authority to assess a tax it must have jurisdiction over either the income or the taxpayer (Deloitte & Touche, 1999). Thus the two basic tax concepts for establishing jurisdiction are source and residence. Both these concepts rely on evidence of physical connection, which in cyberspace may be lacking or misleading (Deloitte & Touche, 1999).

To sum up the points raised under 'regulatory issues', PriceWaterhouseCoopers (1999) state that organisations should take heed, because governments and international regulatory bodies are already working to define the regulatory issues, to understand their practical impact, and to determine whether and where regulation of eBusiness is necessary. Accordingly, companies must anticipate the threat of government-imposed regulation if industry fails to establish its own rules.

### **3.6 Digital Money and Electronic Payment Systems**

Electronic commerce will not reach its full potential until there are simple, inexpensive, private and secure ways to make payments over the Internet (Deloitte & Touche, 1999). According to Urban, Sultan and Qualls (2000), Web sites can build trust by assuring customers that their online payments are secure and can be executed only with proper authorisation. According to Deloitte research (1999), credit cards are the principal means used today, but they have at least two drawbacks:

- many people are reluctant to send unsecured credit card information over the Internet, where it may be intercepted, to a merchant whom they may not know
- transaction costs are relatively high, which makes credit cards unsuited for small purchases, especially micropayments – a few pennies for accessing a page of information

Typically, digital money today is used as follows:

1. In exchange for a conventional payment, an amount of digital money is downloaded to a consumer's PC or smart card by its issuer.
2. The consumer makes a digital payment to a vendor. In the case of smart cards, the vendor must have a smart card reader. In the case of PC based money, the vendor needs a computer with software from the digital money issuer.
3. The vendor can either redeem the digital money from the issuer in exchange for conventional money, deposit it with a bank that accepts digital money, or use the money in a subsequent peer-to-peer transaction.

According to Deloitte & Touche research (1999), compared to traditional payment systems digital money is in its infancy, and a great deal of technological development and market consolidation must occur before it realises its potential. Unlike conventional cash, which is printed and backed by national governments, digital money may be issued by private sector organisations, such as banks, credit card companies, telecommunications companies, software companies and retailers (Deloitte & Touche, 1999). Simply put: cash is legal tender, digital money is not. Cash, when it is banked by the retailer, is returned to the banking system; it is part of the reserve base and is measured in the official money aggregates (Deloitte & Touche, 1999).

In contrast to digital money, Secure Electronic Transactions (SET) is a standard that enables credit cards (and debit cards) to be used with confidence over the Internet. Backed by

Master Card, VISA, American Express and a number of other partners, it was rolled out in 1998. According to Deloitte & Touche research (1999), SET makes clever use of public key encryption, digital signatures and digital certificates to accomplish its purpose. Two important features of SET are:

- **Authentication:** to one another of the parties to the transaction – the cardholder, the merchant, the issuer of the card, and the acquirer; thus, for example the merchant is assured that the customer is the legitimate user of a valid card, and the customer is assured that the merchant is not an impostor
- **Confidentiality:** of the credit card number; this is never exposed on the Internet, nor revealed to the merchant

SET has enough heavyweight backing to make it succeed (Deloitte & Touche, 1999). Acceptance, however, will probably be slow given its cost and complexity. There are also indications that consumers and merchants are becoming more comfortable with simpler mechanisms that they regard as 'secure enough' for the purpose. An example is the 'secure socket layer technology' built into Internet applications.

### **3.7 Assurance**

According to Urban, Sultan and Qualls (2000), consumers must make many online research and purchasing decisions almost solely on the basis of trust. Yet most Web sites provide consumers with scanty information on which to base their trust. Some Web retailers are start-ups with little or no track record of fulfilment and even well-regarded companies like AOL have suffered embarrassing security breaches (Urban, Sultan and Qualls, 2000). Not surprisingly, they convert few of their visitors into purchasers, suffer low customer retention and generate meagre profits. Many companies have failed with such an approach to

marketing on the Internet, primarily because they have failed to build trust (Urban, Sultan and Qualls, 2000).

The single best way to communicate trustworthiness is to provide assurance to all stakeholders that proper controls are in place as transactions are undertaken (PriceWaterhouseCoopers, 1999). Despite the already discussed issues, privacy, information protection, security, regulation, and payment systems, the following issues are also important to communicate trustworthiness.

### **3.7.1 Web Branding and Differentiation**

Building or transferring brand equity can also enhance Web-site trust (Urban, Sultan and Qualls, 2000). A brand name can provide an important trust cue connoting a Web site's credibility. Companies may be able to transfer brand equity from their existing brick-and-mortar business to their Web site. The most trusted Web brands are well known brands (Cheskin Research, 1999). For example, Barnes & Noble has attempted to capitalise on its reputation as a quality book seller by transferring its established brand and its attributes (selection, convenience, service and attractive prices) to the company's Web site.

Web sites can also build new brands that generate confidence. Amazon.com has built a Web-trust brand by satisfying customers with the widest selection, thorough information (reviews, ratings), low prices, rapid ordering and delivery, easy exchange and quick credits (Urban, Sultan and Qualls, 2000).

According to Cheskin Research (1999), regardless of where a brand established itself, online or offline, one key aspect of establishing trust with consumers is the reputation of a brand, together with, in many cases, personal experience. Generally speaking, a site that has never been visited and is not well known is unlikely to be a trusted site. For lesser-known brands,

navigation and fulfilment from their Web site play significant roles in establishing trust (Cheskin Research, 1999).

Since building trust in e-Commerce can be time and resource intensive, companies that enjoy strong brand equity and high levels of customer loyalty may be able to follow a "wait and see" strategy (Urban, Sultan and Qualls, 2000). In this case, trust in the brand can substitute for site trust earned by providing competitive comparisons. However, if customers have less than perfect loyalty and need data on other products before making a purchase, brand equity may not be enough to compete successfully with intermediary sites that provide full information. For this reason, even companies with strong brands should begin exploring intermediate trust building (Urban, Sultan and Qualls, 2000).

### **3.7.2 Web Site Design, Presentation and Navigation**

According to Urban, Sultan and Qualls (2000), trust-based Web sites provide customers with accurate, up-to-date, complete and unbiased information, not only on their own products, but on all the competitive products available in the market. Their smooth, easy-to-use navigation makes searching, shopping and comparing a pleasure. Moreover, they preserve and build trust through faultless fulfilment and satisfaction guarantees. It is not surprising that trust-based Web sites can enjoy higher rates of customer conversion and retention than sites that do not engender loyalty (Urban, Sultan and Qualls, 2000).

Beyond the question of communicating trustworthiness, consumers rely on the quality of navigation, more so than other components (Cheskin Research, 1999). Whenever possible, companies should allow customers to view information in the order they choose (Urban, Sultan and Qualls, 2000). According to Cheskin Research (1999), effective navigation is a necessary pre-condition to successfully communicating the trustworthiness of a site.

Generally speaking, effective navigation combined with a well known brand and effective fulfilment is the best way of communicating trustworthiness (Cheskin Research, 1999).

According to Urban, Sultan and Qualls (2000), information on the Web site must be complete and accurate. Sites that ask customers to make a purchase should provide all the information needed to make an informed decision: product specifications, prices, in-stock availability, delivery time and reliability (see BizRate.com for customer ratings of sites based on timely delivery), magazine reviews, customer recommendations (see Epinions.com for customer evaluations by self-designated experts), and return guarantees.

Other powerful trust builders include posting reviews by credible sources, such as consumer-advocacy organisation Consumer Reports, or audits of site information by reputable independent parties; frequently updating changes in products, prices and availability; and allowing customers to personalise and specify the information displayed (Urban, Sultan and Qualls, 2000).

### **3.7.3 Symbols and Seals of Approval**

The use of seals of approval has already been discussed in the section dealing with regulatory issues. Nevertheless, some insights about symbols and seals of approvals from a customer level will be presented. Third-party seals of approval can provide an important cue to consumers that they can trust a particular site (Urban, Sultan and Qualls, 2000). According to Cheskin Research (1999), in order for trust to occur, individuals first rely on certain forms being followed. Symbols presuppose the difference between familiar and unfamiliar and they operate in such a way as to enable the re-entry of this difference into the familiar (Deloitte & Touche, 1999). Over time reliance on these forms gives way to a reliance on experience (Cheskin Research, 1999). Such experience is a necessity for true

trust to develop. According to PriceWaterhouseCoopers (1999), trust seals are, simply put, quality marks that demonstrate that an organisation abides by a code of integrity.

Some seals are based on self-assessment; the organisation itself claims it is adhering to best practices. Companies wanting to assure eBusiness trust with greater conviction and broader scope open their operations to scrutiny (PriceWaterhouseCoopers, 1999). The imprimatur of an oversight authority, its seal visible on a Web site, connotes the intention and effort of the sealed company to conduct itself with high levels of integrity at all times, behaviour corroborated by independent audit (PriceWaterhouseCoopers, 1999).

The Organisation for Economic Cooperation and Development (OECD) has identified a host of global organisations offering seals of approval as they relate to eBusiness. Each is categorised as to objective and enforcement mechanism in appendix 14, on page A40.

The presence of credit card symbols, however, does little to communicate trustworthiness, even though they are universally recognised by consumers (Cheskin Research, 1999). In contrast, Web based 'security brand' seals of approval, such as VeriSign, when recognised, do communicate trustworthiness. Figures 70 to 72 in appendix 15 indicate the relationship between familiarity and trust, particularly for Web based security brands. Above all, Web sites that want to build trust must live by the privacy and security policies they endorse (Urban, Sultan and Qualls, 2000).

#### **3.7.4 Fulfilment and Distribution**

A commitment to keep a word is fundamental to business (PriceWaterhouseCoopers, 1999). According to Urban, Sultan and Qualls (2000), the most important element of trust is fulfilment. In order to move transactions into cyberspace, one must acknowledge a variety of concerns about the risks of doing business in cyberspace. PriceWaterhouseCoopers (1999)

states, that if a company says a product will be shipped within a certain time period, using a named method of conveyance, it must deliver on its promise – unless there are problems beyond its control, in which case full disclosure of the breach must be made within a prescribed term. According to Deloitte & Touche research (1999), one of the most obvious questions about e-Commerce on the Internet is whether or not consumers receive the merchandise they ordered in a timely fashion at the agreed-upon price.

Similarly PriceWaterhouseCoopers (1999) states that fundamental to eBusiness operations is a company's willingness to disclose its business practices, protect its information, and assure transactional integrity to its customers. Those who do not, risk the perception that they are unwilling to conduct themselves in accordance with prescribed standards.

A typical example of a customer who has been defrauded online – and their number is growing at alarming rates – is the man who simply gave up after exhaustive attempts to obtain a refund after he paid \$615 for a computer that never arrived (PriceWaterhouseCoopers, 1999). The transaction developed from an online sale hosted by the world's largest Internet auction service.

Furthermore, other consumers complain about a feeling of helplessness once they have become locked into online transactions. According to PriceWaterhouseCoopers (1999), many eBusinesses continue to corrupt the order process, send the wrong (or inferior) products, double-bill, or provide no methods for recourse or contact when problems arise.

Furthermore, trust is earned by meeting expectations (Urban, Sultan and Qualls, 2000). As small commitments are met, customer confidence grows in the belief that companies will also fulfil larger expectations. Critical functions include shipping the right product at the right time, effective installation, service, support, error-free billing and credits on returned items.

Automated tracking services and telephone-based customer fulfilment hotlines can maintain confidence when inevitable delivery problems occur. Failing to meet customer expectations is the quickest way to destroy trust (Urban, Sultan and Qualls, 2000).

Online purchasers have generally high expectations about the speed of the purchase process, particularly the speed of placing an order (Boston Consulting Group, 1999). Purchasers expect, on average, it will take them about 10 minutes to complete the shopping process – from loading the retailer’s home page to selecting the product they want to filling out the online order form and finalising their purchase. However, these speed expectations are much more modest when it comes to the fulfilment aspects of the purchase experience. These reduced expectations are likely driven by what consumers believe is possible, given the current state of online fulfilment, rather than what they actually desire. According to Boston Consulting Group (1999), consumer’s lower expectation about fulfilment do not translate into higher satisfaction with fulfilment.

### **3.7.5 Interactive Decision Aids**

For the Internet, trust-based marketing is the key to success and companies can use the Internet to provide customers with a secure, private and calming experience during which they converse with an on-site, trusted personal shopping advisor who is dedicated to helping them make the best decision (Urban, Sultan and Qualls, 2000).

Urban, Sultan and Qualls (2000) propose that such virtual advisors are a new element in building trust into the customer’s online shopping experience. Virtual-advisor software mimics the behaviour of a personal shopping assistant, which can become a powerful and cost-effective part of almost any company’s Internet strategy (Urban, Sultan and Qualls,

2000). Such a virtual advisor asks questions, records responses and proposes recommendations on the basis of the customer's responses.

For example, Truck Town visitors ([www.trucktown.com](http://www.trucktown.com), an Internet retailer for pick up trucks and sports utility vehicles) can choose to be guided completely by the virtual advisor or may navigate the site independently. Truck Town's architecture allows the user to exercise considerable control over information acquisition, which is an important trust cue. Truck Town's welcome screen displays a map to help customers locate dealers, the bank, a news-stand, coffee shop, city hall and customer-advice offices. In a national survey of consumers, respondents were asked whom they trusted most when buying automobiles: dealers, salesmen, mechanics, contractors, bankers, neighbours or magazine editors. Respondents said they would most trust an auto mechanic, a retired editor of an auto magazine or a contractor who has purchased many trucks. On the basis of this ranking by consumers, Truck Town presents these three advisors, who are not modelled after specific individuals but are composites of the best practices of people serving in those roles.

Results of a study by Urban, Sultan and Qualls (2000) indicate that the virtual advisor developed during this research was able to generate trust in consumers. In answer to the question "Did you trust the advisor?" 82% of the respondents answered "yes," 76% agreed that the information provided was trustworthy, and 88% agreed that the advisor recommended trucks that fit their needs. More importantly, 60% agreed that the advisor suggested alternatives they would not have considered otherwise. In terms of purchasing, 88% of respondents would consider buying a vehicle through Truck Town. In fact, 82% of respondents considered the Internet experience more trustworthy than an in-person dealer experience. Please refer to appendix 16, on page A44 for a full summary of the study and the Truck Town virtual advisor model.

Nevertheless, according to Urban, Sultan and Qualls (2000), an advisor is not necessary for all products, nor do all people prefer to use an advisor. Their research suggests that there are two different segments of buyers: one segment comprises those who have confidence and knowledge about what they want and therefore need an easy, direct information-search capability. The other segment consists of those who have less knowledge and want help or advice in making their choices. If one wanted to design a site to appeal to both segments, a direct-search format could be supplemented by a trusted-advisor button that provides a personal-shopping advisor. Alternatively, an advisor format could be adopted that becomes a direct-search site if the customer wants to access specific product data. It is important to match site navigation to the customer's cognitive decision process and should be possible to fill the needs of both decision styles on the same site (Urban, Sultan and Qualls, 2000).

### **3.8 Preliminary Conclusions:**

#### **The 'Building Blocks' of Trust in e-Commerce**

The preceding sections of the literature review have indicated that there are some important 'factors' for building and developing trust in e-Commerce, which online merchants should consider and apply if they are to build trust, or a greater sense of trustworthiness, in online shopping. The featured seven studies have highlighted a number of factors which contain many similarities and often overlap and complement each other. For the purpose of identifying these important online trust-building factors, which form the basis of the following qualitative and quantitative research, the information and findings gathered from the literature are analysed, and the key findings extracted and summarised in the table on the following page. The table indicates that the findings gathered from the literature, which are important for building online trust, can be consolidated and grouped into 9 robust factors. For the purpose of this research these consolidated factors are referred to as the 'building blocks of trust in e-Commerce' throughout the study. In order to indicate the source and origin of the information from the literature, as well as the author's contributions, the seven main sources of information are indexed and referenced in the following order:

<b>Source of Information</b>	<b>Reference No.</b>
Cheskin Research: Trust in e-Commerce	1
TRUSTe White Paper: Building Trust Online	2
Deloitte & Touche: Selected eBusiness Issues	3
PriceWaterhouseCoopers: e-Business, A Matter of Trust	4
Boston Consulting Group: Winning the Online Consumer	5
Ernst & Young: Publications from the Centre for Trust Online	6
Urban, Sultan, Qualls: Placing Trust at the Center of Your Internet Strategy	7

Online Trust Key Themes and Source of Information	Consolidated High Level Online Trust Building Blocks	Building Block Decomposed Factors
<ul style="list-style-type: none"> <li>➤ Presentation (1, 5, 7), product comparisons (4, 5), Web site design (1, 7), user experience (4, 7), information provided on Web site (1, 3, 7), information about competitive products (4, 5, 7), provision of unbiased information (4, 5), clarity of purpose (1), craftsmanship (1, 3)</li> <li>➤ Navigation (1, 4, 5, 6), user friendliness (1, 7), user-friendly shopping cart (3, 5), effective navigation (1, 4, 7), control of navigation / information (1, 5, 7), good search capabilities (1, 7), uninterrupted flow of information (1, 4), useful navigation aids (7)</li> <li>➤ Technology (1, 4), technology infrastructure (3, 4), functionality (1, 4, 5), Web site speed / quick loading pages (1, 4, 7), technology for Internet security (4, 5, 6), existence of effective firewalls (4, 5), multiple online consumer touchpoints (7), encryption technology (3, 4)</li> <li>➤ Digital branding (1, 4, 7), reputation (4, 6), history (4, 7), online brand equity (1, 7), interactive decision aids (7), benefit clarity (5), overall brand equity (1, 7), affiliations / co-op third party brands (1, 4, 5), breadth / depth of product offering online (4, 5)</li> <li>➤ Seals of approval (1, 2, 7), service security seals (2), independent endorsement (4), familiar seals of approval (3), independent oversight (4), network security (3, 6), technological and e-Commerce capabilities (3, 4, 6), secure transaction processing (3, 6)</li> <li>➤ Fulfilment (1, 4, 7), customer recourse (2, 3), customer expectations (5), faultless fulfilment (4, 7), satisfaction guarantees (5, 7), reliability (5, 3), problem resolution (4), online order tracking (1, 4, 5), customer return policies (2, 4), fulfilment effectiveness (4, 5), fulfilment accuracy (1, 4)</li> <li>➤ Information protection (4, 5, 6, 7), control over information (1, 5, 6), privacy invasion (2, 3, 5), access to view stored personal information (1, 4, 5) privacy protection (1, 3, 4, 6), information storage (3, 5, 6), data quality (4, 5, 6), information confidentiality (2, 4, 6)</li> <li>➤ Confidentiality (3, 4, 6), network infrastructure (3, 4), authenticity (3, 4, 6), logos of security (1, 4), non-repudiation (3, 4), data security (3, 4, 6), transaction integrity (3, 7), digital certificates (3, 4), encryption (1, 4, 6), digital signatures (3, 4), electronic money (3, 7)</li> <li>➤ Policy disclosure (1, 2, 4), governance (3), Internet taxation (3, 5), customer protection and public awareness programmes (1, 2, 5), online consumer interest groups (2, 5), cross-border legislation / legal framework to govern e-Commerce (2, 4, 6), industry self regulation (2, 4)</li> </ul>	<p>(1) <b><u>WEB SITE DESIGN &amp; PRESENTATION</u></b></p> <p>(2) <b><u>NAVIGATION</u></b></p> <p>(3) <b><u>TECHNOLOGY</u></b></p> <p>(4) <b><u>BRANDING</u></b></p> <p>(5) <b><u>SEALS OF APPROVAL</u></b></p> <p>(6) <b><u>FULFILMENT</u></b></p> <p>(7) <b><u>PRIVACY</u></b></p> <p>(8) <b><u>SECURITY</u></b></p> <p>(9) <b><u>REGULATION &amp; LEGISLATION</u></b></p>	<ul style="list-style-type: none"> <li>➤ Clarity of info, interactive decisions aids, professional Web page design, comprehensive product comparisons, up to date / unbiased information</li> <li>➤ Useful navigation guides, consistent navigation, good search functionality, easy to use shopping cart, user friendliness, ease of finding products</li> <li>➤ Effective firewalls, quick loading pages, encryption for security, multiple consumer touch points, sophisticated technology infrastructure</li> <li>➤ Retailer's Web brand equity, retailer's overall brand equity, breadth / depth of offerings, affiliations, established reputation and credibility</li> <li>➤ Service security, network security, e-Commerce capabilities, technological capabilities, secure transactions processes (e.g. privacy protection)</li> <li>➤ Order tracking, fulfilment prices clearly stated, ability to back out, international fulfilment capability, strong recourse and return policies</li> <li>➤ Confidentiality, information protection, only asking for necessary information only, information storage policies, ability to view stored information</li> <li>➤ Secure payment methods, clear security policies, accurate data processing, digital signatures and certificates, data security / integrity</li> <li>➤ Consumer protection, online trading standards, supervision of self-regulatory schemes, legal framework, public awareness programmes</li> </ul>

The previous table indicates that from the information gathered from the literature review, nine general building blocks of trust in e-Commerce can be extracted. These nine general building blocks can be further de-composed into 45 sub-factors, which expand and provide more detail about the individual building blocks – again, based on the findings extracted from the seven main sources of information. The decision of selecting the presented nine general building blocks was based on qualitative assessments of the information provided in the literature, where specific attention was given to key issues and themes, which were presented across all sources of information, and where commonalities and overlaps existed in the information about what constitutes important factors for building online trust.

The following section provides a brief description about each of the nine general building blocks of trust in e-Commerce and an explanation about why it was chosen:

***Building Block 1: Web Site Design and Presentation***

→ this building blocks is decomposed into the following sub-factors: clarity of information, interactive decision aids, professional Web page design, comprehensive product comparisons, and up to date and unbiased product information → Web site design and presentation provide design and usability attributes that connote professionalism and quality, professionally designed sites communicate trustworthiness more effectively

***Building Block 2: Navigation***

→ this building block is decomposed into the following sub-factors: useful navigation guides, consistency in navigation, good search functionality, easy to use shopping cart, user friendliness / ease of finding products → navigation is the process of finding products online customers seek, in the most efficient and user friendly manner; user-friendly and effective navigation provides the basis for a rewarding user experience; quality navigation is thus a necessary pre-condition for communicating trustworthiness

***Building Block 3: Technology***

- this building block is decomposed into the following sub-factors: effective firewalls, quick loading pages, encryption for security, use of multiple consumer touch points, sophisticated technology infrastructure → a sophisticated technology infrastructure connotes professionalism, although online consumers cannot easily assess it; the technological infrastructure supports the ongoing growth of the online business, as well as the online trust building process

***Building Block 4: Branding***

- this building block is decomposed into the following sub-factors: retailer's Web brand equity, retailer's overall brand equity, breadth and depth of product offering online, affiliations with other trustworthy organisations, established reputation or credibility of Web site or retailer → branding provides cues about a company's promise to deliver on clients' expectations and its credibility based on reputation and past experiences; an online retailer's brand is an important asset for communicating online trust

***Building Block 5: Seals of Approval***

- this building block is decomposed into the following sub-factors: icons and text that symbolise: service security, network security, e-Commerce capabilities, technological capabilities, secure transactions processes → seals of approval seek to assure customers that (independent) security and control mechanisms are in place as online transactions take place; trust can be confirmed through the inclusion of third party oversight that reinforces credibility of the online retailer

***Building Block 6: Fulfilment***

- this building block is decomposed into the following sub-factors: availability of order tracking, fulfilment prices clearly stated, ability to back out of transactions, international

fulfilment capability, strong recourse and return policies → strong fulfilment capabilities  
lower the perceived risks of e-Commerce; fulfilment clearly indicates how order will be processed, and provides information about how to seek recourse when problems arise

### **Building Block 7: Privacy**

→ this building block is decomposed into the following sub-factors: confidentiality of transactions, protection of personal information, asking for transaction necessary information only, disclosure of how customer information is collected and stored, access for consumers to view what information is collected and stored → protection of privacy and personal data is one of the key prerequisites for successful e-Commerce, without it e-Commerce cannot reach its full potential; online privacy establishes the trust necessary for consumers to conduct transactions on the Internet

### **Building Block 8: Security**

→ this building block is decomposed into the following sub-factors: secure payment methods, clear and concise security policies, accurate and complete data processing, use of digital certificates and encryption, data security (e.g. authentication, authorisation) → security is one of the key issues that keep online consumers from doing business on the Internet; satisfying the security issues (of consumers) is an important enabler in beginning the online trust building process

### **Building Block 9: Regulation and Legislation**

→ this building block is decomposed into the following sub-factors: protection plans for online consumers, policies and standards for Internet trading, supervision of self-regulatory and private initiatives, development of a South African legal framework for Internet retailing, development of public awareness programmes for Internet retailing → regulation and legislation, as well as effective enforcement mechanisms, must be in place to ensure an orderly governance of the Internet and online trading activities

## **4. REVISED RESEARCH OBJECTIVES**

The initial research objectives from the problem definition and objectives section have been revised, on the basis of the information and findings gathered from the literature review. The revised research objectives are phrased in qualitative statements that try to provide answers to questions such as "to assess if", "to verify if", or "to find out if". The revised objectives are dealt with and assessed in the conclusions section of this study, which also includes the research findings from qualitative and quantitative research.

### **4.1 Revised Objectives regarding the traditional Trust Concept**

- Objective 1: Reliability is an important element of trust.
- Objective 2: Trust is based on reputation.
- Objective 3: In modern societies trust encourages social co-operation.
- Objective 4: Trust is an efficient lubricant for economic exchange.
- Objective 5: Trust always contains an element of risk.

### **4.2 Revised Objectives regarding the Internet and e-Commerce**

- Objective 6: The typical South African Internet user tends to be young.
- Objective 7: The typical South African Internet user tends to live in a major metropolitan centre.
- Objective 8: The typical South African Internet user tends to be well educated.
- Objective 9: South African Internet users mainly use the Internet as a communication medium.
- Objective 10: South African Internet users shop with moderation on the Internet.

Objective 11: Convenience is the most important reason why consumers shop on the Internet.

Objective 12: The biggest risks consumers perceive about online shopping are security risks.

Objective 13: The most frequent problem consumers encounter with online shopping is the timely fulfilment of their order.

Objective 14: The lack of credit card ownership is the most important reason why consumers do not shop on the Internet.

### **4.3 Revised Objectives regarding Trust in e-Commerce**

Objective 15: Trust is the underlying driver for consumers to conduct transactions on the Internet.

Objective 16: Consumers generally do not have trust in e-Commerce.

Objective 17: The type of products most frequently bought on the Internet are branded products.

Objective 18: Without assured privacy, effective e-Commerce is not possible.

Objective 19: Internet security is an essential component of trust in e-Commerce.

Objective 20: Fulfilment is an important element of trust in e-Commerce.

Objective 21: The propensity to shop online is positively related to users Internet experience (i.e. experienced Internet users tend to shop more often online than inexperienced users).

Objective 22: Trust in e-Commerce is positively related to users Internet experience (i.e. experienced users tend to have more trust in e-Commerce than inexperienced users).

Objective 23: People who have trust in e-Commerce tend to shop more often online than people who do not have trust in e-Commerce.

**Objective 24:** People with high incomes tend to have more trust in e-Commerce than people with low incomes.

**Objective 25:** Hybrid online retailers are perceived more trustworthy than pure play online retailers.

**Objective 26:** An online retailer's brand is an important factor for communicating trust.

**Objective 27:** Industry self regulation is generally preferred to government regulation for developing trust in e-Commerce.

**Objective 28:** South African Internet users are largely unaware of seal of approval programmes.

**Objective 29:** The most important element of a seal of approval programme to establish trust in e-Commerce is customer information protection.

**Objective 30:** Seals of approval help to effectively develop trust in e-Commerce.

**CHAPTER 4**

***Qualitative Research***

University of Cape Town

## **1. QUALITATIVE RESEARCH**

For the qualitative research sixteen in-depth interviews were conducted with industry experts from the e-Commerce and e-Business field. The interviewees were identified through referrals and enquiries, and selected on the basis of a brief preliminary discussion, inquiring about their knowledge and expertise in the research topics under review. The industry experts, in the order in which they were interviewed are:

Mr Elred Lawrence	Technology Manager, Pick 'n Pay HomeShopping Services
Mr Andrew Heathcote-Marks	Independent Business Consultant specialised in e-Business
Mr Russell Atkins	Marketing Manager, iAfrica.com Internet Service Provider
Mrs Sandra Graham	e-Commerce Marketing Manager, Sanlam Personal Finance
Mrs Simone Green	Internet Strategist, Ogilvy & Mather Interactive
Mrs Andrea van der Merwe	e-Business Consultant, Deloitte & Touche Consulting
Mr Andrew Hardie	Director of e-Business, KPMG Consulting
Mr Rowan Bouver	e-Business Manager, ABSA Bank
Mr Tim Droge	Managing Director, Peppers and Rogers Group (SA)
Mr Mike Bryer	CEO edge1 Technologies, Planet Pastel
Mrs Pertu van der Walt	e-Business Consultant, Dimension Data
Mr Alan Barrett	Managing Director, Sequerox Technologies
Mr Dionne Dames	e-Commerce Strategist, Old Mutual Life Assurance
Mr Geoff Lander	Marketing Manager, M-Web ShopZone
Mr Paul Morris	Customer Acquisition and Retention Specialist, kalahari.net
Mr Harry Lewis	Senior IT Specialist, IBM Global Services

The selected experts represent multiple industries, such as consulting, network security, marketing and advertising, Internet services, e-Commerce operations, and IT consulting. In order to best examine the information gathered during the interviews, a table containing the responses to six important questions has been prepared. The table shows the responses to the following six important issues, namely (1) the biggest risks customers perceive about online shopping, (2) the methods of lowering the perception of risk associated with online shopping, (3) the elements and pre-conditions of trust in e-Commerce, (4) the differences between pure-play and hybrid online retailers in the context of trust in e-Commerce, (5) branding strategies to communicate trust in e-Commerce, and (6) the use and benefits of seal of approval programmes. The interview transcripts are contained in appendix 3.

After the table with the selected interviewee responses, the information and insights gathered during the interviews are summarised and presented. In this section the interview questions are grouped into broader finding categories, into which overlaps in the respondents' answers are consolidated. Then, a high-level overview briefly summarises the insights and findings from the in-depth interviews.

Additionally, during the interviews a questionnaire which deals with the general building blocks of trust in e-Commerce was handed out to the respondents. The respondents were asked to fill out the self-administered questionnaire at their own convenience and send it back to the researcher. The questionnaire investigates the relative importance the respondents attach to the general building blocks of trust in e-Commerce, as well as their respective decomposed factors. The respondents were asked to rank each factor of the general building blocks of trust in e-Commerce on a five point rating scale. The questionnaire used for the analysis of the building blocks of trust in e-Commerce, from industry experts, is contained in appendix 4.

Table 8 of Interview Summaries (1/8)

Person interviewed:	The biggest risks consumers perceive about online shopping	Methods of lowering the perception of risk with online shopping	The elements and pre-conditions of trust in e-Commerce
(1) Mr Alfred Lawrence	<ul style="list-style-type: none"> <li>Security concerns</li> <li>Concerns relating to credit card payments</li> <li>Not knowing the Internet retailer</li> <li>Perception of hidden costs, e.g. delivery charges</li> <li>Lack of well-known brand names</li> </ul>	<ul style="list-style-type: none"> <li>Create a valuable and trustworthy brand name</li> <li>Educate customers about online shopping, especially about security issues</li> </ul>	<ul style="list-style-type: none"> <li>Consumer privacy protection</li> <li>Correct billing and fulfilment</li> <li>Delivery of promises made</li> <li>Assured end-to-end service delivery</li> <li>Security of transactions</li> </ul>
(2) Mr Andrew Heathcote-Marks	<ul style="list-style-type: none"> <li>No trust in the online retailer</li> <li>Intangibility of products, lack of feel and touch elements</li> <li>Perceived high costs of delivery</li> <li>Credit card abuse</li> <li>Problems with product returns and recourse</li> </ul>	<ul style="list-style-type: none"> <li>Contextualise credit card issue</li> <li>Educate customers about the risks about online shopping</li> <li>Make use of alternative methods of payment, issue special debit card for online purchases only</li> <li>Make use of credible seals of approval</li> </ul>	<ul style="list-style-type: none"> <li>Good navigation through site</li> <li>Assurance about the business behind the browser interface</li> <li>Recognisable and credible brand</li> </ul>
(3) Mr Russell Atkins	<ul style="list-style-type: none"> <li>Security concerns</li> <li>No good enough reasons / benefits to shop online</li> <li>Lack of trust in the service exchange, product and service offering and fulfilment</li> <li>Credit card as a 'must have' item for online purchases</li> </ul>	<ul style="list-style-type: none"> <li>Needs a process in which retailers, intermediaries and other media players educate consumers</li> <li>Emphasise the benefits and reasons of shopping on the Internet</li> </ul>	<ul style="list-style-type: none"> <li>Trust in (1) the online retailer, (2) the products, and (3) the fulfilment</li> <li>Trust in e-Commerce as a function of risk and monetary value</li> <li>Relates to brand credibility of the online retailer and collaborative / co-branding efforts with intermediaries</li> </ul>
(4) Mrs Sandy Graham	<ul style="list-style-type: none"> <li>Concerns about security of payment method, esp. credit card payments</li> <li>Concerns about product returns</li> <li>Ad issue about 'What you see is not necessarily what you'll get'</li> <li>People have limited knowledge, experience</li> </ul>	<ul style="list-style-type: none"> <li>Start and education process, beginning with simple Internet issues, and then move to explaining about online shopping</li> <li>Create awareness through internal and external educational processes</li> </ul>	<ul style="list-style-type: none"> <li>Brand recognition</li> <li>Company history, heritage and reputation</li> <li>Develop Web sites 'outside in' and providing fluent user experiences</li> <li>Provide tangible and intangible cues, e.g. what does the brand stand for</li> </ul>
(5) Mrs Simone Green	<ul style="list-style-type: none"> <li>Security issues</li> <li>No instant gratification</li> <li>Consumers not comfortable with the medium / no faith</li> <li>Lack of usability of the Internet as an alternative channel</li> <li>Perception that shopping process is 'bureaucratic'</li> </ul>	<ul style="list-style-type: none"> <li>High quality service delivery</li> <li>Meet or exceed expectation and act on promises made</li> <li>Consistency in the brand message</li> </ul>	<ul style="list-style-type: none"> <li>Trust in e-Commerce is built on experiences, but in SA given the low volumes of transactions, trust in e-Commerce is not fully developed yet</li> <li>Depends largely on brand and quality service delivery</li> <li>Functional Web sites</li> </ul>

Table of Interview Summaries (2/8)

Person interviewed:	The biggest risks consumers perceive about online shopping	Methods of lowering the perception of risk with online shopping	The elements and pre-conditions of trust in e-Commerce
<p>(6) Mrs Andrea van der Merwe</p>	<ul style="list-style-type: none"> <li>• Financial risks</li> <li>• Internet security, as the single biggest concern</li> <li>• People's lack of understanding, for some the Internet is a 'vast mystery'</li> <li>• Lack of promotion and awareness for online shopping</li> </ul>	<ul style="list-style-type: none"> <li>• Education, in user friendly terms, e.g. 'demystify' the Internet</li> <li>• Use innovative ways to raise online shopping awareness levels</li> <li>• Introduce new mechanisms of trust, e.g. smart cards</li> </ul>	<ul style="list-style-type: none"> <li>• Fulfilment</li> <li>• Strong brands</li> <li>• Good, functional, well designed Web sites</li> <li>• Quality of what people receive, for example in the case of grocery home shopping</li> </ul>
<p>(7) Mr Andrew Hardie</p>	<ul style="list-style-type: none"> <li>• Due to a lack of time this topic was not covered in sufficient depth</li> </ul>	<ul style="list-style-type: none"> <li>• Due to a lack of time this topic was not covered in sufficient depth</li> </ul>	<ul style="list-style-type: none"> <li>• Trust in e-Commerce a big issue and largely undefined</li> <li>• Technical security, e.g. SSL, SET and encryption</li> <li>• To convey trust, need large scale user education</li> </ul>
<p>(8) Mr Rowan Bower</p>	<ul style="list-style-type: none"> <li>• Uncertainty about online shopping</li> <li>• Security issues</li> <li>• Credit card concerns</li> <li>• Lack of adequate guarantees of shopping online</li> <li>• Concerns about fraud</li> <li>• Need a time period for consumers to progress and gain experience</li> </ul>	<ul style="list-style-type: none"> <li>• Establishment of strong brands in general</li> <li>• Creating a trusted brand in the Internet playing field</li> <li>• Creating awareness of security for online transactions</li> </ul>	<ul style="list-style-type: none"> <li>• Trust as the underlying, fundamental driver of e-Commerce</li> <li>• Must have an association with a brand</li> <li>• Good navigation and search capabilities as enabler to a better online experience</li> <li>• Usefulness of offering to the consumer</li> </ul>
<p>(9) Mr Tim Droge</p>	<ul style="list-style-type: none"> <li>• Security issues</li> <li>• Concerns about credit card fraud</li> <li>• Lack of tangible cues and elements, e.g. need to feel and touch before buying</li> <li>• Inconvenience of online buying, reality versus perception</li> <li>• More than adequate alternative offline shopping methods</li> </ul>	<ul style="list-style-type: none"> <li>• Instant gratification</li> <li>• Importance of branding</li> <li>• Firsure end-to-end quality service delivery</li> <li>• Personalise the online user experience</li> </ul>	<ul style="list-style-type: none"> <li>• Delivering on promises made</li> <li>• Secure payment services</li> <li>• Established brand names</li> <li>• Consumer privacy protection programmes in place</li> <li>• Trust building through word of mouth</li> </ul>
<p>(10) Mr Mike Bryer</p>	<ul style="list-style-type: none"> <li>• Perception that online purchasing is unsafe</li> <li>• Until consumers have not shopped online, they don't understand or appreciate online shopping</li> <li>• Credit card fraud</li> <li>• Non-fulfilment of orders</li> <li>• Items ordered online arrive damaged</li> </ul>	<ul style="list-style-type: none"> <li>• Use of 'stamps' of approval</li> <li>• Auditing of Web sites and certification of approval</li> <li>• Seals to communicate that business is delivering on promise</li> </ul>	<ul style="list-style-type: none"> <li>• The assurance that a business will deliver on promises, including the technical capabilities</li> <li>• Established and recognised brand names</li> <li>• Customer recourse when order go wrong</li> <li>• Trust in e-Commerce is built through repeat purchases</li> </ul>

Table of Interview Summaries (1/5)

Person interviewed:	The biggest risks consumers perceive about online shopping	Methods of lowering the perception of risk with online shopping	The elements and pre-conditions of trust in e-Commerce
(16) Mr Harry Lewis	<ul style="list-style-type: none"> <li>• Security of the Internet as a major threat and concern to most online shoppers</li> <li>• Fulfillment concerns and concerns about returns and recourse</li> <li>• What is the security architecture of the online retailer</li> <li>• Risky methods of payment, especially payment with ordinary credit cards</li> </ul>	<ul style="list-style-type: none"> <li>• Leverage the retailers brand</li> <li>• Educate consumers about Internet security and teach them how to conduct online transactions confidently</li> </ul>	<ul style="list-style-type: none"> <li>• Strong privacy protection plans and policies</li> <li>• Factors like privacy, security, branding are generally only the enablers to trust in e-Commerce</li> <li>• Need a human element to establish trust upfront, and then build and confirm that trust</li> </ul>

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Table 3.4 Interview Summaries (3/3)

Person interviewed:	The biggest risks consumers perceive about online shopping	Methods of lowering the perception of risk with online shopping	The elements and pre-conditions of trust in e-Commerce
(11) Mrs Petru van der Walt	<ul style="list-style-type: none"> <li>• Perception of lack of Internet security</li> <li>• Privacy concerns</li> <li>• Slow Internet speed, lack of bandwidth in South Africa</li> <li>• Lack of socialisation and physical shopping experience</li> <li>• People's lack of time, confidence for online shopping</li> </ul>	<ul style="list-style-type: none"> <li>• Couple online and offline advertising</li> <li>• Provide a seamless and effortless experience</li> <li>• Emphasise benefits for online consumers</li> <li>• Educate people to learn about the online purchasing process</li> <li>• Demonstrate online shopping to customer</li> </ul>	<ul style="list-style-type: none"> <li>• Privacy and protection of customer information</li> <li>• Inform customers what information is collected about them and how it is used</li> <li>• Building trust in e-Commerce is a long process that has brand building at its core</li> </ul>
(12) Mr Alan Barrett	<ul style="list-style-type: none"> <li>• Resistance to change</li> <li>• Fear of insecurity</li> <li>• Lack of knowledge of Internet and related technology</li> <li>• Fear of the unknown</li> <li>• No perceived benefits or value of shopping online</li> <li>• Absence of alternative payment methods</li> </ul>	<ul style="list-style-type: none"> <li>• Make people aware that they can shop online and what the value and benefits are for them</li> <li>• Spread word of mouth of good online shopping experience</li> <li>• Is age related: young people more willing to experiment and adapt</li> </ul>	<ul style="list-style-type: none"> <li>• Gain trust through peer review and word of mouth</li> <li>• Canvassing with other people, who share similar interests, e.g. Web forums and online communities</li> <li>• To gain trust need repeat purchases, and good experiences</li> </ul>
(13) Mr Dionne Dames	<ul style="list-style-type: none"> <li>• No perception of value</li> <li>• Lack of experience</li> <li>• No obvious benefits, e.g. price advantage</li> <li>• Lack of human interaction an experience, e.g. instant gratification</li> <li>• Fulfilment risks</li> <li>• Concerns about security and privacy protection</li> </ul>	<ul style="list-style-type: none"> <li>• Combine the online and offline cycle</li> <li>• Utilise brand and convince people using the brand</li> <li>• Establish a trust relationship in the real world and extend it then to online world</li> <li>• Extension of online service delivery not in isolation of real world</li> </ul>	<ul style="list-style-type: none"> <li>• Factors like privacy, security, technology seen only as an enabler to trust in e-Commerce</li> <li>• To build trust, first must build a relationship, with commitment, value, strength of the brand, aspirations and service quality</li> </ul>
(14) Mr Geoff Lander	<ul style="list-style-type: none"> <li>• For South Africa: a cultural issue, SA is not a mail order nation such as the US</li> <li>• Security and the perceptions of security</li> <li>• Concerns about non-fulfilment and giving away credit card details</li> <li>• Lack of instant gratification</li> <li>• High delivery charges, especially for SA</li> </ul>	<ul style="list-style-type: none"> <li>• Strong recourse, return and customer privacy protection policies</li> <li>• Leverage the brand to create a sense of security</li> <li>• Professional Web site design and good navigation</li> <li>• Online operations must be based on a sound strategy</li> </ul>	<ul style="list-style-type: none"> <li>• Branding that creates a sense of trust and security</li> <li>• Strong fulfilment, e.g. timely delivery, correct billing, good products</li> <li>• Treat as given: privacy statements, security, technology</li> </ul>
(15) Mr Paul Morris	<ul style="list-style-type: none"> <li>• Lack of Internet literacy among online consumers</li> <li>• Consumers not sure about online retailer's credibility, fear and perception of risk</li> <li>• Security concerns</li> <li>• Lack of adequate warranties of shopping online</li> </ul>	<ul style="list-style-type: none"> <li>• Needs a progression: customers need to make online experiences</li> <li>• Educate customers about sensitive issues: security, payment processing</li> <li>• Capture the 2<sup>nd</sup> generation of online adopters</li> </ul>	<ul style="list-style-type: none"> <li>• Trust in fulfilment, will a person get the specified goods in a reasonable time period (in working condition)</li> <li>• Reliability, will a person get the right goods delivered</li> <li>• Trust is linked to the brand and experience</li> </ul>

Table of Interview Summaries (5/8)

Person interviewed:	Differences between pure-play and hybrid online retailers	Branding strategies to build trust in e-Commerce	Use and benefits of seal of approval programmes
(1) Mr Elred Lawrence	<ul style="list-style-type: none"> <li>Generally, there is a big difference</li> <li>It relates back to branding: pure play Internet retailers need time to establish brand and credibility, while existing business may already have and leverage for online operations</li> </ul>	<ul style="list-style-type: none"> <li>Consistency in branding and marketing campaigns across all media, online and offline</li> </ul>	<ul style="list-style-type: none"> <li>Consumers more convinced of the service and fulfilment capabilities of the Internet retailer</li> <li>Add to brand credibility</li> <li>Consumers more willing to transact on the basis that they recognise and understand the seal</li> </ul>
(2) Mr Andrew Heathcote-Marks	<ul style="list-style-type: none"> <li>Relates back to brand recognition</li> <li>For hybrid: leverage existing brand (reputation, purchase history)</li> <li>For pure-player without a brand, building of strong online brand is critical</li> </ul>	<ul style="list-style-type: none"> <li>Overall look and feel of the site</li> <li>Professional Web site design</li> <li>Enhanced site functionality, e.g. good navigation, search functions, FAQs</li> <li>Related back to brand recognition</li> </ul>	<ul style="list-style-type: none"> <li>Independent authority as 'watch-dog'</li> <li>With Web seals present, could expect benefits of improved conversion rates and high customer satisfaction scores</li> </ul>
(3) Mr Russell Atkins	<ul style="list-style-type: none"> <li>Depends on product and service category</li> <li>If online / offline offering is equally good, then it comes down to which brand is stronger and perceived to be more trustworthy</li> </ul>	<ul style="list-style-type: none"> <li>Positive re-enforcement through coupled online and offline advertising</li> <li>Strength of brand and share of voice</li> <li>Use of multiple media vehicles to convey consistent marketing communications</li> </ul>	<ul style="list-style-type: none"> <li>Third party affirmation of security</li> <li>Seal on a site does not lead automatically to trust, but absence of seal likely to lead to greater distrust</li> <li>Seal programme players have vested interest in the up-keeping of standards</li> </ul>
(4) Mrs Sandra Graham	<ul style="list-style-type: none"> <li>Perceived as no big differences between pure play and hybrid online retailers for the establishing and building of trust in e-Commerce</li> </ul>	<ul style="list-style-type: none"> <li>Consistency, i.e. online and offline branding</li> <li>Channel integration</li> <li>Simplicity and using a common language</li> <li>Ease of use, not asking for unnecessary information</li> </ul>	<ul style="list-style-type: none"> <li>The respondent lacked in-depth knowledge about this topic</li> </ul>
(5) Mrs Simone Green	<ul style="list-style-type: none"> <li>Relates to brand and instant gratification</li> <li>With equally strong brand names, the hybrid model is generally perceived as more trustworthy, especially for online beginners who tend to orient themselves more towards established real-world brands</li> </ul>	<ul style="list-style-type: none"> <li>For hybrid online retailers: reinforce and leverage existing offline brand strategy</li> <li>For pure play Internet retailers: create sensation in order to create awareness</li> </ul>	<ul style="list-style-type: none"> <li>The respondent lacked in-depth knowledge about this topic</li> </ul>

Table of Interview Summaries (6/8)

Person interviewed:	Differences between pure-play and hybrid online retailers	Branding strategies to build trust in e-Commerce	Use and benefits of seal of approval programmes
(6) Mrs Andrea van der Merwe	<ul style="list-style-type: none"> <li>Depends on brand strength, but it is also an issue of price, delivery, and location</li> <li>With equally strong brands, the hybrid online retailer is perceived as being more trustworthy</li> </ul>	<ul style="list-style-type: none"> <li>Alliances and channel partners, who in the chain has the strongest brand</li> <li>For lesser know brands, leverage the strongest brand name in the supply chain, e.g. delivery via FedEx as opposed to no-name brand</li> </ul>	<ul style="list-style-type: none"> <li>Depends on person's overall trust in the Internet: no impact if person has no trust, greater impact if person has some trust in Internet, big positive impact if person has some trust and knows the seal programme</li> </ul>
(7) Mr Andrew Hardie	<ul style="list-style-type: none"> <li>Hybrid online retailer is generally perceived as being more trustworthy than pure-play online retailers, ignoring the brand strength</li> <li>For hybrid online retailer has a established online relationship with customer, with history and reputation</li> </ul>	<ul style="list-style-type: none"> <li>Consistency in the brand message and business processes</li> <li>Emphasis on talking and doing the "right things"</li> <li>Having the right technology in place, whether customers understand the technology issues or not</li> </ul>	<ul style="list-style-type: none"> <li>Due to a lack of time this topic was not covered in sufficient depth</li> </ul>
(8) Mr Rowan Bouwer	<ul style="list-style-type: none"> <li>In general, with similar strong or weak brand names, have more trust in a hybrid online retailer's operations</li> </ul>	<ul style="list-style-type: none"> <li>Use traditional media to build strong online brands</li> <li>Don't just rely on online media to build an online brand, such as banner advertisements, and email marketing campaigns</li> </ul>	<ul style="list-style-type: none"> <li>Generally, seal programmes are perceived to work and add value, but they also have a negative connotation</li> <li>May be negative, because the trust and security issues are over emphasised</li> <li>Useful if applied in conjunction with other trusted brands</li> </ul>
(9) Mr Tim Droge	<ul style="list-style-type: none"> <li>People tend to perceive hybrid online retailers as more credible and quicker than pure play Internet retailers</li> <li>In general there is no major difference, it relates back to the brand</li> </ul>	<ul style="list-style-type: none"> <li>Put customer relationship management programmes in place</li> <li>Distinguish between different consumer's needs</li> <li>A process that can be applied: (1) determine market needs, (2) tailor the offering, (3) design message</li> </ul>	<ul style="list-style-type: none"> <li>Due to a lack of time this topic was not covered in sufficient depth</li> </ul>
(10) Mr Mike Bryer	<ul style="list-style-type: none"> <li>No major difference, trust is developed through good experiences</li> <li>Emphasise human interaction and communication and support through other channels, e.g. backend call centre support</li> </ul>	<ul style="list-style-type: none"> <li>Display credible logos of security and seal companies, e.g. Veri Sign logo</li> <li>Leverage off other credible brand names, e.g. VISA logo for secure online payment</li> </ul>	<ul style="list-style-type: none"> <li>Provide assurance</li> <li>Independent, third party regulation and oversight</li> <li>Verify the way the online retailer does business</li> <li>Signal to consumers right process and infrastructure exists</li> </ul>

Table of Interview Summaries (2/5)

Person interviewed:	Differences between pure-play and hybrid online retailers	Branding strategies to build trust in e-Commerce	Use and benefits of seal of approval programmes
(11) Mrs Petru van der Walt	<ul style="list-style-type: none"> <li>At the same level of brand, there is more perceived trust-worthiness for hybrid online retailers</li> <li>Hybrid online retailers have reputation, history, and easier to 'visualise' than pure online retailers</li> </ul>	<ul style="list-style-type: none"> <li>Place emphasis on brand and online experience</li> <li>Transparency and no 'hidden agendas'</li> <li>Emphasise security and privacy issues</li> <li>Professional Web site design and functions</li> <li>Evoke a feeling of caring / belonging</li> </ul>	<ul style="list-style-type: none"> <li>The respondent lacked in-depth knowledge about this topic</li> </ul>
(12) Mr Alan Barrett	<ul style="list-style-type: none"> <li>No real difference</li> <li>Reputation and branding of online retailer is very important</li> <li>Reputation can be earned online or offline through good user experiences</li> </ul>	<ul style="list-style-type: none"> <li>The respondent lacked in-depth knowledge about this topic</li> </ul>	<ul style="list-style-type: none"> <li>Seal progr have no obvious benefits</li> <li>May even work counterproductively when bad online retailers 'steal' seal logos, may lack credibility and effective enforcement</li> <li>People know too little about the prog of the seal companies</li> </ul>
(13) Mr Dionne Dames	<ul style="list-style-type: none"> <li>Established companies benefit from extending an existing brand to the online world, not create a new independent online venture</li> <li>At the same level of brand strength, hybrid model is generally perceived as being more trustworthy</li> </ul>	<ul style="list-style-type: none"> <li>Due to a lack of time this topic was not covered in sufficient depth</li> </ul>	<ul style="list-style-type: none"> <li>Believe seals would work, is the seal brand is stronger than the transacting company</li> <li>Most beneficial for largely unknown sites</li> <li>But could even be discrediting if the retailers brand is already strong</li> <li>Seals mean very little for advanced users</li> </ul>
(14) Mr Geoff Lander	<ul style="list-style-type: none"> <li>Pure play online retailers are generally perceived as less trust-worthy</li> <li>Brick and mortars usually have stronger brands, consumers have assurance to walk in and return goods if necessary</li> <li>Hybrid online retailers can unlock synergies of online and offline world</li> </ul>	<ul style="list-style-type: none"> <li>Besides building a strong online brand, there is little an online retailer can do to effectively communicate trust</li> <li>Not advisable to over-emphasise security, may work counterproductively, rather emphasise at relevant spots on the site and in the process</li> </ul>	<ul style="list-style-type: none"> <li>The respondent lacked in depth knowledge about this topic</li> </ul>
(15) Mr Paul Morris	<ul style="list-style-type: none"> <li>Marked differences</li> <li>Through offline experiences customers have built up a history, and trust hybrids more, pure-play needs time and energy to build reputation, credibility</li> <li>Also an issue in terms of branding</li> </ul>	<ul style="list-style-type: none"> <li>For pure-play online retailers use seals of approval to promote safe practices, standards</li> <li>Leverage existing brands</li> <li>Using testimonials and spread word of mouth</li> </ul>	<ul style="list-style-type: none"> <li>Almost a requirement, not having is detrimental</li> <li>Customers almost expect to see seals</li> <li>Help to communicate that site credible, supervised and adheres to a certain code of conduct</li> </ul>

Table of Interview Summaries (8/8)

Person interviewed:	Differences between pure-play and hybrid online retailers	Branding strategies to build trust in e-Commerce	Use and benefits of seal of approval programmes
<p>(16) Mr Harry Lewis</p>	<ul style="list-style-type: none"> <li>• At the same level and quality of the brand, the hybrid model is perceived as more trustworthy in general</li> <li>• But even in hybrid world the online brand has to be built and nurtured to maintain value and credibility, i.e. can't live from the offline brand only</li> </ul>	<ul style="list-style-type: none"> <li>• Professional Web site design with security features</li> <li>• Branding strategies to leverage existing off-line brands to help create an online brand</li> <li>• Often, just word of mouth, people organised in communities on the Net, s, read the word</li> </ul>	<ul style="list-style-type: none"> <li>• Can add credibility to sites which are not well known</li> <li>• May be dangerous however just using any seal, should be industry specific and well regarded</li> <li>• Benefit also depends on predisposition of online consumer to great extent, does not recognise/like seals</li> </ul>

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## **1.1 Findings of the In-Depth Interviews**

### **1.1.1 The typical South African Internet user tends to be well educated, tends to be a high income earner and tends to live in a major metropolitan centre.**

Most of the respondents referred to published research on Internet demographics and usage statistics in South Africa, mainly from Webchek (various publications), the All Media and Product Survey (AMPS, August 2000 B), the BMI Report (004, Sept. 2000), and the Microsoft Network (MSN) South African Internet User Survey 2000. The respondents' answers and the compiled information from the various market research documents are briefly summarised: there are about two million people in South Africa who use the Internet on a regular basis, about two thirds of the South African Internet user base is between 18 and 35 years old, the remaining third covers almost the 35 to 55 year band. There is a very small percentage of South African Internet users who are younger than 18 or older than 55 years. Over the last 2 years, women have caught up to men using the Internet. While the male / female ratio was about 65:35 in favour of men in 1998, Internet usage is now almost equal between men and women in South Africa (in 2001). South African Internet users tend to be well educated (most completed secondary and some completed tertiary education), and middle income earners with an average monthly disposable income of more than R4 000. The geographic distribution of South African Internet users is concentrated around the major urban metropolitan centres, such as Gauteng, the Western Cape and the greater Durban area.

### **1.1.2 South Africans mainly use the Internet for gathering information, e mail and entertainment.**

Most of the respondents admitted having little knowledge about the use and application of the Internet in South Africa from an Internet user's perspective. There is, however, a general

pattern: the majority of the respondents stated that South Africans use the Internet mostly for accessing and gathering information and sending / receiving e mail. The respondents also stated that South Africans regularly use the Internet to entertain themselves. Some respondents also stated that the adoption of electronic commerce has increased and that South Africans are getting increasingly confident conducting transactions on the Internet. Nevertheless, the majority of electronic transactions are conducted with well known and trusted companies, such as Amazon.com or ABSA's online banking services. Most of the respondents also stated that the volumes of electronic transactions in South Africa have not yet reached a 'critical mass' (in absolute numbers), compared to the volumes of electronic commerce in other developed countries.

### **1.1.3 The single most important reason why consumers shop on the Internet is convenience.**

Convenience was stated as the most important reason why consumers shop on the Internet, by the majority of the respondents. Convenience, however, was defined by the respondents in various forms and functions: availability of products, saving time, easy to locate products, possibility of doing comparative shopping (comparative in terms of product features and prices), broader product selection, home delivery, purchase of bulky products where delivery is necessary, customisation of the purchasing processes (especially for frequent and repeat purchases), and the possibility of product customisation. In terms of price advantages for products offered on the Internet, most respondents agreed that many products on the Internet appear cheaper than in offline retail stores. Nevertheless, hidden costs, for example delivery fees, custom duties, foreign currency conversion and packaging fees, are often pushing the price above the offline retail price, thus eroding the online price advantage. The majority of the respondents agreed that there is a general public perception that prices on the Internet are cheaper, which in fact is not true when adding on the additional costs.

Furthermore, some respondents questioned the convenience factor: they stated that the online purchasing process on some sites can be quite complex and in some cases even difficult, up to such a degree that the online transaction can become inconvenient, especially for consumers with limited Internet experience and computer literacy.

**1.1.4 The propensity to shop on the Internet depends more on attitude than on an Internet user's skill or experience.**

Most respondents agreed that there is no marked difference between an Internet beginner (unskilled and inexperienced using the Internet) and an Internet expert (skilled and experienced using the Internet) and their propensity to shop online. Due to the relative ease with which products and services can be bought on the Internet, even Internet beginners with relatively little skill and experience can conduct online transactions. Some respondents stressed that expert users make more informed purchase decisions on the Internet (more thorough searches or product and price comparisons from a number of sites), while beginners tend to conduct online shopping in an 'experimentation mode'. The majority of respondents stated that a user's attitude and predisposition to conducting online transactions is a more useful base of segmentation than a user's Internet skill or experience. Examples of attitude segmentation bases are: risk lovers, early adopters, or laggards. Each member of these segments tends to have a unique disposition (for example: highly participative, reserved or wary) to conducting electronic transactions.

**1.1.5 The type of products most frequently bought on the Internet are branded and commodity type products.**

The majority of the respondents stated that people tend to buy goods and services on the Internet which are 'somehow branded or commodity type products'. They indicated that the brand provides cues and reference points for potential online buyers, and commodity type

products offer some kind of guarantee in the form that the buyer can expect with a reasonable degree of certainty what he will be receiving (during the discussion books, CDs, videos were classified as commodity type products). Some of the respondents also stated that 'Internet products' generally tend to be information rich, e.g. there are usually detailed product descriptions as well as product and price comparisons available that assist consumers in making informed purchase decisions. Some respondents also stated, that online consumers also use the Internet to obtain detailed product and comparative information, but may actually purchase the products in a physical retail store. Additionally, some respondents stated that typical Internet products, such as books, CDs and videos, are usually easy to classify and require a low level of monetary and time involvement.

**1.1.6 The biggest deterrents for consumers with Internet access to shop online are lack of Internet experience, lack of perceived value and benefits of online shopping, and lack of instant gratification.**

According to the majority of the respondents, despite having Internet access consumers tend not to shop online because they have little knowledge about and experience in using the Internet, they do not see the value and benefits of conducting online transactions and they lack instant gratification, as purchase elements. The respondents stated that the adoption of online purchasing is based on a progression of time and experience: as more and more 'uncertainties' about the Internet are removed, through experience gained over time, people are likely to become more knowledgeable and confident in using the medium and may increasingly conduct electronic transactions. Another important factor why consumers with Internet access do not shop online is that there are too few reasons and perceived benefits to shop online. It was commonly stated that South African consumers with Internet access have a host of shopping alternatives, such as nearby modern shopping malls. Furthermore, the physical shopping experience often provides socialisation elements (human interaction,

impulse buying) and instant gratification, which the online medium cannot easily replicate. Some respondents also stated that in order to motivate consumers to shop online a mental shift needs to take place in the mind of the consumer. Depending on the individual, this mental shift may be difficult to achieve, as the person may be resistant to change and to adopt the online medium as an alternative shopping channel.

**1.1.7 The biggest risks consumers perceive about online shopping are security, privacy, and fulfilment risks.**

Security, privacy and fulfilment risks are the biggest (perceived) risks consumers have about online shopping. Concerning security, the majority of the respondents stated that payment security is one of the biggest risks consumers perceive about online shopping, especially concerns about giving away credit card details to complete an online transaction. In this context many respondents stated the example that people willingly hand over their credit cards to waiters in restaurants, who can access their details easily, whereas they are reluctant to provide their credit card details to complete an online order. On the other hand, the respondents stated that consumers seldom understand the issues and technology relating to security. While real security on the Internet typically requires to install software or hardware on both the client (consumer) and the server (online retailer), there can only be a general feeling or perception of security associated with online shopping. For example, people tend to believe a site is 'secure' when they recognise the padlock in the browser window. According to security experts, the padlock icon does not guarantee absolute security, it merely assures the transacting parties their identification is authenticated (i.e. it is verified that the transacting parties are in fact, who they claim to be). Additionally, security technology such as encryption and the use of digital certificates is largely unknown by the majority of South African online consumers, stated the respondents. Insufficient privacy protection was mentioned as another major risk of online shopping. Consumers tend to

dislike submitting information over the Internet, especially if it is personal or sensitive information that is not necessarily required to complete an online transaction. According to the respondents, online consumers are also concerned about the storage and use of their information once it is submitted. Respondents stated that there is the general fear that people's personal information will be misused for unsolicited advertising purposes. The next biggest risk associated with online shopping the respondents stated is centred around fulfilment. Good fulfilment was defined by the respondents as: receiving the right goods in proper condition and in a reasonable amount of time, correct billing, customer information and helpdesks, and strong product returns and customer recourse policies. The majority of the respondents stated that, consumers are generally concerned about these issues, especially with the return of goods which were incorrectly shipped or arrived damaged, and the subsequent recovery of money as a result of incorrect fulfilment. Some respondents also stated that a risk consumers perceive about online shopping has to do with a lack of knowledge about the online retailer a consumer wants to do business with, especially when an Internet retailer is only present on the Internet and has no strong brand names or a credible reputation. These concerns generally center around the lack of reputation of an online retailer. Furthermore, the respondents stated that there are also a number of other risks consumers perceive about online shopping, due to their lack of experience and knowledge of the Internet. For example, they stated that consumers dislike the 'intangibility element' of an online purchase, i.e. the absence of 'look and feel' aspects, the concern of receiving goods which appear or which are presented differently on the browser screen, and the lack of human interaction in the purchasing process. Furthermore, some respondents stated that technical problems of a site, such as dead links, corrupt pages, and the general problem of slow Internet connection speeds in South Africa may be considered as concerns for consumers to shop online.

**1.1.8 To lower the perception of risk associated with online shopping companies should leverage their brands and educate customers about online shopping.**

Most of the respondents stated, that in order to lower the perception of risk associated with online shopping companies should leverage their (existing) brands, invest in building strong online brands, and combine, where possible, online and offline advertising efforts. Leveraging existing brands and creating strong brands in the Internet field is likely to communicate assurance and a 'sense of guarantee' to the customer. In terms of extending an existing brand to the Internet, the respondents stressed that brand consistency across all media channels is important to leverage an existing brand and to build a credible online brand. Furthermore, to lower the perception of risk associated with online shopping, the majority of the respondents stated that an education process needs to take place that explains the issues and concepts around online shopping and helps to 'demystify electronic commerce'. This customer education process should bring issues of importance to customers, such as Internet security, privacy protection and contextualise the use of credit cards as a means of payment on the Internet. The majority of the respondents stated that through an education process, customers' awareness levels and confidence in online shopping could be raised and their concerns about online shopping could be lowered. Additionally, to lower the perception of risk associated with online shopping some respondents stated that alternative and secure ways of payment should be introduced, such as the use of an 'Internet currency' or an 'Internet debit card'. Some respondents also mentioned that seals of approval from credible independent authorities could help lowering the perception of risk associated with online shopping.

### **1.1.9 There are no uniform definitions of or descriptions about the e-Commerce trust concept.**

Among the respondents there are multiple assumptions, definitions and descriptions about the e-Commerce trust concept. The respondents tended to base their responses on their area of expertise and the environment they are engaged in, when asked what trust in e-Commerce means to them. For example, business consultants tended to describe trust in e-Commerce in rather broad terms, drawing on a number of issues from the e-Commerce and e-Business field, whereas industry specialists (network security, digital branding, marketing experts) tended to emphasise selected issues which relate to their area of expertise. Nevertheless, among the respondents there were a number of common issues about trust in e-Commerce: trust in e-Commerce was generally perceived as an underlying driver for a person to conduct transactions on the Internet. The majority of the respondents agreed that branding, security, privacy protection, proper fulfilment (including timely delivery, correct billing, and customer recourse) and the 'keeping of promises' are important 'enablers' to the building of trust in e-Commerce. Most of the respondents also agreed that trust in e-Commerce is not fully developed yet, and that consumers generally tend to distrust online retailers, especially in the absence of strong online brands or an online retailer's reputation. Furthermore, some respondents described a pattern or process of the development of trust in e-Commerce: first, a person must have some basic trust in the Internet as a transactional medium (i.e. he must have the need, ability and confidence to access a site, navigate through the offerings, find and identify relevant products or services and complete the online transaction), second, he must trust in the online retailer, third, he must have trust in the product offering (i.e. the product and how it is displayed and presented on the screen), and fourth, he must trust in the fulfilment of his transaction (including payment and delivery of the product or service and after sales support). In general, respondents described an online trust building process, as a process that occurs

over time as customers have repeat encounters with online retailers and build up a 'library' of experiences, on which their trust in e-Commerce and trust in an online retailer is subsequently based on.

**1.1.10 The main elements of trust in e-Commerce are branding, security and privacy protection.**

Branding was mentioned by the majority of the respondents as the single most important element of trust in e-Commerce. The respondents referred to branding as a function of trust in e-Commerce in various ways: brand recognition, brand credibility, brand collaboration and co-branding, brand perception, brand personality, brand association, brand experience, and brand equity. The collection of brand related terms, mentioned by the respondents, indicates the importance they attach to branding as a trust building element. Another important element of trust in e-Commerce, stated by the respondents is security: the most commonly cited issues were payment and network security. In order to have trust in e-Commerce, customers must have confidence that their personal details are protected, from the submission to the storage of their data. The respondents stated that online retailers with perceived high security standards are generally more trusted than online retailers whose security methods cannot be easily assessed. There is, however, the debate whether there is 'real' security on the Internet, or if security methods such as encryption only generate a perception of security (see also 4.2.7: Risks consumers perceive about online shopping). Additionally, some respondents stated, that an online retailer's computer network must be protected against the break-in of internal and external intruders, which could gain unauthorised access to an online retailer's systems and steal customer's confidential information. According to the respondents, this is perceived as a major concern to online consumers. Some respondents even stated that a single incident of a break-in into an online retailer's computer system, could destroy the image and reputation of the online retailer

forever. The third major element of trust in e-Commerce, identified by the respondents is privacy protection. The majority of the respondents stated that online consumers must be assured that their personal information is not only safe to be accessed by authorised individuals only, but they must be assured that they won't be victims of unsolicited advertising efforts, which most of the respondents referred to as 'spam'. Furthermore, the respondents stated that consumers are usually only willing to submit information which is necessary to complete an online transaction. Any other information requests, unnecessary to complete an online transaction, are likely to be regarded suspiciously by online consumers, and may lead to question the retailer's purpose for collecting the additional data. Some respondents also mentioned that an important element of trust in e-Commerce is experience. Experience was defined as: user experience while a person is navigating through the site, and experience as an accumulation of previous encounters with an online retailer. The respondents stated that the more pleasant experiences a person has with an online retailer, the more likely the person is to trust that retailer. Despite the three dominant elements of trust in e-Commerce, branding, security and privacy protection, the respondents also mentioned a number of 'secondary' elements: easy and consistent navigation through Web sites, providing access to the company in multiple ways (online and traditional means of communication), maintaining a 'human touch' on the Web site, providing good search capabilities, personalisation of Web sites and content, quick feedback and responses to customers' queries and complaints, and adequate recourse and return policies.

**1.1.11 Generally, experienced Internet users tend to have more trust in e-Commerce and choose online retailers more selectively.**

The majority of the respondents stated that experienced Internet users tend to have more trust in e-Commerce than inexperienced Internet users. They generally agreed that experienced Internet users are more familiar with and have a better understanding of the

Internet and specific online retailers than inexperienced Internet users, as they may have already gained some experience through previous online purchases. Furthermore, they stated that expert Internet users have realised the benefits and convenience of online shopping and tend to better understand the risks associated with online shopping, such as privacy and security risks. Nevertheless, the respondents stated that experienced Internet users choose quite carefully and selectively with whom they are doing business online. The respondents further stated, that through previous purchases experienced Internet users have learnt which online retailers to trust; generally most purchases are repeat purchases with those online retailers with whom a customer has had pleasant previous encounters and where the expectations in the online retailer have been met. For inexperienced Internet users, these experiences have yet to be gained, stated the respondents. Some of the respondents also stated that inexperienced Internet users are more likely to be in a state of 'trial and adoption', and are less likely to have strong ties to a particular online retailers. Some respondents stated, however, that generally there is no marked difference between experienced and inexperienced Internet users and experts and their propensity to have trust in e-Commerce. They stated, that trust in this context is more a function of perceived risk, rather than a function of Internet user level of skill or experience.

**1.1.12 For trust in e-Commerce, there is no major perceived difference between product and service offerings on the Internet.**

While there are generally differences between product and service offerings, such as physical product features vs. the intangible nature of service offerings, almost all of the respondents stated that there is no major difference between online product and service offerings, in the context of trust in e-Commerce. The respondents stated that the purchasing process for both types of offerings on the Internet is quite similar: from search, navigation, selection, purchase, to payment; the only component that is different is fulfilment. With the purchase

of a physical good, an online consumer may receive the good at a certain point in the future, while the delivery of a service over the Internet can happen almost instantly. For example, software downloads may commence when the credit card details are verified, and an online bank account is usually updated as soon as an order is typed in and the site is updated.

**1.1.13 Between hybrid and pure-play online retailers, at the same level of brand equity, hybrid online retailers are perceived more trustworthy.**

Most of the respondents agreed that at the same level of brand equity, hybrid online retailers are generally perceived more trustworthy than pure-play online retailers. The respondents stated that hybrid online retailers usually have the advantage of established brand names, which they can extend to the online medium. Pure-play online retailers, which originated on the Internet, often have great difficulties in establishing a strong brand name and a credible reputation in the online domain; a process that needs time and investment in the brand. The respondents also stated that another advantage of the hybrid retailer is their presence in the physical world and the support of the online offerings through traditional communication channels. According to the respondents, consumers may have more trust in hybrid online retailers knowing that there are shops they can visit to evaluate, compare or return goods. Furthermore, for the hybrid model some respondents stated that customers may have existing relationships with the retailer and have built up a history, which would lead them to trust that retailer on the Internet more readily than dealing with a largely unknown pure play online retailer. The respondents placed great emphasis on brand equity. Between hybrid and pure-play online retailers, the majority of the respondents stated that brand equity determines the level of trust in the online retailer. The respondents stated similar examples: the online bookseller Amazon.com, a brand that originated on the Internet, is probably perceived much more trustworthy than the South African online bookseller

Exclusivebooks.co.za, even though Exclusive Books have physical stores locally. Conversely, an online home shopping operation, such as Woolworth's 'Shop in the bag' is generally perceived more trustworthy than smaller pure-play Internet home shopping sites (such as Megashopper.co.za), due to the strength of the Woolworth's brand. Some respondents also mentioned that the level of trust in e-Commerce between hybrid and pure-play online retailers is a function of perceived risk, price and the value of the offering to the customer. They agreed that these issues relate back to branding, and that pure-play online retailers would generally be perceived less trustworthy than hybrid online retailers, especially if the company has no established brand names or a credible reputation.

**1.1.14 To communicate trust in e-Commerce effectively, companies should build strong credible online brands.**

Building strong credible online brands was identified as important factor to communicate trust in e-Commerce, by the majority of the respondents. They stated that companies should invest in building strong online brands, whether they are new online brands or extended brands from the offline domain, and should establish and maintain brand credibility. Some respondents stated that a strong online brand is of even greater importance in the pre-purchase phase, where the brand could provide cues and reference points to the customer, who would then be more willing to trust the online retailer. Some respondents also stated that 'human interaction', through traditional means of communication and customer education, i.e. information about the online retailer and electronic commerce, could help communicate trust to consumers. Most of the respondents agreed that communicating trust in e-Commerce is a function of time and user experience. An online consumer is likely to have greater trust in an online retailer when he has had a series of good experiences with the online retailer, and when his expectations were consistently met or exceeded. Again, the

respondents mentioned that it is largely the online brand which communicates trust in e-Commerce, and provides reference point and cues to the online consumer.

***1.1.15 For trust in e-Commerce, branding strategies should be consistent across all online and offline media channels.***

In terms of an overall branding strategy for trust in e-Commerce, the majority of the respondents stated that there should be consistent branding strategies across all online and offline media channels. Respondents stated that across all media channels there should be consistent branding messages, and that an existing offline brand should be leveraged and even be reinforced on the Internet. Respondents also stated that important branding strategies to convey trust in e-Commerce are the overall 'look and feel' of the Web site, professional Web site design, enhanced Web site functionality, ease of use, simplicity of navigation, using a common language, and the display of credible logos or seals of approval from independent authorities. Additionally, some respondents emphasised again the importance of the brand and the online user experience. Some respondents also mentioned using alliances and channel partners, with strong brands, in a co-branding partnership. For example, a largely unknown online retailer could benefit from partnering with a large and trusted logistics company, such as Federal Express. The 'FedEx' affiliation and logo on the retailer's Web site could help to communicate trust to online consumers, although the online retailer may not have a strong online brand. The partnering company with the stronger brand in this case has to ensure that the online retailer uses their brand in appropriate and consistent ways to avoid brand dilution.

**1.1.16 Along an online retailer's supply chain, each member plays a critical role in establishing trust in e-Commerce.**

The majority of the respondents stated that, in case of partnerships or third party providers, an online retailer needs to ensure that each supply chain partner performs its role to meet customer expectations. Respondents stated that utilising intermediaries and channel partners in the context of e-Commerce is quite important, as complete dis-intermediation is unlikely to happen. The respondents stated that consumers tend to want 'complete' solutions, that an online retailer can often not perform by himself and is required to partner with appropriate channel partners, such as logistics or payment specialists. The respondents further stated that despite the fact that intermediaries are involved in the purchase process, the online consumer tends to perceive only the online retailer as a reference point. Consequently, any online shopping incident is likely to be blamed on the online retailer, even though it may be beyond the retailers control. Some respondents identified this as the 'source effect', a marketing concept that relates the outcomes of a transaction or effect of communication to the source of the cause, in this case the online retailer. Some of the respondents stated that online retailers need to have strict and enforceable service level agreements with intermediaries along the supply chain, to ensure every member is effectively performing his part and is committed to the relationship (i.e. the adherence to agreed upon standards). Furthermore, most respondents stated that online retailers have to ensure they associate themselves with 'trustworthy' channel partners, if they lack reputation or strong brand names. Some stated that there may even be cases where a supply chain partner's brand may be stronger and may be perceived more trustworthy than the online retailer's brand. In that case the online retailer could leverage a channel partner's brand, to add credibility to his brand by associating himself with the brand and displaying partner logos on his Web site on critical places. The majority of the respondents also stated that brand and service consistency are important elements for establishing trust in e-Commerce, along an online

retailer's supply chain. Again, picking channel partners carefully was stated as critical to ensure quality service delivery and brand consistency along the supply chain, by the respondents.

**1.1.17 Industry self-regulation is generally regarded more favourable than government regulation to establish a general framework for trust in e-Commerce.**

Industry self-regulation was identified as more favourable for establishing an overall framework for trust in e-Commerce, than government regulation, by the majority of the respondents. Most of the respondents believe that in the South African context, industry self-regulation is more flexible and adaptive to the fast paced developments in the Internet environment than government regulation and legislation. Respondents stated that direct regulation through the government is: 'not viable, too slack, too slow, in-capable', and could even be 'counter-productive'. Respondents also stated that they don't trust the government's approach e-Commerce and criticised sections of the Green Paper on Electronic Commerce, an open e-Commerce discussion paper the government issued at the beginning of this year. Nevertheless, some respondents stated that government has to provide the basic legislative environment for Internet trading, which includes privacy and consumer protection, security standards and a legal framework of conducting transactions online. They stated that there is the need of combining both government regulation and industry self-regulation, to establish an effective framework for trust in e-Commerce.

**1.1.18 Privacy intrusion and non-fulfilment are the most critical issues for breaking consumer's trust in e-Commerce.**

Privacy intrusion and non-fulfilment were mentioned as the most critical issues, by the majority of the respondents, as the reasons for breaking consumer's trust in e-Commerce. Respondents stated that privacy intrusion includes the abuse of personal / confidential customer information, selling customer information to third parties for advertising purposes and 'customer spamming' as a result of applying customer insights to marketing campaigns unwanted by consumers. With respect to privacy intrusion, most of the respondents stated that consumers largely perceive their privacy has been violated if they weren't informed how their information is going to be used and if they hadn't had an opportunity to consent to the use of their personal information. Some respondents stated that consumers would actually agree to the sharing of personal information with third parties, if they are informed about the marketing schemes and if they perceive a benefit or value in receiving marketing communications targeted at them. For non-fulfilment, the respondents mentioned a number of issues, such as non-delivery of the goods purchased online, incorrect billing, longer than expected delivery times, receiving incorrect or damaged goods, or generally the non-fulfilment of customer service, such as not responding timely to enquiries, not meeting customer expectations or not delivering on promises made. Some respondents summed this up by saying that generally a single bad customer experience on the Internet is likely to break consumer's trust in e-Commerce. Some respondents also mentioned the monetary aspects of a bad online experience: for example an economic loss as a result of an online transaction, such as over-charged credit cards, or the loss of money due to the non-recovery of a bad purchase. Some respondents further mentioned some technical aspects about the Web site that may lead consumers to distrust an online retailer: sites must be well designed and easy to navigate, there shouldn't be any dead links or any '404' (site not found) messages, the back-end systems should be secure to prevent anyone to 'hack' (i.e. break in)

the site, the content should be useful to the consumer, and policies about privacy, security and customer recourse should be clearly stated on relevant places on the online retailer's Web site. Furthermore, some of the respondents stated that the lack of personal interaction and communication may lead consumers to distrust e-Commerce. They mentioned, however, that applying 1to1 marketing tools, such as personalisation of content, could help in generating a more 'personal' feeling on the Internet, and could help create more trust in the Web site and the online retailer.

**1.1.19 Once consumer's trust on the Internet is broken, there is very little an online retailer can do to re-establish trust with the consumer.**

The majority of the respondents stated that once a consumer loses trust in an online retailer, due to various circumstances such as non-fulfilment, incorrect billing, not responding to inquiries, there is very little an online retailer can do to re-establish or re-gain that trust with the customer. Some respondents even stated that due to the availability of alternative online retailers (a mouse-click away) and substitute products on the Internet, consumers whose trust and faith has been broken through the acts of an online retailer or a partner along the supply chain, are unlikely to ever do business again with that online retailer. However, there may be certain circumstances where even a disappointed consumer may return to an 'unreliable' online retailer. For example when a product is only available through the particular retailer, where the disadvantage or economic loss is not severe, where the customer is an inexperienced Internet users and assumes part of the responsibility of the failure, and in cases where an online consumer identifies and blames a third party for failure, such as non-fulfilment due to the failure of an outsourced delivery company. The majority of the respondents generally stated that the possibility of re-establishing or re-gaining trust with a disappointed online consumer, depends on factors such as severity of the case, a consumer's ability to absorb the disadvantage or economic loss, the influence of third parties

and the consumer's self-responsibility, such as admitting an incorrect shipping address has been entered. Additionally, some of the respondents mentioned specific means to re-establish trust with a customer, such as admitting guilt through direct and personal communication, providing information and explaining the failure reasons to the online customer in an understandable way, as well as restoring the customer's economic loss, including all subsequent charges the customer has incurred as a result of the retailer's failure.

**1.1.20 Seal of approval programmes are generally not well known in South Africa, by both online retailers and consumers.**

Although the awareness about seal of approval programmes in South Africa has grown during the past years, the majority of the respondents stated that seal of approval programmes are not well known in South Africa; some of the respondents also admitted that they personally lacked in-depth knowledge about seal of approval programmes, both in the South African and international context. Most of the respondents referred to seal brand names such as VeriSign, Trustee and PriceWaterhouseCoopers, when asked what seal programmes they know. They were, however, generally inconsistent in relating various seal brands to their underlying programmes: for example, some of the respondents related VeriSign very broadly to network security, while others related VeriSign quite specifically and correctly to the use of digital certificates and encryption technology to ensure the authentication and identification of buyer and seller information on the Internet.

**1.1.21 The most important benefits of using a Web seal are regulation, monitoring and assurance through an independent third party.**

Regulation, oversight and assurance of an independent third party were mentioned as the most important benefits of using a seal of approval on an online retailer's Web site, by the

majority of the respondents. They stated that third party affirmation creates a perception of enhanced credibility and security, i.e. there is an independent authority 'prepared to stake their reputation'. In general the respondents stated that, in line with the two factor motivation theory, displaying a seal of approval does generally no harm and may be lead to additional benefits, while the absence of a seal could lead consumers to distrust an online retailer. Seals issued to online retailers act as visible cues, and some of them have already evolved to trusted brand names, such as VeriSign and Trustee. Some respondents stated that these brands lead consumers 'to transact without having concerns' with an online retailer who carries a seal of approval on his Web site. On the other hand, some respondents mentioned that these seals in fact do very little to communicate trust in e-Commerce. They stated that the seal logos can be easily copied by scrupulous online retailers, who intend using the seal to make potential customers believe they are participants in a credible seal of approval programme. It is impossible for the seal organisations to find out when a seal is copied on to an unauthorised site, and even knowing a seal has been stolen there is little these companies can do to force the online retailer to remove it. In this sense, the credibility of seals of approval is diluted and the use and overemphasis of seal programmes could even be counterproductive, stated some respondents. To overcome this problem, some of the respondents stated that industry specific seals could be issued by niche players, who have more effective control and enforcement over the participating online retailers.

**1.1.22 Retailers with an online presence only and largely unknown brands generally benefit the most using seals of approval.**

Comparing the usefulness and benefits of displaying seals of approval on a hybrid online retailer's Web site and a pure Internet player's one, the majority of the respondents stated that pure play online retailers with largely unknown brands generally benefit the most using credible seals of approval. Seals could help in establishing credibility to a pure play online

retailer's Web site and could provide a reference point for consumers, for example an icon or logo that they know or have seen on other trustworthy sites. They stressed, however, that the seal must generally be credible and trustworthy and must be a known brand. The respondents commented further that hybrid online retailers generally benefit from established brand names and relationships with customers, which they can leverage for their online presence. In some cases these brands could be so powerful that a seal of approval is not only unnecessary, but it could even damage the reputation or could dilute the strength of an existing brand. Some of the respondents provided examples from their own businesses: they are reluctant to display seals of approval, because their brands are well known and established, both on the Internet and in the physical world.

**1.1.23 Important elements of a seal programme to establish trust in e-Commerce are customer information protection, transaction integrity, and strong fulfilment and customer recourse policies.**

For this question respondents were asked to identify the important elements a 'generic' seal of approval programme should have to establish and communicate trust (in e-Commerce) to online consumers. The majority of the respondents mentioned that such a seal should have the following three policy or programme elements: protection of customer's privacy and information, transaction integrity and strong fulfilment, and customer recourse policies. According to the respondents, there should be clear policies and guidelines how online retailers collect, store and use customer information. The respondents mentioned that there should even be ways for customers to access the information stored about them. The seal programme should also provide guidance and direction to ensure the security of transactions and computer networks. From the submission of customer data to the processing and storing of that information, a 'trust seal' should prescribe generally accepted security standards, such as encryption, verification and authentication standards. Furthermore, they should

provide strong return and customer recourse policies, to establish and effectively communicate trust in e-Commerce.

**1.1.24 To promote the use and adoption of seals of approval in South Africa the most credible seal brands should be used and the benefits of using seals should be emphasised.**

The majority of the respondents stated that the most credible and established seal brands, such as VeriSign, Trustee and VISA, should be used and the benefits of using seals of approval should be emphasised to promote the use and adoption of seals of approval in South Africa. Most of the respondents stated that South African Internet users have no clear understanding or knowledge about Web seals. Likewise, South African online retailers may be aware of certain Web seals, but they are reluctant to participate in seal programmes and place seal logos on their Web site, due to the little expected benefits of using a Web seal. The respondents stated that online retailers may not want to participate in a Seal programme, since the benefits of participating and adhering to a certain code of conduct, is not perceived favourable in the sight of the South African online consumer, and would not necessarily lead consumers to trust an online retailer more.

## **1.2 Results of Building Blocks of Trust in e-Commerce Survey**

During the in-depth interviews the respondents were also asked to complete a self-administered questionnaire which deals with the building blocks of trust in e-Commerce and their decomposed factors (for the origin and development of the building block list and their decomposed factors please refer to section 3.8 in the literature review). The respondents were asked to assign a score indicating the importance they attach to each factor to the building and development of trust in e-Commerce on a five point rating scale, ranging from 'not important at all' (1) to 'very important / essential' (5). The building blocks' total scores and the sum totals of the individual factors are presented in the table below, together with a comparative figure to the building block averages. The statistical output of the questionnaire is contained on the enclosed CD Rom. The objective of this self-administered questionnaire was to verify the respondents' answers of the interview sessions and to compare and check for consistency. As the sample size of this survey is relatively small, the analysis can best give a general indication of the importance of the factors and building blocks of trust in e-Commerce. This analysis is also compared to the building blocks in e-Commerce section in the quantitative data analysis of the mail survey. The second table lists the building blocks of trust in e-Commerce and their decomposed factors ranked in order of importance.

### **1.2.1 Building Blocks Table**

The table below shows the building block and factor total scores and the building block's relative position to the building block average score (309), expressed as a percentage:

<b>(1) Web Site Design and Product Presentation</b>	<b>Score</b>
Clarity of information	69
Interactive decision aids	46
Professional Web page design	57
Comprehensive product comparisons	49
Up to date and unbiased product information	64
<b>Building block total:</b>	<b>285</b>
<b>Percentage to total average:</b>	<b>-8.4%</b>

<b>(2) Navigation</b>	<b>Score</b>
Useful navigation guides	57
Consistency in navigation	61
Good search functionality	62
Easy to use shopping cart	65
User friendliness / ease of findings products	60
<b>Building block total:</b>	<b>305</b>
<i>Percentage to total average:</i>	<i>-1.3%</i>
<b>(3) Technology</b>	<b>Score</b>
Effective firewalls	59
Quick loading pages	61
Encryption for security	65
Use of multiple consumer touch points	43
Sophisticated technology infrastructure	48
<b>Building block total:</b>	<b>276</b>
<i>Percentage to total average:</i>	<i>-11.9%</i>
<b>(4) Branding</b>	<b>Score</b>
Retailer's Web Brand Equity	58
Retailer's Overall Brand Equity	72
Breadth and depth of product offering online	56
Affiliations with other trustworthy organisations	52
Established reputation or credibility of Web site or vendor	69
<b>Building block total:</b>	<b>317</b>
<i>Percentage to total average:</i>	<i>+2.5%</i>
<b>(5) Seals of Approval</b>	<b>Score</b>
Icons and text that symbolise:	
* service security (e.g. VISA logo)	59
* network security (e.g. VeriSign logo)	56
* e-Commerce capabilities (e.g. IBM e-Business logo)	51
* technological capabilities (statements about encryption, cookies)	52
* secure transactions processes, including privacy protection (e.g. Trustee logo)	66
<b>Building block total:</b>	<b>284</b>
<i>Percentage to total average:</i>	<i>-8.8%</i>
<b>(6) Fulfilment</b>	<b>Score</b>
Availability of order tracking	61
Fulfilment price clearly stated	72
Ability to back out of transaction	69
International fulfilment capability	59
Strong recourse and return policies	72
<b>Building block total:</b>	<b>333</b>
<i>Percentage to total average:</i>	<i>+7.2%</i>

<b>(7) Privacy</b>	<b>Score</b>
Confidentiality of transactions	73
Protection of personal information	75
Asking for transaction necessary information only	72
Disclosure of how customer information is collected and stored	68
Access for consumers to view what information is collected and stored	59
<b>Building block total:</b>	<b>347</b>
<i>Percentage to total average:</i>	<i>+10.8%</i>
<b>(8) Security</b>	<b>Score</b>
Secure payment methods	76
Clear and concise security policies	69
Accurate and complete data processing	64
Use of digital certificates and encryption	67
Data security (e.g. authentication, authorisation)	70
<b>Building block total:</b>	<b>346</b>
<i>Percentage to total average:</i>	<i>+10.7%</i>
<b>(9) Regulation and Legislation</b>	<b>Score</b>
Protection plans for online consumers	63
Policies and standards for Internet trading	55
Supervision of self-regulatory and private initiatives	51
Development of a SA legal framework for Internet retailing	61
Development of public awareness programmes for Internet retailing	59
<b>Building block total:</b>	<b>289</b>
<i>Percentage to total average:</i>	<i>-6.5%</i>

Table: The Building Blocks of Trust in e-Commerce (Responses of the Industry Experts)

### 1.2.2 Table of Building Blocks and Factors Ranked in Order of Importance

The table below shows the building blocks and their individual factors ranked in order of importance:

<b>Building Block List</b>			<b>Factor List</b>		
Rank	Building Block	Total	Rank	Factor	Total
1	Privacy	347	1	Secure payment methods	76
2	Security	346	2	Protection of personal info.	75
3	Fulfilment	333	3	Confidentiality of transaction	73
4	Branding	317	4	Retailer's overall brand equity	72
5	Navigation	305	4	Fulfilment price clearly stated	72
6	Regulation,	289	4	Asking for necessary info.	72
7	Legislation	285	4	Strong recourse/return policy	72
8	Web Site Design	284	5	Data security	70
9	Seals of Approval Technology	276	6	Clarity of information	69
	---		6	Established reputation	69
			6	Ability to back out of transac.	69
			6	Clear/concise sec. policies	69
			7	Retailer's web brand equity	68
			7	Disclosure of customer info.	68
				(continues)	
<b>Factor List (cont'd)</b>			<b>Factor List (cont'd)</b>		
Rank	Factor	Total	Rank	Factor	Total
8	Use of digital certificate	67	17	Professional web p. design	57
9	Secure transaction proc.	66	17	Useful navigation guides	57
10	Encryption of security	65	18	Breadth/depth of offering	56
10	Easy to use shop. Cart	65	18	Network security	56
11	Accurate data process.	64	19	Standard for Web trading	55
11	Up-to-date product info.	64	20	Alliances with other trust-org	52
12	Protection plan for cons.	63	20	Technical capabilities	52
13	Good search functions	62	21	e-Commerce capabilities	51
14	Consistency navigation	61	21	Supervision self-regulatory	51
14	Quick loading pages	61	22	Comprehensive comparisons	49
14	Order tracking	61	23	Sophisticated tech. infrastr.	48
14	Develop. SA framework	61	24	Interactive decision aids	46
15	User friendliness	60	25	Use of multiple touch points	43
16	Effective firewalls	59		---	
16	Service security	59			
16	Intl. fulfilment capability	59			
16	Access to view info	59			
16	Developm. Public aware	59			

Figure 38: Building Blocks and Factors Ranked in Order of Importance

### **1.2.3 Interpretation of the Findings of the Building Blocks Survey**

Due to the small sample size (sixteen interviewed industry experts), the discussion and interpretation of the findings of the building blocks of trust in e-Commerce survey is confined to the actual building blocks and not their decomposed factors. The table of the building blocks and factors ranked in order of importance revealed that some building blocks carry a greater importance to the building and development of trust in e-Commerce than others. The diagram below shows that that there are three building blocks are perceived very important, two blocks are perceived important and four blocks are perceived moderately important to the building and development of trust in e-Commerce:

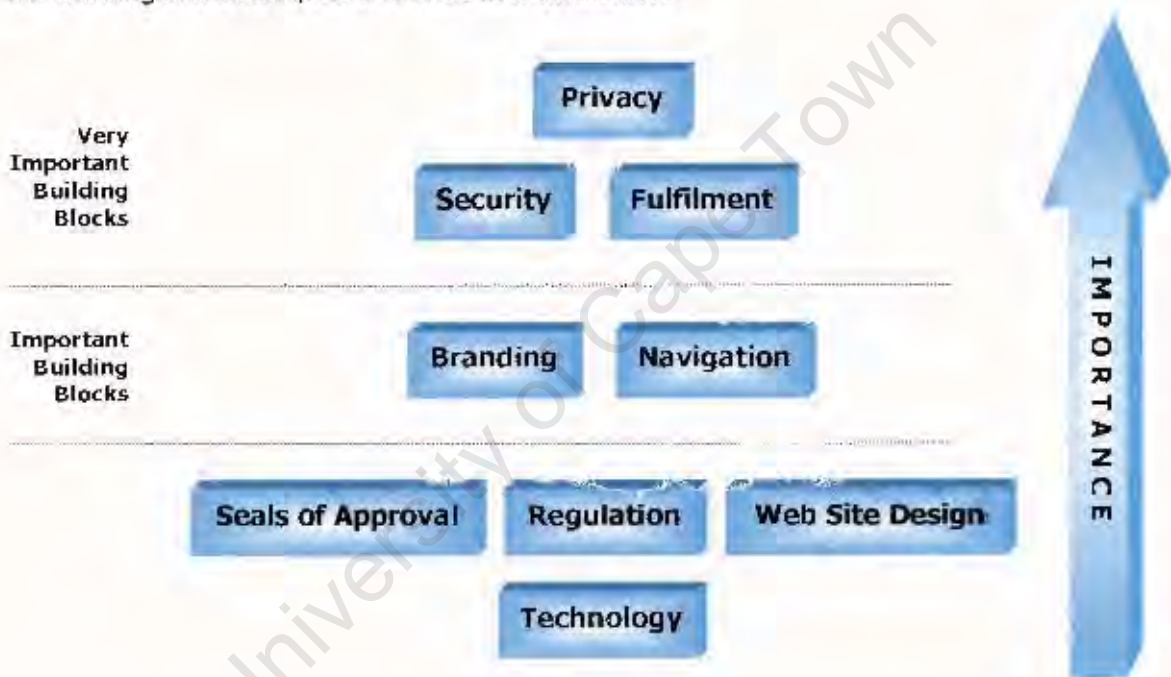


Figure 36: Building Blocks Ranked in Order of Importance.

The analysis of the building blocks of trust in e-Commerce survey indicates that privacy, security and fulfilment are the most important building blocks for building and developing trust in e-Commerce. The findings of the survey are generally consistent with the respondents' answers during the in-depth interviews. A major finding of the in-depth interviews is that "The biggest risks consumers perceive about online shopping are security,

privacy and fulfilment risks" (4.2.7). This is in fact the negative statement to the identified three most important building blocks of trust in e-Commerce: privacy, security and fulfilment.

The findings of the qualitative information, especially the findings from the analysis of the building blocks of trust in e-Commerce, will be compared to the findings from the quantitative data in the next section. It will be seen that generally the responses from the industry experts during the in-depth interviews generally conform with the findings from the analysis of the mail questionnaire, especially findings that deal with the building blocks of trust in e-Commerce.

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## **CHAPTER 5**

# ***Quantitative Research***

University of Cape Town

## **1. QUANTITATIVE RESEARCH**

As mentioned in the research methodology, a nation-wide mail survey was used to gather the quantitative data. A total of 4 000 mail questionnaires were sent out to households throughout South Africa, which were randomly selected from the database of HomeChoice. The returned questionnaires were examined for completeness and usability. A total of 137 complete and correctly filled out questionnaires were used in the analysis for the quantitative research. The questionnaire specifically targeted and tried to obtain information from current Internet users. Given the general distribution of Internet users in South Africa, the response rate of this questionnaire is in line with the overall proportion of Internet users among the South African population.

The analysis of the quantitative data includes frequency counts, cross tabulations, as well as correspondence and discriminant analysis. The full statistical output is contained on the enclosed CD Rom, in the 'Stats files' directory. Where possible, in this section tables and graphs have been used rather than lengthy discussion.

In this section, the main focus of the statistical analysis is on the general building blocks of trust in e-Commerce. The ten general building blocks of trust in e-Commerce have been thoroughly analysed using various statistical techniques: cross tabulations, correspondence and discriminant analysis are the main statistical analyses which were used to investigate associations and relationships between the general building blocks of trust in e-Commerce and other variables, such as key demographic information and the respondents online purchase behaviour. Thoroughly analysing the building blocks of trust in e-Commerce, and consolidating the information with other research findings, provides the basis for drawing conclusions and making recommendations, within the scope and objectives of this study.

### **Representativeness of the Sample**

Examining the distribution of respondents within the various categories, especially demographics, and recognising that the response rate of the questionnaire is in line with the overall proportion of Internet users in South Africa, the sample may be assumed to be representative. However, there is a bias towards the 'lower income' groups and 'males' among the respondents. This bias could be due to the fact that in general there were far more respondents belonging to the 'male' and 'lower income' groups than 'females' and respondents from the 'middle and upper income' groups. Therefore, the bias must be taken into account, when making any interpretations that involve the respondents' gender and disposable monthly income.

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## **1.1 General Profile of the Respondents**

### **1.1.1 Age of the Respondents**

The largest age group of the respondents is the '20 to 30 year' group (33.6%), followed by the '30 to 40 year' age group (30.7%). Together, these two groups account for almost two thirds of all the respondents. The '40 to 50 year' age group has a smaller share of 15.3%, and there are only 2.9% of respondents belonging to the 'under 20' group. There is, however, a large proportion of respondents (17.5%) who chose not to disclose their age. The graph indicates that the majority of the respondents tend to be 'young' and belong to the large '20 to 40 year' group. For an in-depth statistical analysis of the 'age' variable and its relationship to the building blocks of trust in e-Commerce and other variables please refer to section 5.4.4.

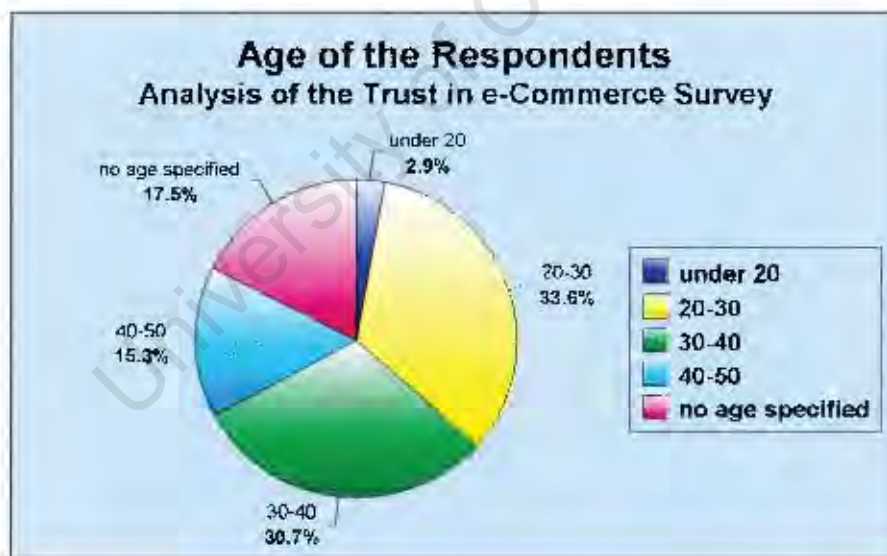


Figure 37: Age of the respondents

### **1.1.2 Location of the Respondents**

The majority of the respondents come from South Africa's major metropolitan regions, i.e. the Western Cape (35.6%), Gauteng (25.2%) and KwaZuluNatal (23.0%). The findings about the Internet user base distribution are generally in line with findings from other Internet user surveys, despite the fact that respondents from the Gauteng province seem to be under-represented. There are fewer Internet users from the Eastern Cape (10.4%) and from other South African provinces (5.9%) given the relatively low adoption of the Internet in those areas.

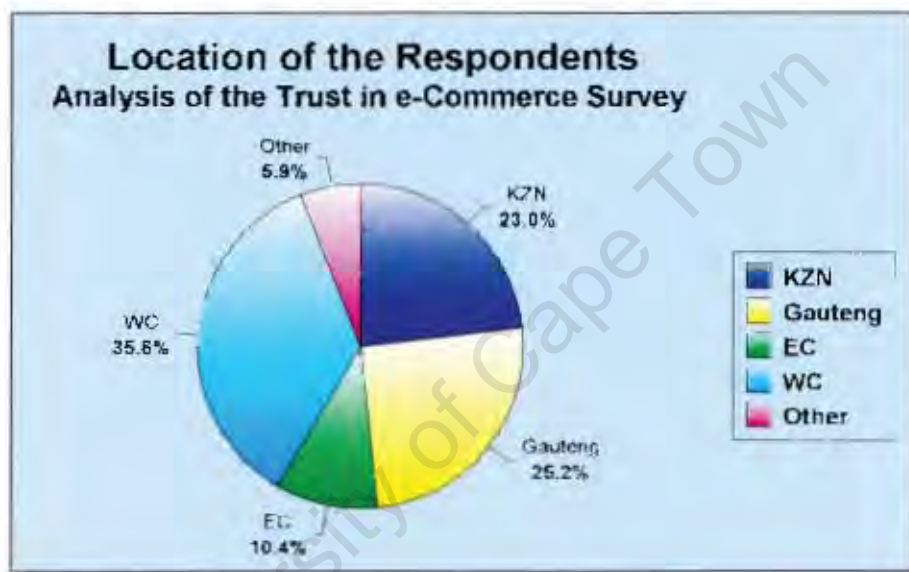


Figure 38: Location of the Respondents

### **1.1.3 Gender Profile of the Respondents**

Figure 41 indicates that of the 129 respondents who provided information:

- 47 were female, which represents 36.4% of all respondents, and
- 82 were male, which represents 63.6% of all respondents.

The ratio between male and female among the respondents is approximately the same split of the general male:female split among Internet users in South Africa, although other research seems to indicate that the female share continues to grow. For an in-depth statistical analysis of the 'gender' variable and its relationship to the building blocks of trust in e-Commerce and other variables please refer to section 5.4.4.

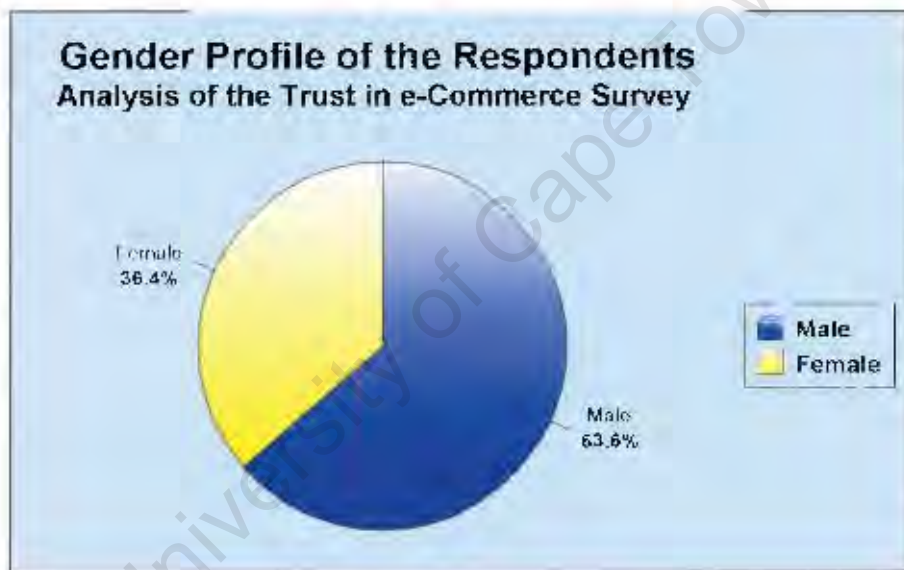


Figure 39: Gender Profile of the Respondents

### **1.1.4 Monthly Disposable Income of the Respondents**

Of the 137 respondents, 111 provided income information. The majority of the respondents belong to the 'below R 5000' group with a percentage of 60.4%. The second income group is the group earning between 'R 5000 and R 10000' (24.3%), followed by the 'R 10000 to R 20000' category (9.9%). The table indicates that the majority of the respondents are low

or middle income earners. Approximately only 15% of the respondents earn more than R 10000 per month. There were no respondents belonging to the 'R 20000 to R 30000' and the 'over R 50000' income groups. This deviates from other South African web statistics, which state that the majority of South African web users earn between R5000 and R9000 and between R10000 and R19000. The bias could be largely due to the fact that in general there were far more respondents belonging to the lower income groups. For an in-depth statistical analysis of the 'income' variable and its relationship to the building blocks of trust in e-Commerce and other variables please refer to section 5.4.4.

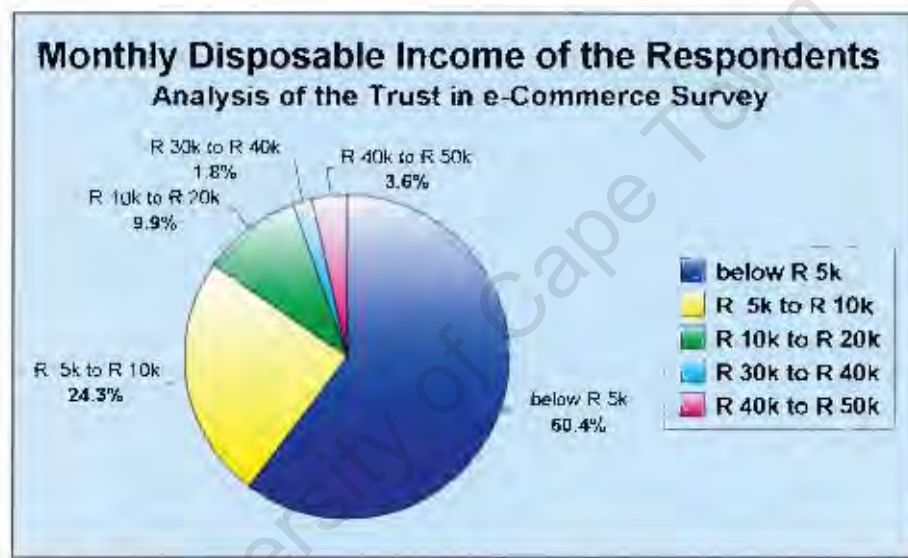


Figure 40: Monthly Disposable Income of the Respondents

### **1.1.5 Marital Status of the Respondents**

The majority of the respondents are single (42.2%) or they are married (45.3%). Only a small proportion of the respondents is divorced (12.5%).

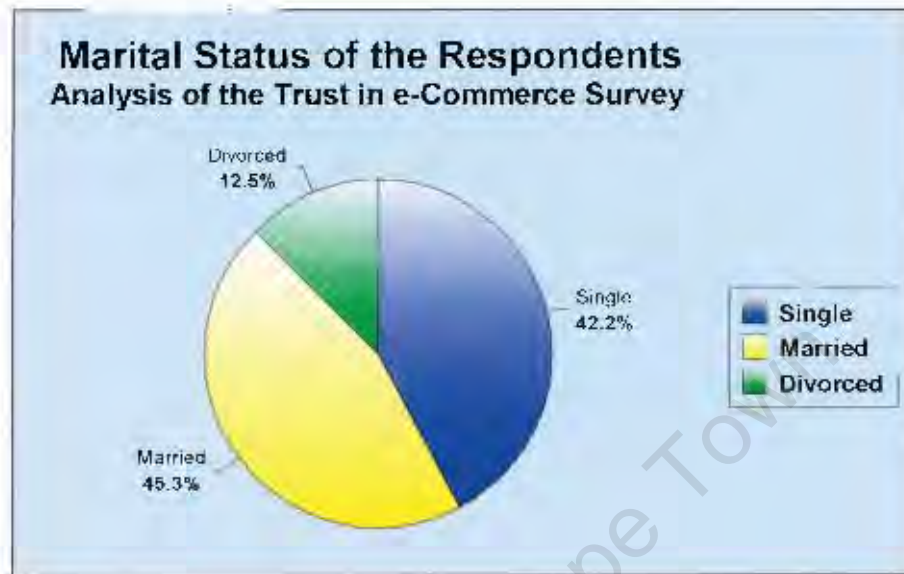


Figure 40: The Marital Status of the Respondents

## **1.2 Respondent's General Internet Usage**

### **1.2.1 Respondent's Experience using the Internet**

The graph on the following page indicates that the majority of the respondents have been using the Internet for 'less than 1 year' (33%), and for '1 to 2 years' (31%). These two groups combined account for almost two thirds of all respondents. Approximately one third of the respondents have been using the Internet for more than two years. For an in-depth statistical analysis of the 'Internet experience' variable (years using the Internet) and its relationship to the building blocks of trust in e-Commerce and other variables please refer to section 5.4.4.



Figure 42: Respondent's Experience Using the Internet

### **1.2.2 Respondent's Internet Usage**

The graph below indicates that the respondents use the Internet for many purposes. Using the Internet for 'e mail' (19.2%), 'searching for topics of interest' (15.8%), and 'work related functions' (15.0%) are the top three responses. The respondents also use the Internet commonly for 'research and educational purposes' (13.1%), 'online shopping' (11.3%) and for 'downloads' (10.2%), and to a lesser degree for 'newsgroups' (8.8%).

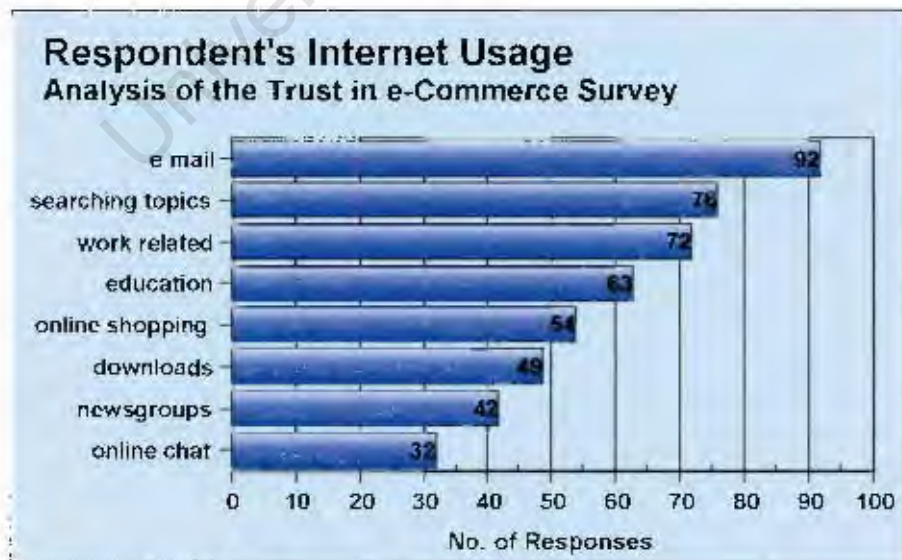


Figure 43: Respondent's Internet Usage

## **1.3 Respondent's Online Buying Behaviour**

### **1.3.1 Percentage of Respondents who have Shopped Online**

The diagram below indicates that approximately 6 out of 10 respondents, or almost 60%, have not yet shopped on the Internet (79 respondents). On the other hand, 41% of the respondents stated that they have already shopped on the Internet (55 respondents). Given that the number of people who have already shopped on the Internet is small in absolute terms, the findings and interpretations regarding online shopping should be applied with care. Comparing these figures with other South African Internet research, the proportion of Internet users who have already shopped online seems higher than in other studies. Correlation and correspondence analysis between the variables 'have purchased' and 'have trust in e-Commerce' did not reveal a statistically significant relationship. In other words, further statistical analysis could not reveal that if people stated they have trust in e-Commerce they also tend to purchase goods or services on the Internet, and likewise if they state they do not have trust in e-Commerce they tend not to purchase goods or services on the Internet (please refer to output file 'correlations.xls'). For an in-depth statistical analysis of the 'have purchased online' variable and its relationship to the building blocks of trust in e-Commerce and other variables please refer to section 5.4.4.

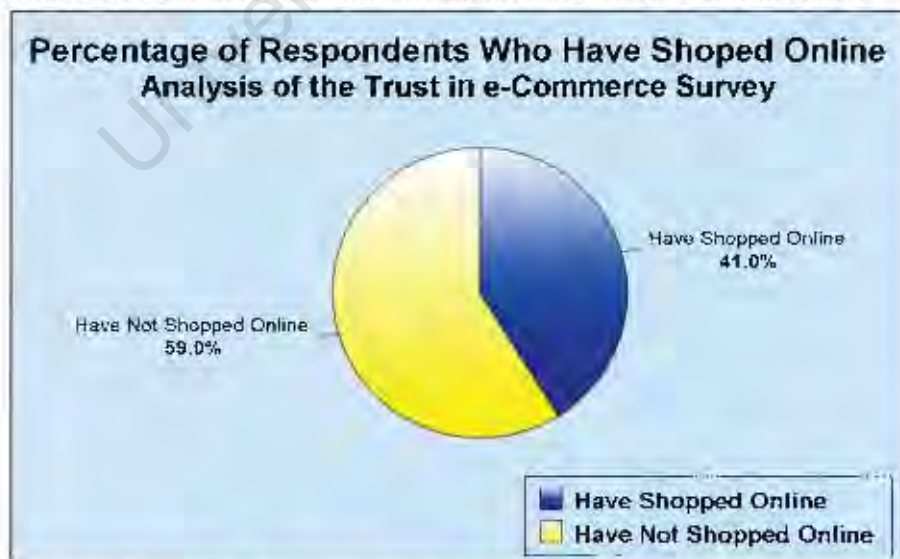


Figure 44: Percentage of Respondents who have Shopped Online

### **1.3.2 Products Most Frequently Purchased on the Internet**

Of the 134 respondents who provided information, 55 have already shopped on the Internet and 79 have not yet shopped on the Internet. The diagram below depicts the products the respondents mainly purchase online. Combining the top three categories 'books', 'clothing' and 'CDs' they account already for more than 50% of the respondent's total online purchases. The findings of the online product purchase categories are in line with other South African Internet research about the most frequently purchased goods on the Internet.

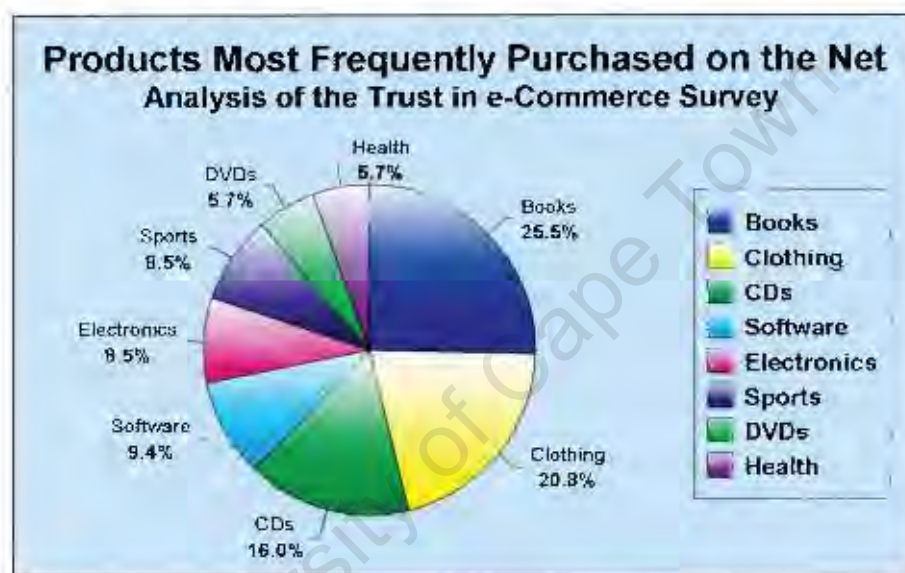


Figure 45: Products Most Frequently Purchased on the Internet

### **1.3.3 Services Most Frequently Consumed on the Internet**

Likewise, for services consumed on the Internet, the answers of the 55 respondents who have already shopped on the Internet are presented. However the findings should also be treated carefully, due to the fact that the absolute number of respondents who have already shopped on the Internet is relatively small. The top services consumed on the Internet are 'travel' services (23.2%) and 'online banking' services (22.0%), closely followed by online 'magazine subscriptions' (19.5%). Again, the findings of the online service purchase

categories conform with other South African Internet research about online consumption patterns.

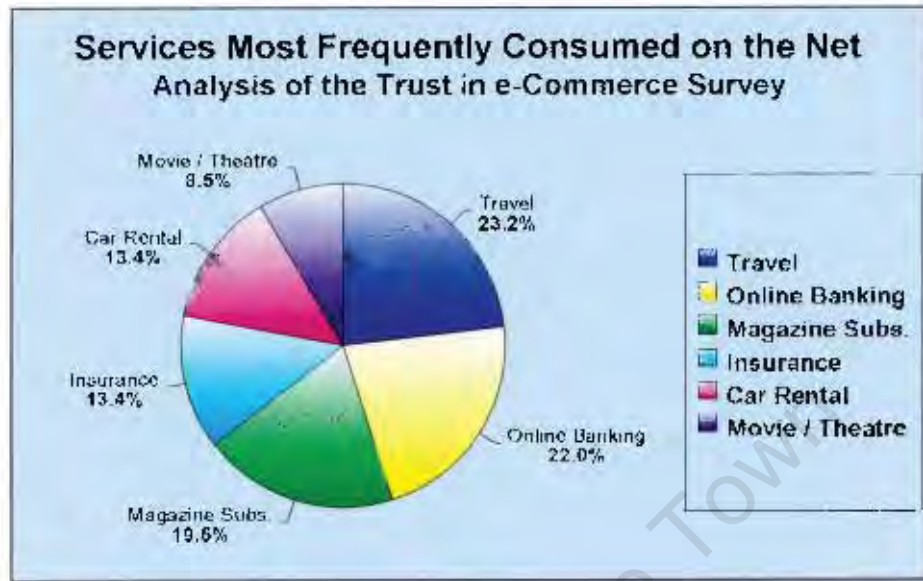


Figure 46: Services Most Frequently Consumed on the Internet

### **1.3.4 Frequency of Online Shopping**

The diagram below indicates that just over two thirds of all respondents (68.3%) purchase goods or services on the Internet 'less than once a month'. A fifth (21.7%) purchase up to 5 times per month, and 6.7% purchase up to 10 times per month goods and services from the Internet. Only a small proportion (3.3%) of the respondents purchase goods and services 'more than 10 times' per month. The research suggests that in general South Africans shop with moderation on the Internet. For an in-depth statistical analysis of the 'online shopping frequency' variable and its relationship to the building blocks of trust in e-Commerce and other variables please refer to section 5.4.4.

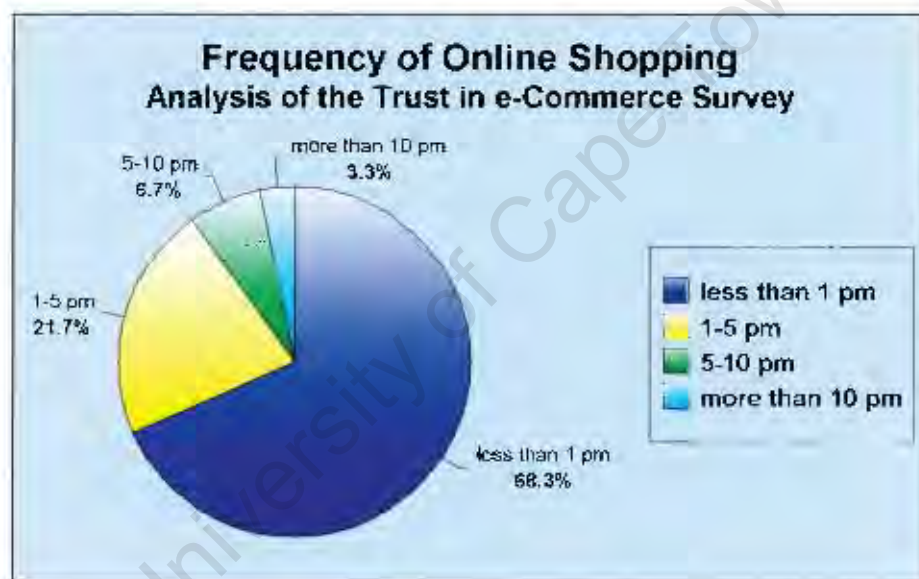


Figure 47: Frequency of Online Shopping

### **1.3.5 Reasons for Shopping Online**

The table below indicates that the majority of the respondents shop on the Internet, because they perceive products to be less expensive ('better prices', 22.2%) than in 'offline' stores, they feel that on the Internet products are more up-to-date ('latest products', 21.5%) and it is a 'convenient' way to shop (20.8%). Additionally, people shop online, because the Internet gives them a 'greater variety' of products (14.6%) to choose from, and they purchase 'gifts with delivery to someone else' (13.9%). A small portion of the respondents stated that they shop on the Internet, because certain 'products are only available online' (6.9%). The respondent's answers are in line with other South African Internet research findings.



Figure 48: Reasons for Shopping Online

### **1.3.6 Criteria for Choosing an Online Retailer**

Among the respondents, the two most important elements for choosing an online retailer are the assurance that online retailers 'have physical stores' (20.0%), and that they have 'strong privacy policies' (19.4%). Other strong elements include 'good reputation' (17.1%), the fact that a retailer was 'used before' (15.9%), a 'recommendation from friends' (14.7%), and 'affiliations' of a particular online retailer to other trustworthy organisations (12.9%). These findings suggest that online shoppers seek assurance from other sources (e.g. physical stores or recommendations) when choosing to do business with a particular online retailer.



Figure 49: Criteria for Choosing an Online Retailer

### 1.3.7 Concerns Dealing with Online Retailers

The diagram below indicates that the three predominant concerns online shoppers have are 'security concerns' (23.8%), concerns about 'privacy protection' (21.9%), and 'fulfilment concerns' (20.5%). Concerns about 'credit card' payment when dealing with an online retailer and concerns about 'incorrect billing' are rather moderate concerns. Furthermore, respondents stated that they 'never had any concerns' dealing with an online retailer (13 responses, or 8.6% of all responses). These findings confirm that security, privacy and fulfilment issues are front of mind of Internet shoppers who are dealing with online retailers.

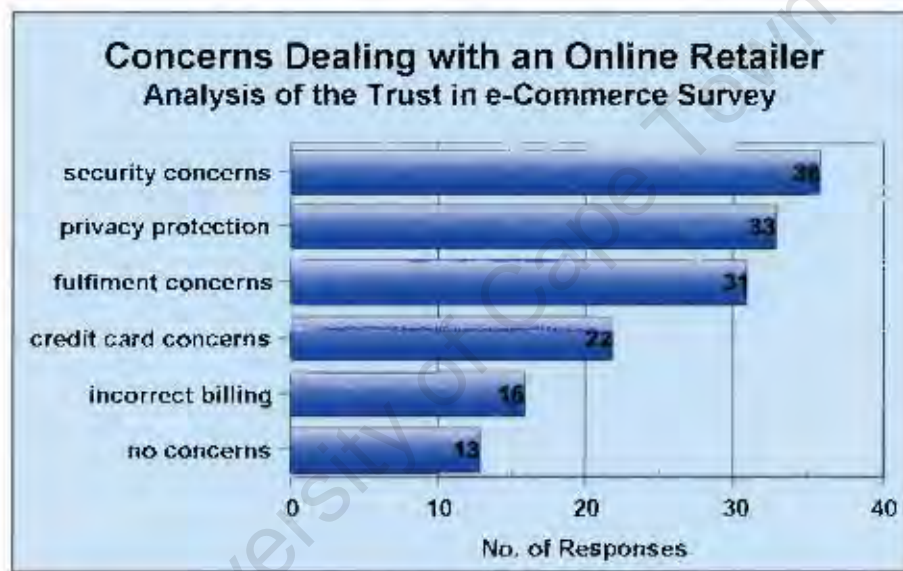


Figure 50: Concerns Dealing with an Online Retailer

### 1.3.8 Online Shopping Problems Experienced

The majority of the respondents indicated that they have 'not experienced any problems yet' shopping online (24.5%). Common online shopping problems include: 'longer than stated delivery times' of physical goods (18.9%), 'receiving junk mail' after the order (15.1%), 'receiving wrong products' (13.2%), and being charged an 'incorrect amount' (11.3%). Some respondents also stated that they had 'problems with products returns' (8.5%) and that there were 'additional fees and surcharges' they were not aware of (8.5%). Correlations and correspondence analysis between the variables 'online shopping problems experienced' and 'have trust' did not reveal a statistically significant relationship. In other words, further statistical analysis could not reveal that if people state they have experienced problems shopping on the Internet they tend to have no trust in e-Commerce, whereas in cases where respondents have not experienced problems shopping on the Internet they tend to have trust in e-Commerce (please refer to output file 'correlations.xls').



Figure 51: Online Shopping Problems Experienced

### 1.3.9 Reasons for Not Shopping Online

The single most important reason why people do not shop online, despite having access to the Internet, has to do with a lack of credit card ownership. There were 69 responses (30.8%) indicating that the reason for not shopping online, is due to the fact that the respondents 'do not have a credit card'. Another important factor for not shopping online is the lack of tangible elements that accompany shopping, such as 'like to see and touch before I buy' (19.2%). Giving 'credit card details' to complete an online transaction and general 'security' were equally perceived moderately important reasons for not shopping online (12.5%), closely followed by the respondent's lack of assurance about 'product returns and recourse' (10.7%). Only a few respondents indicated that they do not shop online, because they are 'not able to find what to buy' (4.9%).



Figure 52: Reasons for Not Shopping Online

### 1.3.10 Reasons to Start Shopping Online

The diagram below indicates that of the respondents who have not yet shopped on the Internet the top reasons to start shopping online are: 'better Internet security and privacy' (18.2%), 'free delivery' of goods (16.9%) and an affiliation of an online retailer to 'physical stores' (15.3%). Moderately important reason to start shopping online include: 'better and easier navigation' through Web sites (13.8), 'secure payment' methods (13.6%), and 'free product returns' (12.9%). There were less responses indicating that providing more 'detailed information' (9.3%) would be an important reason for people to start shopping online.



Figure 53: Reasons to Start Shopping Online

## **1.4 Respondents Perception of Trust in e-Commerce**

### **1.4.1 Respondent's Overall Perception of Trust in e-Commerce**

Of all the respondents, almost three quarters (73.3%) indicated that in general they have trust in e-Commerce. Comparing this figure to other local and international research seems overstated and thus this fact should be applied with care when making interpretations and drawing conclusions. For an in-depth statistical analysis of the 'trust' variable and its relationship to the building blocks of trust in e-Commerce and other variables please refer to section 5.4.4.

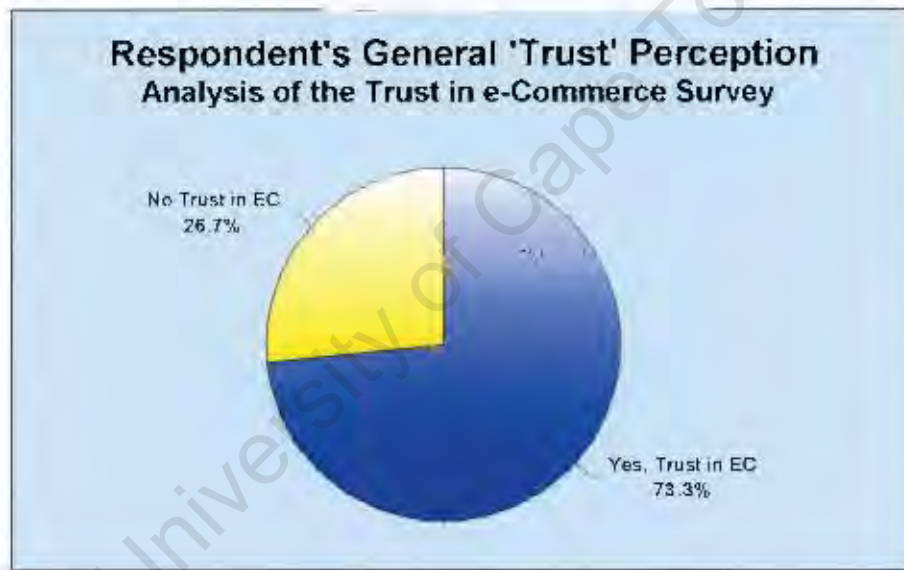


Figure 55: Respondent's Overall Perception of Trust in e-Commerce

### **1.4.2 Responses to the Building Blocks of Trust in e-Commerce**

The following section deals with the general building blocks of trust in e-Commerce. These are the same building blocks, which were presented to the industry experts during the in-depth interviews, although in addition the industry experts rated the building blocks on the basis of their underlying factors. It should be noted that the fulfilment building block is extended into 2 separate blocks, number 6 and number 10, to capture relevant information from the consumer's point of view. Hence, in this analysis there appear 10 building blocks, as there are two separate questions dealing with the fulfilment building block. The respondents were asked to merely indicate the importance they associate with the general building blocks, in the context of trust in e-Commerce. The instruction was to score the factors (i.e. building blocks) on their importance in creating trust in e-Commerce on a five point rating scale, ranging from 'Not important at all' (1) to 'Very Important or Essential' (5). The results are presented in a table format, in which majority responses have been highlighted. Additionally, a weighted average for each building block has been calculated to illustrate the relative position of building blocks on the five point importance scale. Figure 57 on page 189, depicts each building block's position on the importance scale graphically.

- ***Building Block 1: Appealing Web Site Design***

<b>- 1 - Appealing Web Site Design w.ave=3.71</b>	<b>Not Imp. at all</b>	<b>Not too Important</b>	<b>Moderately Important</b>	<b>Important</b>	<b>Very Imp. Essential</b>
Responses	4	8	39	<b>58</b>	27
Percent	2.9%	5.9%	28.7%	<b>42.6%</b>	19.9%

For the majority of the respondents, appealing Web site design is an important building block (42.6%) for creating and developing trust in e-Commerce (weighted average score: 3.71).

- **Building Block 2: Easy Navigation through Web Site**

- 2 - Easy Navigation	Not Imp. At all	Not too Important	Moderately Important	Important	Very Imp. Essential
w.ave=4.03					
Responses	0	9	25	54	47
Percent	0.0%	6.7%	18.5%	40.0%	34.8%

Easy navigation is regarded as important (40.0%) and very important (34.8%) for creating and developing trust in e-Commerce (weighted average score: 4.03).

- **Building Block 3: Effective Security Technology**

- 3 - Security Technology	Not Imp. at all	Not too Important	Moderately Important	Important	Very Imp. Essential
w.ave=4.32					
Responses	1	5	19	35	76
Percent	0.7%	3.7%	14.0%	25.7%	55.9%

For the majority of the respondents (55.9%), effective security technology is a very important building block for creating and developing trust in e-Commerce (weighted average score: 4.32).

- **Building Block 4: Internet Retailer Brand and Reputation**

- 4 - Brand Reputation	Not Imp. At all	Not too Important	Moderately Important	Important	Very Imp. Essential
w.ave=3.94					
Responses	1	10	28	54	43
Percent	0.7%	7.4%	20.5%	39.7%	31.6%

To create and develop trust in e-Commerce, an Internet retailer's brand and reputation is considered an important (39.7%) and very important (31.6%) building block for most respondents (weighted average score: 3.94).

- **Building Block 5: Use of Believable Seals of Approval**

- 5 - Seals of Approval	Not Imp. at all	Not too Important	Moderately Important	Important	Very Imp. Essential
w.ave=3.97					
Responses	2	5	31	55	43
Percent	1.5%	3.7%	22.8%	40.4%	31.6%

For the majority of the respondents using believable seals of approval is an important (40.4%) and very important (31.6%) building block for creating and developing trust in e-Commerce (weighted average score: 3.97).

- **Building Block 6: Correct Delivery and Billing (Fulfilment)**

- 6 - Fulfilment	Not Imp. at all	Not too Important	Moderately Important	Important	Very Imp. Essential
w.ave=4.46					
Responses	1	0	15	40	80
Percent	0.7%	0.0%	11.0%	29.4%	58.8%

Fulfilment, including correct delivery and billing, is considered very important (58.8%) and important (29.4%) for most respondents for creating and developing trust in e-Commerce (weighted average score: 4.46).

- **Building Block 7: Privacy and Protection of Customer Information**

- 7 - Privacy Protection	Not Imp. at all	Not too Important	Moderately Important	Important	Very Imp. Essential
w.ave=4.64					
Responses	0	7	4	20	105
Percent	0.0%	5.1%	2.9%	14.7%	77.2%

For the vast majority of the respondents (77.2%), privacy and protection of customer information is considered a very important building block for creating and developing trust in e-Commerce (weighted average score: 4.64).

- **Building Block 8: Secure Payment Methods**

- 8 - Secure Payment	Not Imp. at all	Not too Important	Moderately Important	Important	Very Imp. Essential
w.ave=4.42					
Responses	4	5	10	28	89
Percent	2.9%	3.7%	7.4%	20.6%	65.4%

Secure payment methods for creating and developing trust in e-Commerce is a very important building block for most respondents (weighted average score: 4.42).

- **Building Block 9: Local Laws to Regulate Online Shopping**

- 9 - Legislation Regulation	Not Imp. at all	Not too Important	Moderately Important	Important	Very Imp. Essential
w.ave=3.89					
Responses	2	15	15	56	48
Percent	1.5%	11.0%	11.0%	41.2%	35.3%

For creating and developing trust in e-Commerce, local laws to regulate online shopping is considered an important (41.2%) and a very important (35.3%) building block by most respondents (weighted average score: 3.89).

- **Building Block 10: Customer Recourse and Return Policies (Fulfilment)**

- 10 - Return and Recourse	Not Imp. at all	Not too Important	Moderately Important	Important	Very Imp. Essential
w.ave=4.07					
Responses	7	4	21	44	60
Percent	5.1%	2.9%	15.4%	32.4%	44.1%

For the majority of the respondents, customer recourse and return policies are considered important (32.4%) and very important (44.1%) building blocks for creating and developing trust in e-Commerce (weighted average score: 4.07).

### 1.4.3 The Building Blocks Graphically depicted on the Importance Scale

The information collected about the general building blocks of trust has been consolidated into the diagram below. The diagram depicts each building block's relative position on the five point rating scale: from not important at all (1) to very important / essential (5). The building blocks were plotted on the importance scale diagram on the basis of their weighted average score. The diagram indicates that the most important building blocks of trust in e-Commerce are: privacy protection, fulfilment, and general Internet security (including secure payment methods). This is in line with the findings from the in-depth interviews, where the buildings blocks of trust in e-Commerce, in the order of their importance are: (1) privacy, (2) security and (3) fulfilment.

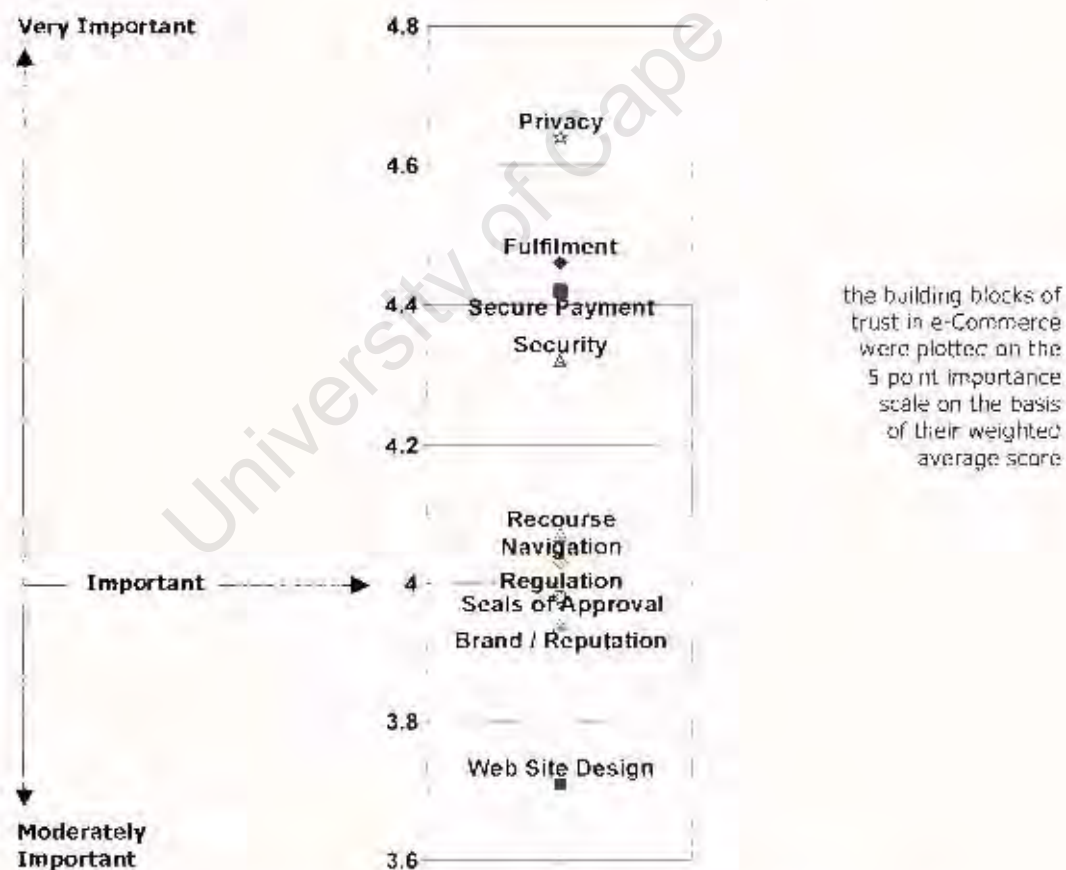


Figure 55: The Building Blocks Graphically depicted on the Importance Scale

#### **1.4.4 Further Statistical Analysis of the Building Blocks of Trust**

The previous section has indicated the relative importance of each building block for creating and developing trust in e-Commerce on the basis of analysing frequency counts and weighted averages. In this section the associations and relationships between the individual building blocks and other variables are investigated. Therefore, in this section further in-depth statistical analyses of the building blocks of trust in e-Commerce are performed, which include cross tabulations, correspondence analysis and discriminant analysis.

#### **Discriminant Analysis: Trust in e-Commerce and the general Building Blocks**

A discriminant analysis was performed on the general building blocks of trust in e-Commerce and the trust variable (i.e. 'Do you generally trust Web sites and Internet retailers?'). Discriminant analysis is a technique that helps to identify variables which best discriminate between objects from different groups. The purpose of this analysis is to investigate which building blocks are useful discriminators between respondents who stated they have trust in e-Commerce and those respondents who stated they do not have trust in e-Commerce. The grouping variable is 'trust in e-Commerce' with the possible two responses 'yes' and 'no'. The independent variables are the ten building blocks with the possible importance rating scores, ranging from 'not important at all' (1) to 'very important or essential' (5). The forward stepwise method was used in the discriminant analysis (with an F to enter value of 3.99):

Of the 10 general building blocks of trust in e-Commerce there were 6 variables / building blocks found to be significant discriminators, namely:

Building Block 1:	Appealing Web site design (at step 2)
Building Block 2:	Easy navigation through Web site (at step 6)
Building Block 3:	Effective security technology (at step 4)
Building Block 5:	Use of believable seals of approval (at step 5)
Building Block 6:	Correct delivery and billing (Fulfilment) (at step 1)
Building Block 9:	Local laws to regulate online shopping (at step 3)

The discriminant function is:

$$Z = 0.405 - 0.753*(BB1) - 0.495*(BB2) - 0.435*(BB3) + 0.508*(BB5) - 0.718*(BB6) + 0.521*(BB9)$$

The result of the discriminant analysis is that if people assign ranks, from one to five, to the variables / building blocks, which were identified as significant discriminators, it can be determined if they are likely to have trust in e-Commerce or not. Cross tabulations between the building blocks and the grouping variable (have / have not trust in e-Commerce) revealed that if respondents assigned 'higher' ranks, i.e. four (important) or five (very important / essential), they tend to have trust in e-Commerce (please refer to the statistical output contained on the CD Rom, output files bb vs trust.xls). The discrimination model is a good model, as 85.8% of all cases were correctly classified. Furthermore, the model is statistically significant, because the p level is smaller than 0.05 ( $p=0.00001$ ). The output file is 'bb discriminant.xls' on the enclosed CD Rom, which contains all the relevant statistical information.

### **Cross Tabulations and Correspondence Analysis of the general Building Blocks**

Furthermore, cross tabulations and correspondence analyses were performed to investigate the existence and nature of associations and relationships between the building blocks of trust in e-Commerce and other key variables. In relation to the general building blocks, the following seven variables are analysed:

- (1) Do you generally trust Web sites and online retailers (variable: Trust)
  - Possible answers: yes, no
- (2) Have you purchased goods or services from the Internet yet (variable: Have purchased)
  - Possible answers: yes, no
- (3) How often do you purchase goods or services from the Net (variable: How often)
  - Possible answers: less than once a month, 1-5 times a month, 5-10 times a month, more than 10 times a month
- (4) How long have you been using the Internet (variable: How long)
  - Possible answers: less than 1 year, 1-2 years, 2-4 years, more than 4 years
- (5) Gender (variable: Gender)
  - Possible answers: female, male
- (6) Income (variable: Income)
  - Possible answers: under R 5000, R 5k to R 9k, R 10k to R 19k, R 20k to R 29k, R 30k to R 39k, R 40k to R 50k, over R 50000
- (7) Age (variable: Age)
  - Possible answers: under 20, 20 to 30, 30 to 40, 40 to 50, over 50 years

The findings of the correspondence analysis and cross tabulations are presented in the tables below. For more information, the statistical output files are listed in the last column of each table and are contained on the enclosed CD Rom. This in-depth analysis investigates which of the seven identified variables have an association or relationship to each of the building blocks of trust in e-Commerce. The information from the tables is consolidated and briefly summarised in the 'concluding remarks of the in-depth statistical analysis of the building blocks'.

• **Building Block 1: Appealing Web Site Design**

Variable	Association or Relationship To BB 1	Brief Description and Meaning	Output file
Trust	Yes ( $p=0.019$ )	For respondents who stated they have trust in e-Commerce, BB1 is important	Bb1 vs trust.xls
Have purchased	No ( $p=0.554$ )	---	Bb1 vs have purchased.xls
How often	Yes ( $p=0.002$ )	For respondents who shop less than once a month online, BB1 is moderately important (apply with caution as there are only few Internet shoppers)	Bb1 vs how often.xls
How long	Yes ( $p=0.007$ )	For less experienced Internet users, i.e. less than 2 years using the Internet, BB1 is important	Bb1 vs how long.xls
Gender	Yes ( $p=0.023$ )	BB1 is important for both female and male respondents	Bb1 vs gender.xls
Income	No ( $p=0.054$ )	---	Bb1 vs income.xls
Age	Yes ( $p=0.001$ )	For younger respondents, i.e. under 20, BB1 is not important, and for the 20 to 30 group, BB1 is moderately important	Bb1 vs age.xls

- **Building Block 2: Easy Navigation through Web Site**

Variable	Association or Relationship to BB 2	Brief Description or Meaning	Output file
Trust	No ( $p=0.122$ )	---	Bb2 vs trust.xls
Have purchased	No ( $p=0.283$ )	---	Bb2 vs have purchased.xls
How often	Yes ( $p=0.006$ )	For respondents who shop about 5 to 10 times a month online, BB2 is moderately important (apply with caution as there are only few Internet shoppers)	Bb2 vs how often.xls
How long	Yes ( $p=0.041$ )	For experienced Internet users, i.e. more than 4 years using the Internet, BB2 is not very important	Bb2 vs how long.xls
Gender	Yes ( $p=0.005$ )	For both female and male respondents, BB2 is important to very important	Bb2 vs gender.xls
Income	Yes ( $p=0.003$ )	For respondents belonging to lower income groups, i.e. less than R 10k, BB2 is very important, for higher income groups, i.e. more than R30k, BB2 is not very important	Bb2 vs income.xls
Age	No ( $p=0.124$ )	---	Bb2 vs age.xls

- **Building Block 3: Effective Security Technology**

Variable	Association or Relationship to BB 3	Brief Description or Meaning	Output file
Trust	No ( $p=0.169$ )	---	Bb3 vs trust.xls
Have purchased	Yes ( $p=0.007$ )	For respondents who have not yet purchased online, BB3 is important to very important	Bb3 vs have purchased.xls
How often	No ( $p=0.254$ )	---	Bb3 vs how often.xls
How long	No ( $p=0.173$ )	---	Bb3 vs how long.xls
Gender	No ( $p=0.185$ )	---	Bb3 vs gender.xls
Income	No ( $p=0.181$ )	---	Bb3 vs income.xls
Age	No ( $p=0.195$ )	---	Bb3 vs age.xls

- **Building Block 4: Internet Retailer Brand and Reputation**

Variable	Association or Relationship to BB 4	Brief Description or Meaning	Output file
Trust	No ( $p=0.721$ )	---	Bb4 vs trust.xls
Have purchased	No ( $p=0.589$ )	---	Bb4 vs have purchased.xls
How often	No ( $p=0.511$ )	---	Bb4 vs how often.xls
How long	No ( $p=0.171$ )	---	Bb4 vs how long.xls
Gender	No ( $p=0.085$ )	---	Bb4 vs gender.xls
Income	Yes ( $p=0.020$ )	For respondents belonging to lower income groups, i.e. less than R 10k, BB4 is important, for higher income groups, i.e. more than R30k, BB4 is not very important	Bb4 vs income.xls
Age	No ( $p=0.055$ )	---	Bb4 vs age.xls

- **Building Block 5: Use of Believable Seals of Approval**

Variable	Association or Relationship to BB 5	Brief Description or Meaning	Output file
Trust	No ( $p=0.067$ )	---	Bb5 vs trust.xls
Have purchased	Yes ( $p=0.001$ )	For respondents who have not yet purchased online, BB5 is important to very important	Bb5 vs have purchased.xls
How often	No ( $p=0.072$ )	---	Bb5 vs how often.xls
How long	Yes ( $p=0.001$ )	For less experienced Internet users, i.e. less than 2 years using the Internet, BB5 is important	Bb5 vs how long.xls
Gender	Yes ( $p=0.022$ )	For female respondents, BB5 is very important, for male respondents, BB5 is important	Bb5 vs gender.xls
Income	Yes ( $p=0.001$ )	For respondents belonging to lower income groups, i.e. less than R 5k, and R 5k to R10k, BB5 is important to very important, respectively	Bb5 vs income.xls
Age	Yes ( $p=0.002$ )	For the 40 to 50 age group, BB5 is not very important	Bb5 vs age.xls

- **Building Block 6: Correct Delivery and Billing (Fulfilment)**

Variable	Association or Relationship to BB 6	Brief Description or Meaning	Output file
Trust	Yes ( $p=0.005$ )	For respondents who stated they have trust in e-Commerce, BB6 is important.	Bb6 vs trust.xls
Have purchased	Yes ( $p=0.006$ )	For respondents who have not yet purchased online, BB6 is important to very important.	Bb6 vs have purchased.xls
How often	Yes ( $p=0.007$ )	For respondents who shop about 1 to 5 times a month online, BB6 is important (apply with caution as there are only few Internet shoppers).	Bb6 vs how often.xls
How long	No ( $p=0.391$ )	---	Bb6 vs how long.xls
Gender	No ( $p=0.204$ )	---	Bb6 vs gender.xls
Income	No ( $p=0.285$ )	---	Bb6 vs income.xls
Age	Yes ( $p=0.043$ )	For the 20 to 30 age group, BB6 is important, and for the 30 to 40 age group, BB6 is moderately important.	Bb6 vs age.xls

- **Building Block 7: Privacy and Protection of Customer Information**

Variable	Association or Relationship to BB 7	Brief Description or Meaning	Output file
Trust	Yes ( $p=0.017$ )	For respondents who stated they have trust in e-Commerce, BB7 is important to very important.	Bb7 vs trust.xls
Have purchased	Yes ( $p=0.002$ )	For respondents who have not yet purchased online, BB7 is very important.	Bb7 vs have purchased.xls
How often	No ( $p=0.062$ )	---	Bb7 vs how often.xls
How long	No ( $p=0.151$ )	---	Bb7 vs how long.xls
Gender	No ( $p=0.171$ )	---	Bb7 vs gender.xls
Income	No ( $p=0.035$ )	---	Bb7 vs income.xls
Age	No ( $p=0.321$ )	---	Bb7 vs age.xls

• **Building Block 8: Secure Payment Methods**

Variable	Association or Relationship to BB 8	Brief Description or Meaning	Output file
Trust	Yes ( $p=0.001$ )	For respondents who stated they have trust in e-Commerce, BB8 is important	Bb8 vs trust.xls
Have purchased	No ( $p=0.869$ )	---	Bb8 vs have purchased.xls
How often	Yes ( $p=0.001$ )	For respondents who shop less than once a month online, BB8 is very important, for respondents shopping more than 10 times p.m. online, BB8 is not important (apply with caution as there are only few Internet shoppers)	Bb8 vs how often.xls
How long	No ( $p=0.103$ )	---	Bb8 vs how long.xls
Gender	Yes ( $p=0.008$ )	For male respondents, BB8 is important	Bb8 vs gender.xls
Income	Yes ( $p=0.007$ )	For respondents belonging to lower income groups, i.e. less than R 10k, BB8 is important to very important, for the over R 40k group, BB8 is moderately important	Bb8 vs income.xls
Age	No ( $p=0.057$ )	---	Bb8 vs age.xls

• **Building Block 9: Local Laws to Regulate Online Shopping**

Variable	Association or Relationship to BB 9	Brief Description or Meaning	Output file
Trust	Yes ( $p=0.033$ )	For respondents who stated they have trust in e-Commerce, BB9 is important to very important	Bb9 vs trust.xls
Have purchased	Yes ( $p=0.002$ )	For respondents who have not yet purchased online, BB9 is important	Bb9 vs have purchased.xls
How often	Yes ( $p=0.008$ )	For respondents who shop about 1 to 5 times a month online, BB9 is important (apply with caution as there are only few Internet shoppers)	Bb9 vs how often.xls
How long	Yes ( $p=0.001$ )	For less experienced Internet users, i.e. less than 2 years using the Internet, BB9 is important, for experienced users, i.e. more than 4 years, BB9 is moderately important	Bb9 vs how long.xls
Gender	Yes ( $p=0.002$ )	For female respondents BB9 is very important, for male respondents, BB9 is important	Bb9 vs gender.xls
Income	Yes ( $p=0.008$ )	For respondents belonging to lower income groups, i.e. less than R 5k, BB9 is important	Bb9 vs income.xls
Age	No ( $p=0.103$ )	---	Bb9 vs age.xls

• **Building Block 10: Customer Recourse and Return Policies**

Variable	Association or Relationship to BB 10	Brief Description or Meaning	Output file
Trust	No ( $p=0.334$ )	---	Bb10 vs trust.xls
Have purchased	Yes ( $p=0.004$ )	For respondents who have not yet purchased online, BB10 is important to very important	Bb10 vs have purchased.xls
How often	No ( $p=0.162$ )	---	Bb10 vs how often.xls
How long	Yes ( $p=0.001$ )	For less experienced Internet users, i.e. less than 2 years using the Internet, BB10 is important, for more experienced users, i.e. more than 4 years, BB10 is not very important	Bb10 vs how long.xls
Gender	No ( $p=0.499$ )	---	Bb10 vs gender.xls
Income	No ( $p=0.091$ )	---	Bb10 vs income.xls
Age	No ( $p=0.141$ )	---	Bb10 vs age.xls

**Concluding Remarks of the In-Depth Statistical Analysis of the Building Blocks**

The major findings from the in-depth statistical analysis of the general building blocks are briefly summarised in the table below. The table depicts the independent seven variables and their relationship and impact on each building block of trust in e-Commerce:

Variable: Trust	Relationship / association with building block	Impact of variable on building block
BB 1	Appealing Web site design	For respondents who stated that they have trust in e-Commerce, these building blocks are generally important
BB 6	Correct delivery and billing	
BB 7	Privacy and protection customer info	
BB 8	Secure payment methods	
BB 9	Local laws to regulate online shopping	

Variable: Have purchased	Relationship / association with building block	Impact of variable on building block
BB 3	Effective security technology	For respondents who stated that they have not yet purchase goods or services on the Internet, these building blocks are generally important
BB 5	Use of believable seals of approval	
BB 6	Correct delivery and billing	
BB 7	Privacy and protection customer info	
BB 9	Local laws to regulate online shopping	
BB 10	Customer recourse and return policies	

Variable: How often	Relationship / association with building block	Impact of variable on building block
BB 1 BB 2 BB 6 BB 8 BB 9	Appealing Web site design Easy navigation through Web site Correct delivery and billing Secure payment methods Local laws to regulate online shopping	For respondents who stated that they shop on the Internet: <ul style="list-style-type: none"> <li>• less than once a month, and 1 to 5 times a month these building blocks are generally important</li> <li>• 5 to 10 times a month, these building blocks are generally moderately important</li> <li>• more than 10 times a month, these building blocks are generally not very important</li> </ul>

Variable: How long	Relationship / association with building block	Impact of variable on building block
BB 1 BB 2 BB 5 BB 9 BB 10	Appealing Web site design Easy navigation through Web site Use of believable seals of approval Local laws to regulate online shopping Customer recourse and return policies	For respondents who stated that they have been using the Internet for: <ul style="list-style-type: none"> <li>• less than 1 year, and for 1 to 2 years, these building blocks are generally important</li> <li>• 2 to 4 years, these building blocks are generally moderately important</li> <li>• more than 4 years, these building blocks are generally not very important</li> </ul>

Variable: Gender	Relationship / association with building block	Impact of variable on building block
BB 1 BB 2 BB 5 BB 8 BB 9	Appealing Web site design Easy navigation through Web site Use of believable seals of approval Secure payment methods Local laws to regulate online shopping	These building blocks are generally equally important for both women and men

Variable: Income	Relationship / association with building block	Impact of variable on building block
BB 2 BB 4 BB 5 BB 8 BB 9	Easy navigation through Web site Internet retailer brand and reputation Use of believable seals of approval Secure payment methods Local laws to regulate online shopping	For respondents who stated that they earn: <ul style="list-style-type: none"> <li>• less than R 5k a month, these building blocks are generally very important</li> <li>• between R 5k and R 10k, these building blocks are generally important</li> <li>• between R 20k and R 30k, these building blocks are generally moderately important</li> <li>• more than R 30k a month, these building blocks are generally not very important</li> </ul>

Variable: Age	Relationship / association with building block	Impact of variable on building block
BB 1 BB 5 BB 6	Appealing Web site design Use of believable seals of approval Correct delivery and billing	For respondents who stated that their age is: <ul style="list-style-type: none"> <li>• under 20, these building blocks are generally not important</li> <li>• between 20 and 30, and 30 and 40, these building blocks are generally moderately important</li> <li>• between 40 and 50, these building blocks are generally not very important</li> </ul>

## **1.5 Responses dealing with Seals of Approval**

### **1.5.1 Respondent's General Awareness of Seals of Approval**

The vast majority of respondents are unaware of specific Web sites that carry seals of approval (88.2%). Only a small percentage of almost 12.0% of the respondents indicated that they are generally aware of certain Web sites that carry seals of approval.

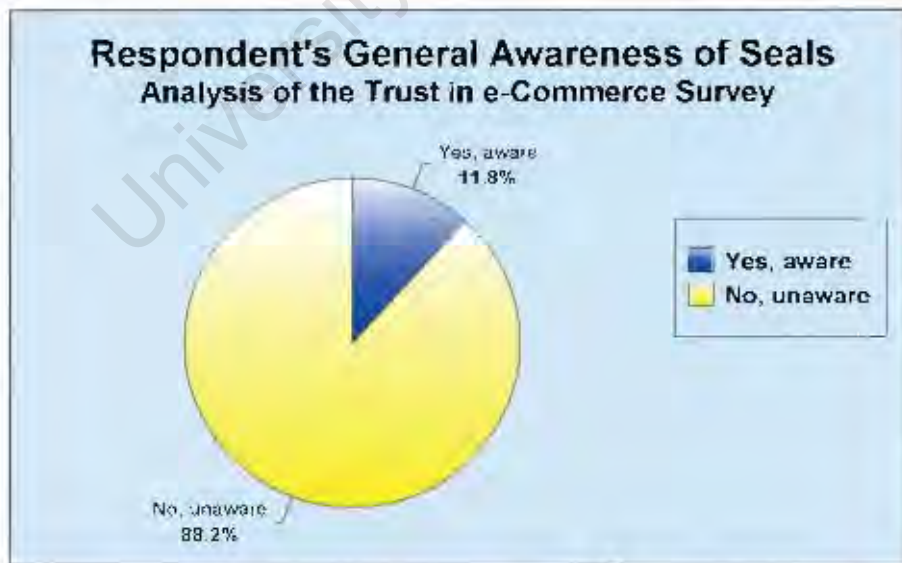


Figure 56: Respondent's General Awareness of Seals of Approval

### **1.5.2 Respondent's General Perception of Seals of Approvals**

Even though the respondents are largely unaware of specific sites that carry seals of approval, they stated that Web seals establish 'greater trustworthiness' of an online retailer or a Web site (77.2%). On the other hand, almost one quarter of all respondents stated that Web seals 'do not establish greater trustworthiness' of an online retailer.

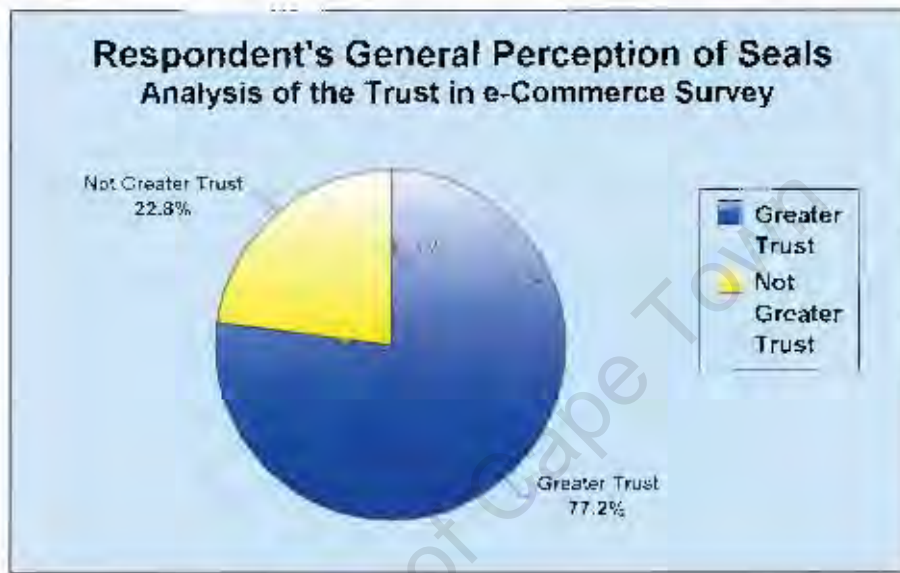


Figure 5/7: Respondent's General Perception of Seals of Approval

### **1.5.3 Impact of a Seal of Approval**

The respondents' answers to this question suggest that generally seals of approval have a positive impact on establishing a greater sense of trust in online retailers. The question the respondents were asked was: 'if you see a seal on a Web page, does this lead you to trust the site or Internet retailer?', and combining the three 'yes' categories accounts for 87.5% of all responses. On the other hand, 12.5% of all respondents stated that generally a seal does not make any impact on establishing a greater sense of trust in online retailers.

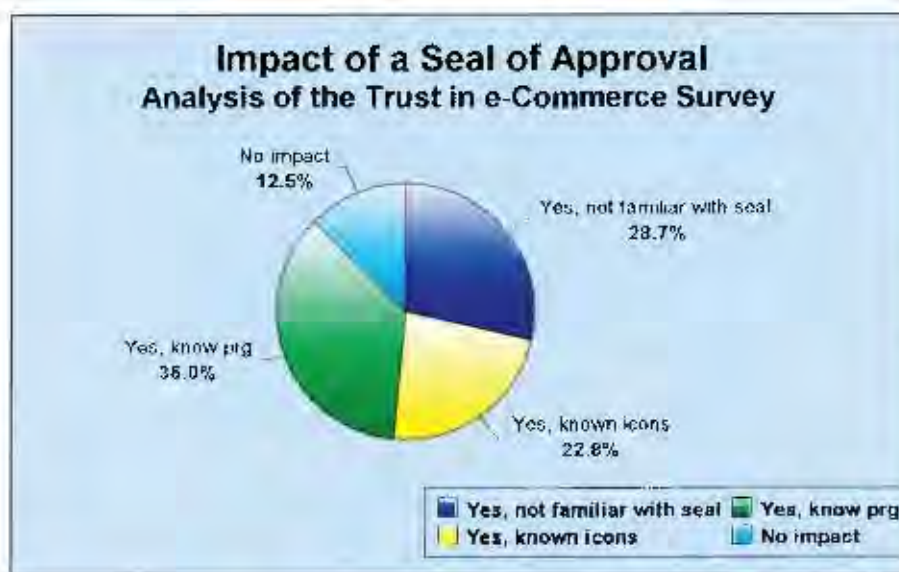


Figure 58: Impact of a Seal of Approval

Key to respondents' answers:

- (1) Yes (more trust), even if I am not familiar with the seal programme
- (2) Yes (more trust), but only if the seal icons or logos are familiar to me
- (4) Yes (more trust), but only if I know about the seal programme
- (5) No, generally the seal does not make any impact

#### **1.5.4 Impact of a Seal for Online Retailers with Physical Stores**

The table below indicates that seals of approval are important for online retailers with physical stores to establish a greater sense of trust in e-Commerce. The overall weighted average score of 3.75 is positioned closer to the 'importance' rank of four, than the 'moderately important' rank which is situated at three. Over one third of all respondents even stated that seals are very important for hybrid online retailers, i.e. those who also have physical stores in addition or conjunction with their Internet operations.

	<b>Not Imp. at all</b>	<b>Not too Important</b>	<b>Moderately Important</b>	<b>Important</b>	<b>Very Imp. Essential</b>
w.ave=3.75					
Responses	7	14	31	37	46
Percent	5.2%	10.4%	23.0%	27.4%	34.1%

### **1.5.5 Impact of a Seal for Internet Only Online Retailers**

While the respondents indicated that for hybrid Internet retailers, seals of approval are of high importance, they stated that for Internet only retailers seals of approval are *only* of moderate importance to establish a greater sense of trust in e-Commerce. This is indicated by the weighted average score of 3.31 which is positioned in the 'moderately importance' space on the five point importance scale, and is lower than the weighted average score for hybrid retailers (compare to 3.75). This stands in contrast to responses from industry experts, who stated that the importance of using seals of approval to establish a greater sense of trust in e-Commerce, is of greater importance for Internet only retailers than for hybrid online retailers which have also physical stores.

	<b>Not Imp. at all</b>	<b>Not too Important</b>	<b>Moderately Important</b>	<b>Important</b>	<b>Very Imp. Essential</b>
w. ave=3.31					
Responses	12	25	33	31	30
Percent	8.8%	18.4%	24.3%	22.8%	22.1%

### **1.5.6 Elements of a Seal Programme that Impact on Trust**

Among the elements of a seal of approval programme to establish a greater sense of trust in e-Commerce, 'information protection' (20.7%) received the majority of responses. Other important seal elements to establish a greater sense of trust in e-Commerce are: 'customer recourse' (17.1%), 'evaluation of participating online retailers' (14.9%), and 'transaction integrity' (14.7%). This is followed by business 'practice disclosure' (12.4%), 'enforcement of the programme' (10.3%) and 'dispute resolution' (9.9%).

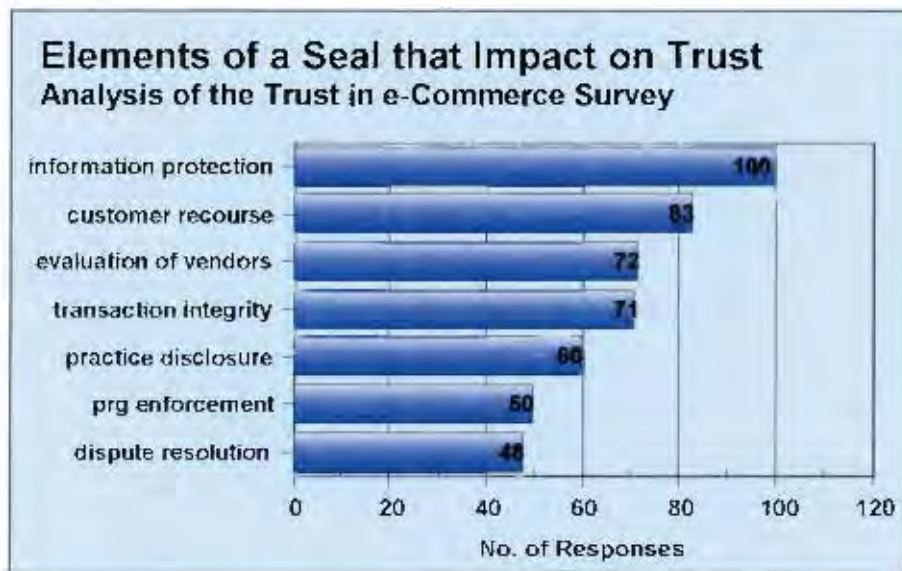


Figure 59: Elements of a Seal Programme that Impact on Trust

### **1.5.7 Visual Elements of a Seal that Impact on Trust**

The three most important visual elements of a seal to establish a greater sense of trust in e-Commerce are: 'seal is in prominent place / easy to see' (32.0%), 'seal is clickable, connecting to the seal's Web site' (31.6%), and 'seal is an established or meaningful brand' (27.8%).

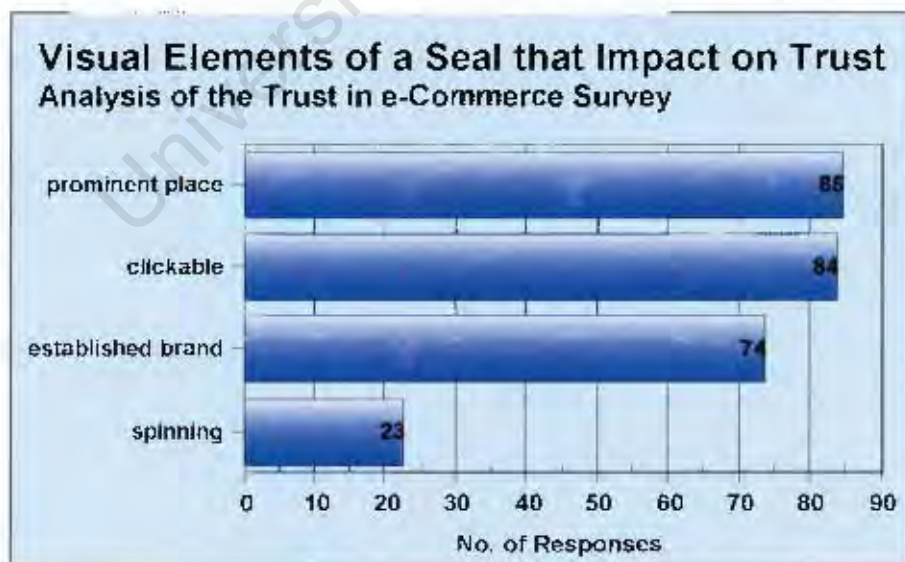


Figure 60: Visual Elements of a Seal that Impact on Trust

## **CHAPTER 6**

# ***Evaluated Research Objectives and Conclusions***

## **1. EVALUATED RESEARCH OBJECTIVES**

Every revised research objective will now be evaluated in terms of whether there exists sufficient information to validate each objective / statement or whether the objective was not met, due to lack of information and support. As mentioned in the revised objectives section of the literature review, each of the following objectives is phrased as a qualitative statement, that seeks to provide answers to questions such as "to assess if", "to verify if", or "to find out if". The decision as to whether each objective should be accepted or rejected is based on the information gathered and analysed from the literature review, the qualitative in-depth interviews and the quantitative survey.

### **1.1 Objectives regarding the Traditional Trust Concept**

***Objective 1: Reliability is an important element of trust.***

The analysis of different definitions of trust reveals that trust, in its fundamental meaning, is commonly defined as a firm belief in the reliability, confidence, truth or strength of a person or thing, with respect to future expectations (Oxford University Press, 1998; Misztal, 1996; Seligman, 1997). Reliability, in the context of trust, is particularly relevant in conditions of uncertainty with respect to unpredictable actions of others (Gambetta, 1998). There is common agreement that reliability is an important element of trust, as it implies that the probability of a person performing an action that is beneficial, or at least not detrimental, is high enough to consider a person trustworthy (Dasgupta, 1988; Misztal, 1996; Gambetta, 1998).

***Objective 2: Trust is based on reputation.***

Many authors identify reputation as an important element of trust (Gambetta, 1988, Sztompka, 1999; Misztal, 1996). Reputation is commonly described as the basis on which people evaluate trust and trustworthiness towards other people (Wrightsmann, 1992; Sztompka, 1999); or similarly, decisions about whether or not one should trust another person depends on a person's reputation (Dasgupta, 1988). Trust is thus based on reputation, and that reputation is acquired through behaviour over time (Gambetta, 1988). Furthermore, some authors state that people with a good reputation can be trusted, because they would not like to lose the investment of resources and time made to build that reputation (Misztal, 1996, Luhmann, 1988).

***Objective 3: In modern societies trust encourages social co-operation.***

The analysis of the literature review reveals that there is common agreement to the importance of a universal basis of trust for modern democratic societies (Parry, 1976; Bok, 1979, Seligman, 1997). A nation's well being is conditioned by the level of trust in a society (Fukuyama, 1995). Furthermore, trust also encourages tolerance, acceptance, and recognition of cultural and political differences (Sztompka, 1999, Parry, 1976), and trust strengthens the bond of an individual with the community, contributes to the feeling of identity, and generates co-operation and readiness for sacrifice on behalf of others (Misztal, 1996; Sztompka, 1999). On a wider social scale, trust leads to beneficial consequences of repeated gratifying experiences, including the emergence of a trust culture (Sztompka, 1999).

***Objective 4: Trust is an efficient lubricant for economic exchange.***

The examination of the literature about the functions of trust reveals that trust has not only functions at the social level, but also at the economic level (Dunn, 1984; Cladis, 1992; Parry, 1976). Trust encourages economic participation, enlarges the field of interactions with others and increases economic engagement (Sztompka, 1999). Furthermore, when a trust culture is present, transaction costs are significantly lowered and chances for co-operation increased (Offe, 1996; Luhmann, 1979). In the economic context, trust is also regarded as implicit contracting which is fragile with respect to substitutes (Arrow, 1974). There is common agreement that trust is an efficient lubricant for economic exchange and an efficient mechanism for governing transactions (Arrow, 1974; Dunn, 1984).

***Objective 5: Trust always contains an element of risk.***

Many authors agree that trust is always accompanied by risk (Kollock, 1994; Seligmann, 1997; Sztompka, 1999). Trust implies risk that is incurred when a return or reciprocal action from others cannot be evaluated (Seligmann, 1997), and there is always a possibility that future anticipated actions of others will be harmful, or that entrusting behaviour will be taken advantage of (Misztal, 1996, Sztompka, 1999). Thus, trust always involves an element of risk resulting from the inability to monitor other people's behaviour, from the inability to have complete knowledge about other people's motivations, and generally, from the contingency of social reality (Misztal, 1996, Sztompka, 1999, Johnson, 1993).

## **1.2 Objectives regarding the Internet and e-Commerce**

### **Objective 6:      *The typical South African Internet user tends to be young.***

The findings of the literature review and the quantitative research indicate that Internet users in South Africa tend to be young. The findings reveal that approximately two thirds (67%) of South African Internet users are below the age of 35, while South Africa's total population under the age of 35 accounts for approximately 50%. Across the research, the single largest age group, in absolute terms, is the '20 to 30 year' age group: findings from the literature review and quantitative analysis reveal that this group accounts for 34% and 55% of South African Internet users, respectively.

### **Objective 7:      *The typical South African Internet user tends to live in a major metropolitan centre.***

The analysis of the quantitative data and the information contained in the literature reveal that the geographic distribution of South African Internet users is biased towards major metropolitan centres. The findings of the literature review are mainly used to evaluate this objective, as the findings are more representative in terms of sample size. The bias towards major metropolitan centres is evident particularly for the following three areas: Gauteng (46% of all South African Internet users), the Western Cape (24% of all South African Internet users), and KwaZuluNatal (13% of all South African Internet users). These three major metropolitan centres account for 83% of all Internet users in South Africa. This number is confirmed with findings from the quantitative analysis, where these three centres account for almost 85% of all South African Internet users.

**Objective 8:**      ***The typical South African Internet user tends to be well educated.***

To evaluate this objective the findings from the literature review are mainly analysed as the findings are more representative in terms of sample size. In South Africa only 6% of all Internet users have no matric qualification, compared to 37% who have matric qualification, and 57% who have some form of higher education. Compared to the general population, South African Internet users are almost twice as likely as the average South African to have matric level education and almost six times as likely to have completed some kind of higher education.

**Objective 9:**      ***South African Internet users mainly use the Internet as a communication medium.***

Research findings from the quantitative analysis and literature indicate that the Internet seems to be more a communication than a transactional medium. Quantitative analysis and literature review are congruent in their findings that the two most frequent uses people make of the Internet are email (31% and 33% respectively) and searching for information (16% and 27% respectively). Additionally, findings from the literature review reveal that over 80% of all Internet users state that the Internet's ability to function as an effective communication medium was a primary reason for getting online.

**Objective 10:     *South African Internet users shop with moderation on the Internet.***

Both literature review and quantitative analysis are congruent in their findings that South African online shoppers buy goods and services on the Internet with moderation. The quantitative analysis reveals that about 68% of online shoppers shop less than once a month on the Internet, compared to the literature review findings where only 12% of online shoppers shop more than once a month on the Internet. Only a small fraction of online shoppers (3%) indicates that they shop very frequently on the Internet (i.e. more than 10 times per month).

**Objective 11:     *Convenience is the most important reason why consumers shop on the Internet.***

The findings of all three forms of research, literature review, qualitative and quantitative analysis, indicate that convenience is the single most important reason why consumers shop on the Internet: about 45% of all online shoppers attest that convenience is their main motivation for shopping on the Internet. Convenience was also stated as the single most important reason why people shop on the Internet, by the majority of the respondents during the in-depth interviews.

**Objective 12:     *The biggest risks consumers perceive about online shopping are security risks.***

All three, literature review, qualitative and quantitative research reveal that security is an essential component of online shopping and trust in e-Commerce. Nearly one quarter of the respondents of the mail survey indicated that security is their primary concern when dealing with online retailers. Similarly, findings of the qualitative research indicate that security is one of

the biggest risks consumers perceive about online shopping. Furthermore, findings of the literature review suggest that security is the most frequent concern keeping customers away from doing business on the Internet (Cheskin, 1999; PriceWaterhouseCoopers, 1999).

***Objective 13: The most frequent problem consumers encounter with online shopping is the timely fulfilment of their order.***

While timely fulfilment of an online order is generally stated as one of the main problems of online shopping, it is not necessarily the most frequent online purchasing problem: the literature review identified that about 45% of the most common online purchase problems deal with site design and functionality elements (i.e. pages took too long to load, site was confusing, products could not be found), and only about 15% of online shoppers stated that products took much longer than expected to arrive. Similarly, the quantitative research reveals that the majority of the respondents have in fact not experienced any problems shopping on the Internet, and only about 19% of the respondents indicated that they experienced problems with the timely fulfilment of their order.

***Objective 14: The lack of credit card ownership is the most important reason why South African consumers do not shop on the Internet.***

The main evidence to support this objective derives from the findings of the quantitative research to evaluate this objective from a South African perspective. Almost one third of the respondents of the mail survey stated that, despite having access to the Internet, they are not shopping online because they do not possess a credit card. Thus, from a South African

perspective, there is evidence that the lack of credit card ownership is the most important reason why consumers do not shop online, although they have Internet access.

### **1.3 Objectives regarding Trust in e-Commerce**

**Objective 15:** *Trust is the underlying driver for consumers to conduct transactions on the Internet.*

Findings of the qualitative research and the literature review indicate that as the Internet develops and matures, its success largely depends on gaining and maintaining the trust of visitors; and similarly, without trust the development of e-Commerce cannot reach its full potential (Cheskin, 1999; PriceWaterhouseCoopers, 1999). The concept of trust is crucial because it affects a number of factors essential to online transactions. Furthermore, consumers tend to make online purchasing decisions on the basis of trust (Urban, Sultan, Qualls, 2000; Cheskin Research, 1999). The majority of the respondents of the in-depth interviews agree that trust is the underlying driver for consumers to conduct transactions on the Internet.

**Objective 16:** *Consumers generally do not have trust in e-Commerce.*

Findings from the quantitative research and the literature differ in terms of whether consumers generally have trust in e-Commerce or not. The quantitative analysis reveals that almost three quarters of all respondents have trust in e-Commerce. This number seems overstated compared to other South African and international Internet user research. Thus, keeping in mind that the sample size of the quantitative research was relatively small, this finding should be applied with caution. Rather the findings of the literature review should be applied, which indicate that on a

global scale consumers generally have no trust in e-Commerce. Evidence suggests that about two thirds of Web users do not have trust in e-Commerce (Jupiter Communications, 1999). Similarly, other sources further indicate that consumer's Internet trust is relatively shallow (Cheskin, 1999; Ernst & Young, 2000). This is line with findings of the qualitative research where the majority of the respondents stated that trust in e-Commerce is not fully developed yet and that people generally tend to dis-trust e-Commerce.

***Objective 17: The type of products most frequently bought on the Internet are branded products.***

The analysis of the literature review and the quantitative research indicates that the main online purchase categories are books (23%), CDs and Videos / DVDs (17%) and computer software (15%). For the purpose of this research these product categories are classified as branded goods as these goods are unique and differentiated products which consumers purchase with a pre-defined set of knowledge and expectations. This is supported by findings from the qualitative research, where respondents agree to this classification and state that consumers tend to buy goods and services on the Internet which are branded or commodity type products.

***Objective 18: Without assured privacy, effective e-Commerce is not possible.***

All three types of research reveal that privacy is a prominent factor of trust in e-Commerce. Consumer's fear of privacy invasion on the Internet threatens the ability to build trust online; trust in e-Commerce can be enhanced by ensuring consumer privacy (PriceWaterhouseCoopers, 1999; Urban, Sultan, Qualls, 2000). Similarly, if trust is to be built into the e-Commerce process, privacy and confidentiality must be at its core (Cheskin, 1999). Furthermore, findings from the

quantitative research suggest that almost two thirds of Internet users would engage in e-Commerce if they could be assured that the privacy of their personal information would be protected. The respondents of the in-depth interviews agree that privacy is the most important building block of trust in e-Commerce, and likewise privacy is the most important building block for trust in e-Commerce for the respondents of the mail survey.

**Objective 19:     *Internet security is an essential component of trust in e-Commerce.***

Similar to privacy, security is another prominent factor of trust in e-Commerce, as all three types of research indicate. Security in the world of e-Commerce is crucial (PriceWaterhouseCoopers, 1999; Deloitte & Touche, 1999). Satisfying people's need for security on the Internet is the first and most necessary step in beginning the trust building process (Cheskin, 1999). Additionally, findings of the qualitative and quantitative research identifies security as the second and third most important building block of trust in e-Commerce, respectively. Additionally, security concerns was identified by the majority of the mail survey respondents as the most important concern dealing with an online retailer.

**Objective 20:     *Fulfilment is an important element of trust in e-Commerce.***

This objective is supported by evidence from all three types of research. The literature review reveals that one of the most obvious questions about e-Commerce on the Internet is whether or not consumers receive the merchandise they ordered in a timely fashion at the agreed-upon price, or even more focused, the most important element of trust in e-Commerce is fulfilment (Urban, Sultan, Qualls, 2000; PriceWaterhouseCoopers, 1999). Findings from the qualitative research indicate that the majority of the respondents identify fulfilment as one of the main

elements of trust in e-Commerce. Furthermore, fulfilment was the second most important building block of trust in e-Commerce for the respondents of the mail survey.

***Objective 21: The propensity to shop online is positively related to users Internet experience (i.e. experienced Internet are more likely to shop online than inexperienced users).***

The evaluation of this objective is largely based on the findings of the quantitative research. Correspondence analysis and correlations between the variables 'respondent's experience using the Internet' and 'have shopped online' did not reveal a statistically significant relationship. Statistical analysis could not reveal that if respondent's stated they have been using the Internet for more than 2 years (i.e. the variables '2 to 4 years' and 'more than 4 years' using the Internet were used to identify experienced Internet users) they are more likely to shop on the Internet than users who are not as experienced using the Internet (i.e. users with less than 2 years Internet experience).

***Objective 22: Trust in e-Commerce is positively related to users Internet experience (i.e. experienced users tend to have more trust in e-Commerce than inexperienced users).***

Again, the findings of the quantitative research are used to evaluated this objective. Correlations and correspondence analysis between the variables 'respondent's experience using the Internet' and 'have trust in e-Commerce' did not reveal a statistically significant relationship. In other words, the statistical analysis of the quantitative data could not reveal that if respondent's stated they have been using the Internet for more than 2 years (i.e. the variables '2 to 4 years' and 'more than 4 years' using the Internet were used to identify experienced

Internet users) they tend to have trust in e-Commerce than users who are not as experienced using the Internet (i.e. users with less than 2 years Internet experience).

***Objective 23: Consumers who have trust in e-Commerce tend to shop more often online than consumers who do not have trust in e-Commerce.***

Similarly to objectives 21 and 22 the evaluation of objective 23 is largely based on the findings of the quantitative research. Correspondence analysis and correlations between the variables 'have trust in e-Commerce' and 'frequency of online shopping' did not reveal a statistically significant relationship. Statistical analysis could not reveal that if respondent's stated they have trust in e-Commerce they tend to purchase more frequently goods and services on the Internet than people who stated they have no trust in e-Commerce.

***Objective 24: People with higher incomes tend to have more trust in e-Commerce than people with lower incomes.***

The evaluation of this objective is largely based on the findings of the quantitative research. Correlations and correspondence analysis between the variables 'have trust in e-Commerce' and 'income' did not reveal a statistically significant relationship. Statistical analysis could not reveal that if respondent's are high income earners (i.e. earning more than R 10 000 per month) they tend to have more trust in e-Commerce than people belonging to the lower income groups (i.e. earning less than R 10 000 per month).

**Objective 25:    *Hybrid online retailers are perceived more trustworthy than pure play Internet retailers.***

Literature review, quantitative and qualitative research reveal that hybrid online retailers, who operate in the physical retail environment as well as the online environment, are perceived more trustworthy than their pure-play online counterparts. Findings of the literature review indicate that most successful online retailers blend their online and offline channels, and about 60% of all online retailing revenues in 1998 were generated by retailers who had an online and offline presence (Boston Consulting Group, 1999; Cheskin, 1999). Furthermore, for the majority of the respondents of the mail survey the most important element for choosing an online retailer is the assurance that the retailer has also physical stores (32%). The majority of the respondents of the in-depth interviews further state that at the same level of brand equity, hybrid online retailers are generally perceived more trustworthy than pure-play online retailers.

**Objective 26:    *An online retailer's brand is an important factor for communicating trust.***

All three types of research reveal that an online retailer's brand is an important factor for communicating trust. Findings from the literature review indicate that the most trusted Web sites are or contain well known brands (Urban, Sultan and Qualls, 2000; Cheskin, 1999). Regardless of where a brand established itself, online or offline, one key aspect of establishing trust with consumers on the Internet is the reputation of an online retailer's brand (Cheskin, 1999; PriceWaterhouseCoopers, 1999). Analysis of the qualitative and quantitative research further reveals that branding, in the context of trust in e-Commerce, is also regarded as an important building block for trust in e-Commerce.

**Objective 27:    *Industry self regulation is generally preferred to government regulation for developing trust in e-Commerce.***

The findings from the qualitative research and the literature review indicate that although many national governments are involved in the orderly governance of the Internet (including taxation, protection of personal information and privacy, and electronic signatures and authentication), the government regulatory approach reveals several flaws for creating trust in e-Commerce, i.e. unresponsive initiatives, prohibitive government regulation, unnecessary regulation of commercial activities (Trustee, 1999; PriceWaterhouseCoopers, 1999). Industry self-regulation and self-governance is generally regarded as the preferred alternative to government regulation for creating trust in e-Commerce (Deloitte & Touche, 1999; Trustee, 1999). Similarly, the majority of the respondents from the in-depth interviews state that industry self-regulation is generally regarded more favourable than government regulation to establish a framework for trust in e-Commerce.

**Objective 28:    *South African Internet users are largely unaware of seal of approval programmes.***

To evaluate this objective the findings from the qualitative and quantitative research are mainly analysed. The majority of the respondents of the in-depth interviews stated that seal of approval programmes are not well known in South Africa, both by consumers as well as online retailers. Findings from the quantitative research indicate that 88% of the respondents of the mail survey are not aware of seals of approval and their programmes. Only a small percentage of almost 12% of the respondents indicated that they are generally aware of certain Web sites that carry seals of approval.

***Objective 29:*** *The most important element of a seal of approval programme to establish trust in e-Commerce is customer information protection.*

Again, the findings from the qualitative and quantitative research are mainly analysed to evaluate this objective. The analysis of the quantitative research reveals that 21% of the respondents of the mail survey consider information protection is the most important element of a seal of approval programme to establish trust in e-Commerce. Similarly, the majority of the respondents of the in-depth interviews stated that protection of customer's privacy and information is the most important element of a seal of approval programme to establish trust in e-Commerce.

***Objective 30:*** *Seals of approval help to effectively develop trust in e-Commerce.*

Findings from all three types of research suggest that although seals of approval generally have a positive impact on communicating a greater sense of credibility of online retailers, they do not help to effectively develop trust in e-Commerce. Seals of approval are quality marks that demonstrate that an online retailer abides by a code of integrity; the presence of seals of approval, however, does little to communicate trust in e-Commerce (PriceWaterhouseCoopers, 1999; Cheskin). Findings from the qualitative research reveals that the use of seals could actually be counterproductive as the overemphasis on many seal programmes has diluted their credibility and there have been instances where seal logos have been copied on to unauthorised Web sites by unscrupulous online retailers. There is consensus among the respondents that seals in fact do very little to communicate trust in e-Commerce.

## **2. CONCLUSIONS OF THE STUDY**

Based on the findings of the literature review, the qualitative research and the quantitative research, the following conclusions may be drawn:

### **2.1 Conclusions regarding the Traditional Trust Concept**

1. Trust is a simplifying strategy that enables individuals to adapt to complex social environments, and thereby benefit from increased opportunities; it is particularly relevant in conditions of ignorance or uncertainty with respect to unknown or unknowable actions of others.
2. There are differences between the general trust concept and trustworthiness and credibility: trust in general terms deals with the credibility of specific people, groups, or institutions regarding specific actions; trustworthiness deals with beliefs about people and actions, and credibility is the extent to which a recipient sees the source as having relevant knowledge, skill, or experience to give unbiased and objective information.
3. To develop trust between individuals they must have repeated encounters, and they must have some memory of previous encounters. Thus, trust is based on reputation and that reputation has to be acquired through behaviour over time in well-understood circumstances.

4. The main functions of trust are: trust as a main characteristic of a legitimate order and harmonious co-operation of societal communities, trust as a reduction of social complexity, and trust as a social and economic lubricant of co-operation.
5. For modern societies there is a renewed emphasis of trust as an underlying construct that encourages economic exchange, the spread of communication, recognition of cultural and political differences, as well as sociability and participation between individuals and wider communities.
6. Trust always involves an element of risk resulting from the inability to monitor other people's behaviour, from the inability to have complete knowledge about other people's motivations, and generally, from the contingency of social reality.

## **2.2 Conclusions regarding the Internet and e-Commerce**

7. The Internet is the world's largest and most widely used computer network, its hypermedia environment allows information to be located on a network of servers around the world which are interconnected.
8. The online population continues to grow at an impressive rate; in 2001 there are approximately 275 million users connected to the Internet globally, of which about 2.2 million people are South African Internet users.

9. The typical South African Internet user tends to be young (aged between 18 and 34 years old), lives in a major South African metropolitan centre, such as Gauteng, the Western Cape and the greater Durban area, and is well educated.
10. Commercial activity on the Internet has been increasing rapidly since the mid 90s, and e-Commerce has evolved into a viable business channel; nevertheless few companies have leveraged the Internet beyond simple Web site functionality, most companies use the Internet to display product feature and customer self-help information.
11. The main benefits of the Internet as a commercial medium are: distribution benefits, lower transaction costs, marketing communication benefits, improved buyer-seller relationships, operational benefits and improved information and transaction flows.
12. While Internet users are rapidly becoming online shoppers, purchase failures, security fears and service frustrations are rampant: about one third of all online consumer purchase attempts are cancelled or abandoned before they are completed.
13. Consumer electronic commerce in South Africa is largely under-developed, due to the relatively slow rate of adoption of the Internet in South Africa, and the lagging of South African Internet users to conduct online transactions: 75% of South African Internet users have not yet shopped online, although they tend to have positive perceptions towards electronic commerce.

14. The most important reasons why South African consumers shop on the Internet are convenience and the expectation that prices on the Internet are cheaper than in the offline retail world. South African Internet users shop, however, in moderation on the Internet: the majority of online shoppers (68%) purchase goods and services online less than once a month.
15. The highest online purchase categories for products are: books (25%), CDs and videos (17%), and computer software (15%); the highest online purchase categories for services are: travel (23%), online banking (21%), and online magazine subscriptions (20%).
16. The most common drawbacks to successful electronic commerce are the absence of a uniform commercial code and legal framework, concerns about security and privacy protection, technical barriers, lack of adequate electronic payment and fulfilment systems, and unrealistic expectations about electronic commerce.
17. The problems people most frequently encounter with online shopping are: site functionality and navigation problems, problems with timely fulfilment of online orders, and generally problems with customer recourse and product returns when the wrong goods have been shipped.
18. Despite having Internet access, South African Internet users do not shop online, because they do not possess a credit card, they lack the tangible elements of traditional

shopping, and they have general fears about Internet security and submitting credit card details to complete an online transaction.

19. Approximately 80 percent of all Internet users suggest that the Internet's ability to function as an effective communication medium was the reason for getting online initially, while only 2 percent of users said their main motivation for going online was to shop. The main factors to motivate Internet users to shop online are better Internet security and privacy protection, the free delivery and return of goods, and the assurance that an online retailer also exists in the offline world with physical stores.

### **2.3 Conclusions regarding Trust in e-Commerce**

20. As the Internet and electronic commerce develop and mature, their success largely depends on gaining and maintaining the trust of Internet users: consumers generally make buying decisions on the Internet on the basis of trust.
21. Trust in e-Commerce depends to a large degree on a person's general disposition to trust, including willingness and ability to take risk, character traits, and personal attitudes towards the Internet and e-Commerce.
22. Trust in e-Commerce is generally built in a three-stage, cumulative process that seeks first to establish trust in the Internet and specific Web sites, then trust in the information displayed, and then trust in delivery fulfilment and service. The building of

trust involves a time element: trust is built through repeat encounters over time, where consumer's expectations in the online retailer have been consistently met or exceeded.

23. The majority of online consumers generally distrust the Internet and e-Commerce (63%), emanating largely from the fear that engaging in online activities could violate their personal privacy.

24. Violations of personal privacy include tracking consumers' movements, misuse of information, theft of information, corruption of information, theft of identity, and personal threats.

25. Effective Internet security is a prerequisite for trust in e-Commerce. Internet and network security typically include confidentiality, integrity, authentication, authorisation and non-repudiation. The most common e-Commerce security tools are encryption, firewalls, digital signatures and digital certificates.

26. Establishing a secure e-Commerce environment requires a comprehensive approach that includes policies, education, physical protection, security software, and manual security procedures.

27. Experienced Internet users tend to have greater trust in e-Commerce than inexperienced Internet users, due to their experience gained with the medium and their transactions with online retailers; they chose however more selectively than inexperienced Internet users with whom they do business online.

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28. At the same level of brand equity, hybrid online retailers are perceived more trustworthy than pure-play online retailers which do not have retail outlets in the offline world.
29. There is no evidence that consumers who have trust in e-Commerce shop more or more frequently on the Internet than consumers who do not have trust in e-Commerce; likewise there is no evidence that experienced Internet users have a greater level of trust in e-Commerce than inexperienced Internet users.
30. The most important building blocks of trust in e-Commerce are privacy, security and fulfilment: they are the strongest enablers in support of building and developing trust in e-Commerce. The building blocks of trust in e-Commerce are interrelated and work best in conjunction, rather than isolated, to effectively create and build trust in e-Commerce.
31. Industry self-regulation is preferred to government regulation to provide a general framework for trust in e-Commerce. Government regulation for trust in e-Commerce has the following drawbacks: lack of responsiveness, prohibitive regulation, lack of harmonisation of laws, and unnecessary regulation leading to unintended consequences. The alternative to the government regulation approach for trust in e-Commerce is industry self-regulation, but the major drawback of self-regulation is effective enforcement of programmes and policies.

32. Privacy intrusion and non-fulfilment are the most critical factors for breaking consumer's trust in e-Commerce; once consumer's trust in e-Commerce is broken there is very little an online retailer can do to re-establish and re-gain trust of the consumer.
33. Seal of approval programmes are generally not well known in South Africa; very few consumers have ever recognised a seal of approval and there are very few South African Web sites that carry a seal of approval.
34. The most important benefits of using a seal of approval are regulation, monitoring and assurance through an independent third party.
35. In the context of trust in e-Commerce, seals of approval are generally more important for pure-play online retailers than for hybrid online retailers to communicate a greater sense of credibility and trustworthiness.
36. Important elements of a seal programme to establish a greater sense of trustworthiness in e-Commerce and online retailers are protection of customer information, customer recourse and return policies, evaluation and auditing of participating online retailers and transaction integrity.
37. To promote the use of seals of approval in South Africa, the most credible seals brands and programmes should be used and the benefits of using Web seals should be emphasised.

38. Generally, seals of approval help little in establishing and developing trust in e-Commerce; due to the dilution of the credibility of certain seals of approval the use of a seals could even be counterproductive and could lead to distrust.

University of Cape Town

**CHAPTER 7**

***Recommendations***

University of Cape Town

## **1. INTRODUCTION**

It has been established that trust is an important pre-requisite for the development and success of electronic commerce. The major building blocks of trust in e-Commerce have been identified and their relative importance for building and developing trust in e-Commerce have been determined. Important processes and capabilities that can be applied to build and develop trust in e-Commerce, now need to be mapped out.

Accordingly, a conceptual model for building trust in e-Commerce has been developed which depicts a general view of the online trust building process. The conceptual model for trust in e-Commerce has been created with the aim to present a general framework of the online trust building process, which has general application. The model does not contain all recommendations made, although most of them are integrated. It is explained in some detail on the pages following the model.

**Recommendation:** That the conceptual model of trust in e-Commerce be accepted and applied.

## **2. RECOMMENDATIONS**

Based on the findings and the conclusions of this study, the following recommendations are made:

### **2.1 Educate Internet users about online shopping**

To lower the perception of risk associated with online shopping, customer education processes should be set in place to explain and bring the issues and concepts surrounding electronic commerce to Internet users who are too wary or inexperienced to conduct online transactions. Customer education processes should focus on important issues related to e-Commerce, such as Internet security, privacy protection, fulfilment and the use of credit cards as a means of payment on the Internet. Customer education processes should be supported by effective marketing and advertising campaigns, using both online and offline media. e-Commerce education processes should aim to demystify the concept of online shopping, emphasise the benefits of online shopping and reduce consumer's level of risk associated with online shopping, to ultimately achieve a state in which consumers better understand e-Commerce and are able to conduct online transactions confidently.

### **2.2 Create consumer awareness and motivate for online shopping**

Innovative ways should be used to raise consumer awareness levels of online shopping and motivate consumers with Internet access, who have never shopped online, to attempt their first online shopping trial. Promotional campaigns should be used to raise awareness levels of online shopping and to reduce consumer's concerns and risks about electronic commerce. Campaigns

designed to raise consumer awareness levels should emphasise central e-Commerce themes, such as network security, privacy protection, and proper fulfilment. To motivate customers to start shopping on the Internet, online retailers should signal that they are committed to the relationship, to timely delivery, to provide a secure transactions environment and to keep personal information confidential.

### **2.3 Define the concept of trust for the organisation**

If building trust with customers is part of business practices and policies, particularly as part of an e-Commerce strategy, the concept of trust should be defined and communicated throughout the organisation to have a common and shared understanding of the importance and the implications of trust issues for the business. An organisation should seek to obtain internal and external sources to help them understand and define the meaning and implications of trust and to develop appropriate policies and practices which involve trust. Once a common definition of trust is established, processes should be in place that ensure that trust related policies and practices, such as privacy, security and return policies, are understood, adhered to and effectively communicated.

### **2.4 Establish a secure e-Commerce environment**

Companies should establish a secure electronic commerce and network environment that allows consumers to transact and share information online without security concerns. Security should provide the confidence that information transmitted during a transaction is not intercepted or corrupted and will not be improperly leaked to third parties; e-Commerce and network security should encompass both the integrity and the confidentiality of data transmissions. Companies should use appropriate security technologies, such as encryption, digital signatures, digital

certificates, firewalls and physical barriers, to provide data confidentiality, to protect customer information, to keep physical intruders from accessing networks, and to protect internal information and data processing networks from external attack. Furthermore, security issues and concepts should be communicated to consumers at relevant stages in the online purchasing process, when they are likely to seek security affirmation. Security issues should, however, never be over-emphasised as this may remind consumers about potential security risks and raise unnecessarily security concerns.

## **2.5 Commit to data privacy and information protection**

Online retailers who seek to establish trust in e-Commerce should commit to data privacy and protection of customer information, to ease concerns about the access to and use of personal information obtained directly and indirectly as a result of electronic transactions. Online retailers should adhere to rights and laws regarding authorised and unauthorised use and dissemination of personal data. Online retailers should further consider participating in self-regulated industry programmes, and adhere to generally accepted standards for disclosure of data collection and usage policies. Furthermore, customers should always be asked for consent before their personal data is used. Information consent should be voluntarily and should involve specific standards for informing consumers of how their personal information might be used. Online retailers should also assure some degree of control over access to personal information, such as offering customers the ability to view their personal and transactional information stored.

## **2.6 Provide assurance to online consumers**

Companies seeking to develop trust in e-Commerce should provide assurance to their customers that proper processes and controls are in place as online transactions are undertaken. To provide assurance to consumers and to demonstrate trustworthiness, online retailers should consider the following issues: telling customers who the sponsor of the Web site is, enabling customers to consider the opinions of other people, allowing customers to receive confirmation of their transactions, providing proper and robust fulfilment capabilities, making it easy for customers to find the information they need, and offering customers the option of reaching a real person to resolve a problem.

## **2.7 Evaluate alternative methods of online payments**

As credit cards have many drawbacks for making payments on the Internet, companies seeking to communicate trust in e-Commerce should investigate providing simple, inexpensive and secure methods to make payments online. More secure methods for online payments, such as smart cards, debit cards and digital money, should be provided to enable consumers to make payments online without having to worry about sending unsecured information over the Internet, where it may be intercepted. As alternative methods of making online payments are relatively new, companies should create awareness for these new payment methods and gain acceptance from consumers.

## **2.8 Build strong and meaningful online brands**

To communicate trust in e-Commerce companies should leverage existing brands, invest in building strong online brands, and combine, where possible, online and offline brands and advertising campaigns. Hybrid online retailers should not underestimate the weight their offline brand image carries in creating trust for their online operations. Hybrid online retailers should transfer brand equity from their existing business to their Web site, to add credibility and to enhance their online reputation. Across media channels, whether they are online or offline, brand messages should be consistent. Furthermore, online retailers in partnership with well known and trustworthy third party providers should also incorporate their partners' brands in a co-branding arrangement to transfer brand equity and add credibility to their own site.

## **2.9 Establish strong customer policies**

To demonstrate trustworthiness, an online retailer's business's point of view should be readily apparent. Strong customer policies should be established that communicate trust to customers and signal that an organisation values, cares and protects its customers. There are three main areas in which companies should establish strong customer policies: privacy, security and fulfilment / recourse policies. Privacy policies should deal with customer information protection, and data confidentiality; security policies should deal with physical security, network security and data security; and fulfilment policies should deal with payment, delivery and customer recourse. Once strong customer policies are in place, they should be effectively communicated to consumers. Furthermore, they need to be reviewed periodically to assess whether they are up-to-date.

## **2.10 Partner with trustworthy organisations**

Online retailers aiming to create a strong brand name or reputation, should establish alliances with trustworthy supply chain partners, or affiliations with other trustworthy organisations to leverage their partners' brands, extend their reach to new customers and communities, and strengthen their own brand equity. Channel partners and affiliates should be selected carefully and enforceable service level agreements should be in place to ensure each partner is performing his agreed upon role in meeting customer service expectations. Pure play online retailers should establish alliances with organisations which have a physical retailing infrastructure, to provide tangible elements to customer's shopping experience, such as convenient mechanisms for product delivery and returns. The performance of channel partners should be reviewed periodically and measured against the set service level agreements.

## **2.11 Enhance consumer's online shopping experience**

Web sites, especially those that facilitate electronic transactions, should be functional and should contain information that is relevant to customers. Additionally, web sites should be user friendly, stable, professionally designed and fast to load. Consumers should be able to find the information or the products they are interested in quickly and with minimal effort. Online retailers should also offer customers the possibility to customise web pages, according to their preferences. Information should be provided in which the customer is interested in, which is relevant and which is frequently updated. To help consumers in the decision making process, companies should provide self-help and personal assistance. Self-help assistance should be provided on the web site to help customers to quickly find the products and information they desire. Personal assistance should be provided when customers have specific requests and when their information needs could not be satisfied by self-help assistance. When online orders

are in progress, an Internet retailer should provide periodic confirmation and status updates, to help engender trust in the company's e-Commerce processes. After sale feedback should be generated to gauge customer satisfaction. Companies should use e mail or self-administered surveys on their web page to stimulate customer feedback.

### **2.12 Determine target market needs and respond to them**

An online retailer's target market needs for trust in e-Commerce should be determined and research into their needs and perceptions of trust in e-Commerce should be conducted. Companies should be aware of the perceived risks and the deterrents that keep customers from shopping on the Internet. Online retailers should also determine the fit of their product and service offerings to their target market needs, and should make the necessary adjustment if they are misaligned. Furthermore, online retailers should monitor and spot new emerging online target segments: their needs for conducting online transactions should be assessed and product and service offerings, as well as marketing communications should be tailored around new target segment's needs. Online retailers should be able to detect changes in the online target market needs and changes in consumer behaviour on the Internet and respond to these changes quickly.

### **2.13 Review policies and code of conduct of self-regulated industry programmes and consider joining them**

Online retailers should consider joining self-regulated e-Commerce programmes to add credibility and to communicate trust to online consumers. Online retailers should evaluate the appropriate programme to join and they should review the programme's underlying principles, guidelines and code of conduct. They should determine whether they should join a broad multi-industry programme or whether they should join a industry specific programme. Online retailers should also assess the overall quality of self-regulated industry programmes to communicate trust in e-Commerce, and should evaluate the effectiveness of candidate programmes. Generally, only the most well-known and most reputable self-regulated industry programmes should be used to help communicate trust in e-Commerce.

### **2.14 Determine the applicability of using a seal of approval**

Online retailers should evaluate the applicability of using a seal of approval to establish a greater sense of trustworthiness and credibility. Online retailers should first measure the strength of their online and offline brands to assess whether displaying a seal of approval to enhance trustworthiness and add credibility to their site is beneficial or not. If an online retailer lacks brand equity or reputation and decides to participate in a seal of approval programme, only the strongest and most credible seals of approval should be considered. Furthermore, the business benefits of using a seal of approval should be assessed and the performance, effectiveness and credibility of the seal programme to help establish and communicate trust in e-Commerce should be reviewed.

### **2.15 Adopt the building blocks model of Trust in e-Commerce**

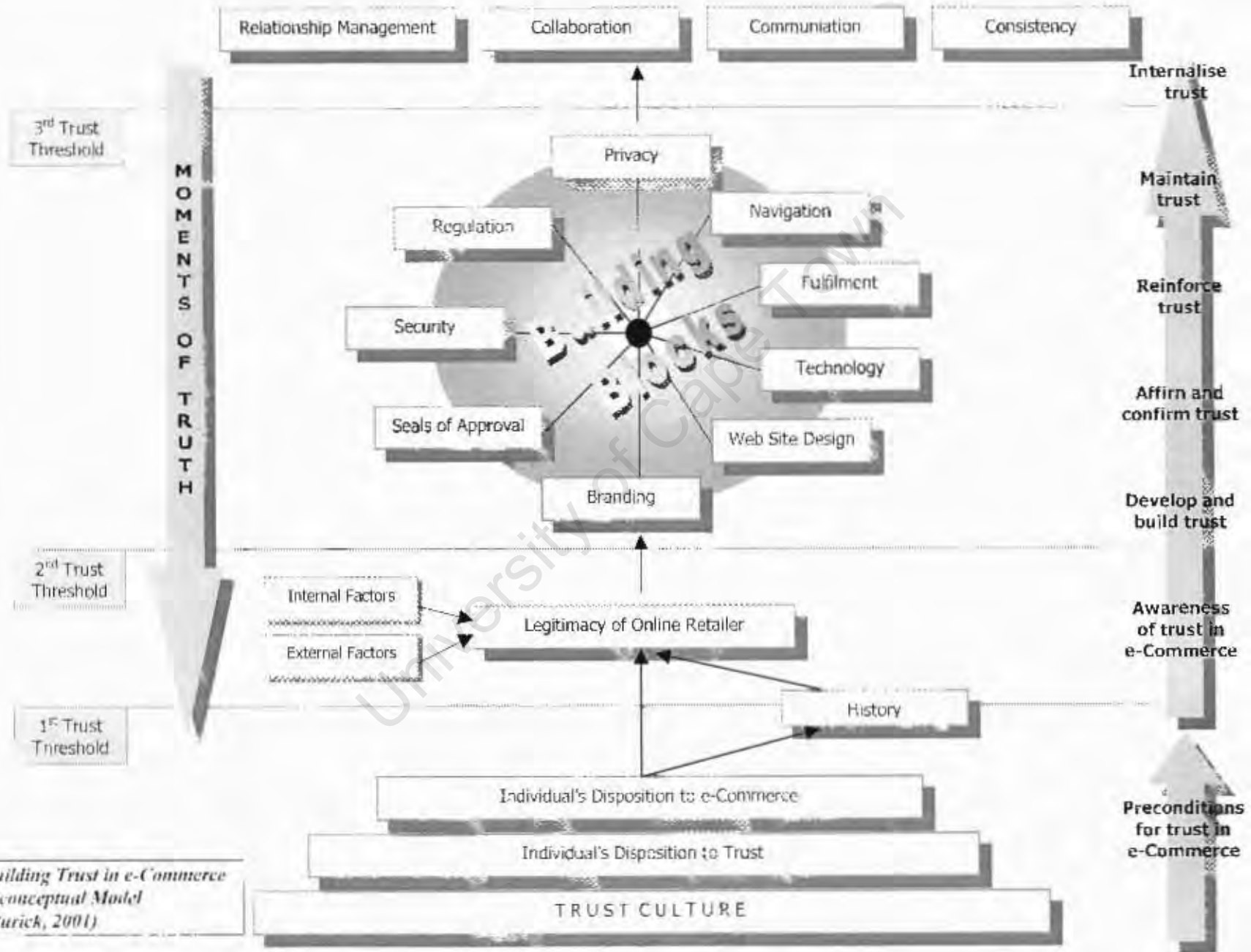
In order to build trust in e-Commerce, online retailers should accept and consider adopting the conceptual model for building trust in e-Commerce model, presented in this study, as a general framework and guideline to create and develop trust in e-Commerce. Online retailers should review and adopt the online trust building process which has the general building blocks of trust in e-Commerce at its core. Online retailers should regard the building blocks of trust in e-Commerce as critical enablers in support of building trust in e-Commerce. Furthermore, the building blocks of trust in e-Commerce should be seen interrelated and working in conjunction, to be most effective.

---

### **3. The Conceptual Model for Building Trust in e-Commerce**

The conceptual model for building and developing trust in e-Commerce is presented on the following page and is explained in some detail on the pages following the model.

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*Building Trust in e-Commerce  
A conceptual Model  
(Rurick, 2001)*

### **3.1 Describing the conceptual Model for Building Trust in**

#### **e-Commerce**

In order to build trust in e-Commerce, online retailers should consider adopting the conceptual model for building trust in e-Commerce as a general framework and guideline to create and develop trust in e-Commerce. The conceptual model consists of four main sections, namely the three different trust thresholds (preconditions for trust in e-Commerce, legitimacy of online retailer, and the building blocks of trust in e-Commerce), and the ongoing processes (relationship management, collaboration, communication and consistency) which lead to internalised trust. Although a linear approach is used for the purpose of explaining and describing the conceptual model, due to the dynamic and complex nature of trust, the online trust building process does not necessarily follow such a linear approach. To explain and describe the conceptual model the process starts with a description of the preconditions for trust in e-Commerce and moves upwards, from creating awareness to developing, maintaining and internalising trust. This sequence was chosen as it logically outlines the flow of processes and capabilities which are important for building and developing trust in e-Commerce.

The model begins by mapping out the three main preconditions for trust in e-Commerce. The first pre-condition for trust in e-Commerce is the *trust culture* inherent in society. In a trust culture people have the ability to develop attitudes, character traits, and personality syndromes, such as activism, optimism, future orientation, high aspirations and success orientation, which are important conditions of trust. Hence, in societies which are based on a strong trust culture, people are more likely to have trust and have trust in others, than in societies where a trust culture is weak or absent. Trust culture is thus an important pre-condition to trust in

e-Commerce as it affects people's attitudes towards personal trust, trust towards others as well as trust in e-Commerce. Then, it is noteworthy that individuals differ as to their *general disposition to trust*. An individual may have a favourable or unfavourable attitude towards trust. This distinction between an individual's general disposition to trust is important as it may affect the level of trust an individual has in e-Commerce. For example, a person with a generally unfavourable attitude towards trust, may also not have or develop trust in e-Commerce, whereas a person with a generally favourable attitude towards trust may more readily conduct online transactions.

Closely related to trust culture and an individual's disposition to trust, is the third pre-condition of trust in e-Commerce, namely an *individual's disposition to e-Commerce*. Similarly, to an individual's general disposition to trust, a person may have a favourable or unfavourable attitude towards e-Commerce. This is an important issue for understanding the online trust building process. Although many individuals may have a generally favourable attitude towards trust and may live in society with a strong trust culture, they do not have a favourable attitude towards e-Commerce, and are unlikely to conduct online transactions.

The three main pre-conditions for trust in e-Commerce, the trust culture, an individual's disposition to trust, and an individual's disposition to e-Commerce lead to the first trust threshold. It is worth mentioning that the three preconditions are interrelated and influence each other. For example, if a person has a generally unfavourable disposition to trust and lives in a society with a weak trust culture, he is probably more likely to have a generally unfavourable disposition to trust in e-Commerce. Conversely, a person with a more positive attitude towards trust and living in a society with a strong trust culture, may generally have a

more favourable disposition to trust in e-Commerce. To pass the first trust threshold, individuals ideally have favourable dispositions towards all three pre-conditions, especially to trust and trust in e-Commerce.

At the second threshold, the individual has satisfied the pre-conditions for trust in e-Commerce, i.e. he has some degree of favourable attitudes towards trust and trust in e-Commerce, to become aware of issues concerning trust in e-Commerce and the legitimacy of an online retailer. At this stage the person is motivated to browse the Internet, to search for products and information, to compare the offerings from different online retailers, and may have the intention to make an online purchase. At this stage the *legitimacy of an online retailer* is largely influenced through previous encounters, e.g. the person has already dealt with the online retailer and has built up a *history*. This purchase history may provide important elements as to whether a person considers an online retailer trustworthy or untrustworthy. The legitimacy of an online retailer is further influenced through internal and external factors. *Internal factors* influencing the legitimacy of an online retailer could include an online retailer's reputation, image, product and service offering, and overall brand equity. *External factors* influencing the legitimacy of an online retailer could include word of mouth, advertising, customer perceptions, the influence of media and affiliations to other trustworthy organisations. To pass the second trust threshold individuals have to establish some degree of trust in the online retailer in order to find the retailer legitimate enough to deal and conduct business with him. To reach the next level in the trust hierarchy the individual is positively influenced through internal and external factors, and may rely on the experience gained through previous encounters with the online retailer.

Once the pre-conditions for trust in e-Commerce are satisfied and an online retailer is perceived legitimate, the individual moves to the next stage in the trust building hierarchy. At this stage the individual is now even more motivated to browse the product and service offerings of a particular online retailer and may have a strong intention to make an online purchase. The decision whether to trust an online retailer or not is now largely based on the application of the general *building blocks of trust in e-Commerce*. It is noteworthy that individuals have different requirements for building and developing trust in e-Commerce. To be most effective, the building blocks of trust in e-Commerce influence and reinforce each other in support of building and developing trust in e-Commerce. Hence, to satisfy peoples' requirements for building and developing trust in e-Commerce, there is a need to emphasise those building blocks which are generally important to individuals and to focus less on other building blocks which are less important for building and developing trust in e-Commerce. For example, research has shown that the three most important building blocks of trust in e-Commerce are privacy, security and fulfilment. Therefore, online retailers should always have elements of these three important building blocks in place. However, each building block carries a different weight for building and developing trust in e-Commerce, based on an individuals attitude to trust and e-Commerce and the perceived legitimacy of an online retailer. Thus, to build and develop trust in e-Commerce online retailers have to deliver capabilities in those building blocks categories consumers perceive as most critical. Trust in e-Commerce can be strengthened and developed by demonstrating capabilities in delivering those building blocks of trust in e-Commerce which are important. Individuals can then progress from the awareness stage of trust in e-Commerce, to a stage where trust in e-Commerce is affirmed, reinforced and maintained. Online retailers who successfully demonstrate knowledge expertise, and technical capabilities in delivering the most critical building blocks of trust in e-Commerce are more likely

to be perceived trustworthy than those who fail to meet these online trust building requirements.

At the final stage of the online trust building process, trust in e-Commerce is largely internalised. It is one of the highest levels of the trust building process where individuals no longer have concerns dealing with an online retailer. At this stage consumers are in a state where they conduct business without re-assessing the online retailer's legitimacy and have some knowledge about the retailer's capabilities in delivering the building blocks of trust in e-Commerce, for example assured privacy, proper fulfilment, or security. To maintain this high level of trust online retailers have to focus on managing and nurturing the relationship with the customer. Through collaboration, online retailers can motivate customers to provide information back to them, for example through periodic surveys or customer feedback. Furthermore, to maintain that high level of trust an online retailer has to communicate with the customer at an ongoing basis. This ongoing communication process should happen while an online transaction is in progress, as well as after the transaction. It is very important that the customers consents to any type of company information, especially for information which are not part of an online transaction. It is further important to provide consistency in the service, messages and processes to avoid confusing the customer and maintain that high level trust relationship.

Up until now the ideal case scenario has been mapped out to describe the online trust building process. It is important to note that throughout the online trust building process a retailer may fail to deliver capabilities relating to the general building blocks of trust in e-Commerce, and may be considered illegitimate to deal with, based on a series of unfavourable incidences.

Throughout the trust in e-Commerce building process there are *moments of truth*, incidents at any point in time at which the online retailers' capabilities and reputation are impacted on. Through moments of truth, which can happen anytime in the online trust building process, the legitimacy of an online retailer is verified and trust can be strengthened (in cases of constantly good experiences) or trust can be withdrawn (in cases of unpleasant online shopping incidents). Thus, moments of truth can be either positive or negative; they are generally positive when customer expectations are (consistently) met or even exceeded, or they can be negative when an online retailer fails to meet customer expectations. It should be noted that at higher stages in the trust building process, the level of trust that has been built up is probably more difficult to disturb through a bad moment of truth, whereas it may be easier to find an online retailer untrustworthy, as a result of a bad moment of truth, at earlier stages in the trust in e-Commerce building process.

Therefore, the conceptual model for trust in e-Commerce suggests that in the online trust building process, online retailers have various tools at their disposal to influence their reputation and legitimacy positively. The conceptual model further shows that online retailers can help consumers move through the different trust stages and thresholds, from awareness of trust in e-Commerce to internalised trust, applying the general building blocks of trust in e-Commerce. It is therefore recommended to apply the conceptual model to build and develop trust in e-Commerce.

## **CHAPTER 8**

### ***Areas of Future Research***

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## **8. AREAS OF FUTURE RESEARCH**

This study has primarily examined the online trust building process between companies and customers, focusing on the general building blocks of trust in e-Commerce. An investigation into the actual economic benefits of an online retailer's perceived trustworthiness has not been undertaken. Furthermore, the consumer decision making processes in online environments have largely been ignored. While these topics have been explored in some depth by researchers in other countries, to date these topics have been unexplored in the South African online marketplace. It is therefore recommended that this research is continued further and adapted to local market conditions.

The following two areas of future research are suggested:

### **8.1 Economic Returns to Trust in e-Commerce**

Consumers generally benefit from dealing with trustworthy online retailers. They can be sure, with a reasonable degree of certainty, that they will experience a smooth online purchasing experience, from selecting the desired goods, to secure payment, assured privacy and timely delivery. On the other hand, it seems that trust in e-Commerce benefits (perceived trustworthy) online retailers as well. Over time online retailers can build up a solid reputation for doing genuine business on the Internet, which is a strong and crucial differentiator in the online environment. Building up such reputation suggests that online retailers can enjoy some form of economic benefits as a result of their perceived trustworthiness. Benefits or returns of perceived trustworthiness or reputation could include higher customer loyalty, higher customer

retention or higher prices. Further research should assess the economic returns to online retailers who are perceived more trustworthy and the degree to which more reputable online retailers are able to charge higher prices, or enjoy higher levels of customer profitability.

## **8.2 Consumer Decision Making Processes in Online Shopping**

### **Environments**

Despite the rapid growth of e-Commerce and the rapidly increasing number of consumers who are shopping online, very little is known about how consumers make purchase decisions in online shopping environments, especially in the South African online market. While it has been assumed that consumers' shopping behaviour in online environments is fundamentally different from that in traditional retail settings, theoretical evidence about the nature of these differences has been sparse. Consumer behaviour in online shopping environments is largely determined by the degree and type of interactivity that is implemented in such settings. It is therefore important to assess in which way consumers search for product information, make use of particular interactive tools, and make purchase decisions in online shopping environments.

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## **APPENDIX**

### **Table of Contents**

1.	Sample mail questionnaire	A2
2.	Discussion guide for the in-depth interviews	A6
3.	Transcripts of the in-depth interviews	A10
4.	The building blocks survey for industry experts	A27
5.	Myths and realities about electronic commerce	A30
6.	Internet interest product categories	A32
7.	Online purchasing penetration	A33
8.	Opportunities to stimulate online shopping	A34
9.	The 'ten commandments' of online retailing	A35
10.	A checklist for online retailers	A36
11.	The building blocks of trust	A37
12.	Establishing a new security model	A38
13.	TRUSTe's core tenets	A39
14.	OECD selected industry self regulatory initiatives	A40
15.	The familiarity of Web based brands	A41
16.	Virtual advisors as effective trust builders	A44
17.	Security concerns	A47
18.	The language of cyber crime	A48
19.	Money spent on security technology	A49
20.	Preliminary models of trust in e-Commerce	A50

## Appendix 1: Sample Mail Questionnaire

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# QUESTIONNAIRE

## Trust in e-commerce questionnaire for INTERNET USERS

1. For how long have you been using the Internet? (tick only one, please)

- less than 1 year
- 1-2 years
- 2-4 years
- more than 4 years


2. What do you use the Internet for mostly? (tick all that apply)

- e-mail
- downloads
- online chat
- newsgroups
- online shopping
- work related functions
- searching for topics of interest
- research for educational purposes
- Other: \_\_\_\_\_


Have you purchased goods or services from the Internet yet?

YES: (please proceed with Question 3)  NO: (please proceed with Question 9)

3. What have you purchased on the Internet so far?

Products:

- CDs
- DVDs
- Books
- Clothing
- Electronic goods
- Sports equipment
- Computer software
- Health / Beauty products

Services:

- Insurance services
- Magazine subscriptions
- Online banking services
- Travel / hotel bookings
- Car rental
- Movie / theater tickets

4. How often do you purchase goods or services on the Internet? (tick only one, please)

- less than once a month
- 1-5 times a month
- 5-10 times a month
- more than 10 times a month


5. What is the reason you purchased these goods or services on the Internet? (tick all that apply)

- lower prices on the Internet
- product only available on the Internet
- more convenient buying on the Internet
- purchase was a gift with delivery to someone else
- greater variety of products on the Internet
- latest products / new releases offered on the Internet
- Other: \_\_\_\_\_

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6. What made you sure you could confidently do business with these Internet retailers? (tick all that apply)

- They also have physical stores
- Recommendations from friends
- Have dealt with them before and was satisfied
- They have a good reputation for doing business online
- Internet retailer is affiliated to other trustworthy organisations
- They have strong privacy and security policies on their Web site

• Other: \_\_\_\_\_

7. Did you have any concerns dealing with an Internet retailer? (tick all that apply)

- Security concerns
- Reliability of fulfilment concerns
- Worried about internet billing
- Worried about credit card number
- Concerns about privacy protection

• Other: \_\_\_\_\_

• No concerns

8. Have you experienced any problems purchasing from Internet retailers so far? (tick all that apply)

- Got good Internet service
- Wrong product(s) received
- Order was only partially fulfilled
- Delivery took longer than stated
- Problems with product returns or credit cancellation
- Have received junk mail, as a result of an online order
- Customer help and after sales support issues (wasn't aware of)

• Other: \_\_\_\_\_

• No problems experienced yet

9. I have never purchased goods or services from the Internet

9. Why haven't you purchased goods or services from the Internet yet? (tick all that apply)

- Don't have credit card
- Delivery costs are too high
- Not aware of privacy protection
- Worried about credit card number
- Don't find what to purchase online
- Like to see and touch before I buy
- I am worried about being able to return products

• Other: \_\_\_\_\_

10. What would make you purchase goods or services from the Internet in the future? (tick all that apply)

- Free product return
- Free delivery of goods
- Better security and privacy protection
- More detailed product and site information
- More secure payment methods than credit cards
- Faster and simpler navigation through the site
- Knowing that an Internet site also has physical stores

• Other: \_\_\_\_\_

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11. Do you generally trust Web sites and Internet retailers?

Yes

No

12. Do you trust an Internet retailer more, knowing that he also exists offline with established brands, shops and staff?

Yes

No

13. FACTORS THAT LEAD PEOPLE TO TRUST WEB SITES & INTERNET RETAILERS:

Score the following factors on their importance in creating trust in e-commerce.

	Not important at all	Not important	Moderately important	Very important	Very important/essential
1. Appealing web site design	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Easy navigation through web site	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Effective security technology	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Internet retailers brand and reputation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Use of believable seals of approval	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Correct delivery and billing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Privacy and protection of customer information	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. Secure payment methods	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. Local laws to regulate online shopping	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. Customer freedom and return policies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

In the United States and in Europe there are various Seals of Approval programmes in place. Such seals of approval seek to assure consumers that if it safe to buy and do business with Internet retailers which were issued with such a seal.

14. While surfing the Web, have you recognised any of these 'Seals'? Tick all that apply!

- VeriSign
- TRUSTe
- Visa Card logo
- Newsagency logo
- Ernst & Young logo
- Any other seal
- No seal ever recognised

15. Are you aware of any specifically South African sites that carry a seal of approval?

- Yes, which one and what seal

- No

16. In your opinion, does a Web seal establish greater trustworthiness and reputation in an Internet retailer or a Web site?

- Yes
- No

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17. If you see a Seal on a Web page, does that lead you to trust the site or Internet retailer? (tick only one, please)

- Yes, even if I am not familiar with the programme
- Yes, but only if the seals or logos are familiar to me
- Yes, but only if I know about the programme (which the seal is based on)
- No, generally the seal does not make an impact

18. If an Internet retailer also has physical stores, will a Web seal make it easier to trust the retailer's web site?

- |                                                    |                                                         |                                                                           |                                                |
|----------------------------------------------------|---------------------------------------------------------|---------------------------------------------------------------------------|------------------------------------------------|
| Yes (even if I am not familiar with the programme) | Yes (but only if the seals or logos are familiar to me) | Yes (but only if I know about the programme (which the seal is based on)) | No, generally the seal does not make an impact |
| <input type="checkbox"/>                           | <input type="checkbox"/>                                | <input type="checkbox"/>                                                  | <input type="checkbox"/>                       |

19. On the other hand, if the retailer only does business on the Internet, will a Web seal make it easier to trust the retailer's web site?

- |                                                    |                                                         |                                                                           |                                                |
|----------------------------------------------------|---------------------------------------------------------|---------------------------------------------------------------------------|------------------------------------------------|
| Yes (even if I am not familiar with the programme) | Yes (but only if the seals or logos are familiar to me) | Yes (but only if I know about the programme (which the seal is based on)) | No, generally the seal does not make an impact |
| <input type="checkbox"/>                           | <input type="checkbox"/>                                | <input type="checkbox"/>                                                  | <input type="checkbox"/>                       |

20. What elements of a Seal of Approval programme would lead you to trust an Internet retailer or Web site more? (tick all that apply)

- Double resolution
- Customer reviews
- Transaction integrity
- Information evolution
- Business practice disclosure
- Enforcement of the programme
- Evaluation of participating Internet retailers

21. What visual elements of a Seal of Approval icon would lead you to trust an Internet retailer or Web site more? (tick all that apply)

- Seal or logo is familiar
- Seal or logo is in a prominent place, easy to see
- Seal or logo is an established or meaningful brand
- Seal or logo is clickable, according to the Seal of Approval's Web page

If there are any other aspects you feel are important for trust in e-commerce, please use the space below.

Please supply your details so we can send your Leather Travel Wallet should you be a winner! (tick one where applicable)

Title: \_\_\_\_\_ Initials: \_\_\_\_\_ First Name: \_\_\_\_\_

Surname: \_\_\_\_\_

Postal Address: \_\_\_\_\_

Postcode/City: \_\_\_\_\_

Age: \_\_\_\_\_ Gender: Male  Female

Are you Single  Married  Widowed  Divorced

Monthly Income: under R5 000  R5 000 - R9 999

R10 000 - R19 999  R20 000 - R29 999

R30 000 - R39 999  over R40 000

## **Appendix 2: Discussion Guide for the In-Depth Interviews**

### Interview Overview:

1. Basic SA Internet User Demographics and Usage Patterns  
Online Shopping Overview  
Problems with Online Shopping
2. General Trust in e-Commerce  
Building Blocks of Trust in e-Commerce (self-administered)
3. Seals of Approval  
Development of Trust in e-Commerce

### Building Blocks Overview:



### **Basic SA Internet User Demographics and Usage Patterns**

Who in SA is on the Internet (demographic profiles) ?

What do South Africans mainly use the Internet for ?

### **Online Shopping Overview**

For what reasons do people shop online ?

What kind of Internet users shop online (to. the overall Web user profile) ?

What are the typical products and services bought most frequently online ?

Why specifically these products and / or services ?

### **Problems with Online Shopping**

Why are people not shopping online, despite having Internet access ?

What are the biggest risks consumers perceive about online shopping ?

What are other risks or barriers to online shopping ?

Generally speaking, how can the perception of risk associated with online shopping be lowered and the barriers broken down ?

What could motivate people (with Internet access) to start shopping online ?

### **General Trust in e-Commerce**

Trust in e-Commerce; what does it mean to you ?

What are the pre-conditions of trust in e-Commerce (e.g. effective navigation) ?

What are other fundamental elements of trust in e-Commerce ?

How can these elements be effectively communicated to consumers ?

Generally speaking, do SA Internet users have trust in e-Commerce, Web sites, and Internet vendors, why or why not (any references, resources) ?

Is it generally true to say that advanced and expert Internet users tend to have more trust in e-Commerce than Internet 'beginners' ?

In terms of trust in e-Commerce, is there a difference between product and service categories / providers (e.g. buying books online vs. online banking services) ?

Is there a difference in the perception of trust between pure play and hybrid online vendors ?

How can an Internet vendor's brand effectively communicate, or help to build trust in e-Commerce (for both pure play and hybrid Internet vendors) ?

Then, what branding / design elements or strategies could be specifically applied to communicate trust in e-Commerce and online shopping ?

What is the role of intermediaries to establish trust in e-Commerce along the supply chain (end-to-end service delivery) ?

Could you name a few – generally perceived – trustworthy Web / online shopping sites (hybrid or pure play), and say why they are perceived as being trustworthy ?

Is industry self-regulation or government regulation the better approach to establish an overall framework for trust in e-Commerce (or a combination of both) ?

What are the fundamental mistakes to break consumer's trust on the Internet (based on the activities of an Internet vendor, not the medium) ?

Once trust in e-Commerce has been broken, what can the Internet vendor do to re-establish trust with respective customers ?

Are there any examples where customers have experienced great difficulties dealing with Internet vendors, and these problems have been satisfactorily solved ?

### **Building Blocks of Trust in e-Commerce**

→ (please see separate survey document)

## **Seals of Approval**

What seal programmes do you know; do you know their mission and objectives, and do you think these programmes are achieving their objectives ?

In your opinion, what are the most useful / credible existing Web seal programmes, and why ?

What are general benefits of displaying a Web seal on an Internet vendor's site (benefits may differ according to seal programme) ?

Is there a measure of the impact of a Web seal displayed on an Internet vendor's site, e.g. conversion rates, satisfaction score, etc. ?

What is then the extent of the impact a Web seal has if it is displayed on a site (any references or resources) ?

Does a Web seal make a greater contribution to positive outcomes on a pure play Internet vendor's site or on a hybrid's one ?

Generally speaking, do you believe Web seals are useful in promoting specifically trust in e-Commerce, such as the TRUSTEe and VeriSign seals ?

What kind of seal programmes are most likely to communicate and promote trust in e-Commerce (what specific programme, and which elements specifically) ?

What specific elements of a seal programme are important to the building and development of trust in e-Commerce ?

Are there any specific graphical elements of a seal logo or display that enhance the likelihood of establishing trust in e-Commerce (e.g. brand names and logos such as Visa) ?

Why are Web seals so scarce on SA Web sites, or why aren't South Africans aware of these seals and their use and purpose ?

Do you think South Africans recognise and understand the programmes and objectives of Web seals ?

What can be done to promote the adoption, use and acceptance of Web seals (and their programmes) in SA ?

### **Appendix 3: Transcripts of the In-Depth Interviews**

The industry experts in the order in which they were interviewed are:

Mr Eired Lawrence	Technology Manager, Pick 'n Pay HomeShopping Services
Mr Andrew Heathcote-Marks	Independent Business Consultant specialised in e-Business
Mr Russell Atkins	Marketing Manager, iAfrica.com Internet Service Provider
Mrs Sandra Graham	e-Commerce Marketing Manager, Sanlam Personal Finance
Mrs Simone Green	Internet Strategist, Ogilvy & Mather Interactive
Mrs Andrea van der Merwe	e-Business Consultant, Deloitte & Touche Consulting
Mr Andrew Hardie	Director of e-Business, KPMG Consulting
Mr Rowan Bouver	e-Business Manager, ABSA Bank
Mr Tom Droge	Managing Director, Peppers and Rogers Group (SA)
Mr Mike Bryer	CEO edge1 Technologies, Planet Pastel
Mrs Pertu van der Walt	e-Business Consultant, Dimension Data
Mr Alan Barrett	Managing Director, Sequerox Technologies
Mr Dionne Dames	e-Commerce Strategist, Old Mutual Life Assurance
Mr Geoff Lander	Marketing Manager, M-Web ShopZone
Mr Paul Morris	Customer Acquisition and Retention Specialist, kalahari.net
Mr Harry Lewis	Senior IT Specialist, IBM Global Services

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## **Interview 1**

**Person Interviewed: Elred Lawrence, E-Business Manager Pick 'N Pay**

**Internet based Retail Operations of Pick 'N Pay**

**Company: Pick 'N Pay Home Shopping Services**

**Date of Interview: 05 June 2001**

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The interview with Mr. Lawrence took place on the 5<sup>th</sup> of July 2001 at the premises of Pick 'N Pay Home Shopping Services, at St. Claire Building, Claremont, Cape Town. A preliminary discussion guide, containing the interview questions, was sent to Mr. Lawrence by e mail prior to the interview. The interview was conducted on a dialogue basis and Mr. Lawrence's responses were captured immediately by the interviewer. The interview commenced at 13:00h and ended at 13:15h.

Pick 'N Pay is undoubtedly one of South Africa's biggest and most successful retailers for fast moving consumer goods (FMCGs). During the past year, the company has set up an Internet based business called 'Pick 'N Pay Home Shopping' which allows consumers to order goods directly through the Internet and have them delivered, for an additional fee, directly to consumers' homes. The delivery of goods is handled through a third party provider.

Mr. Lawrence gave some insights about the history and the operations of Pick 'N Pay's Home Shopping service. Of particular interest was the fact that most operational functions of the business are outsourced: for example, the Pick 'N Pay Home Shopping Web site and payment gateway are hosted by a well known South African Internet service provider, controlled through strict service level agreements.

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## **Interview 2**

**Person Interviewed: Andrew Heathcote-Marks**  
**Independent Management Consultant**  
**Company: (formerly Deloitte & Touche mangt. consultant)**  
**Date of Interview: 07 June 2001**

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The interview with Mr Heathcote-Marks took place on the 7<sup>th</sup> of July 2001 in Cape Town. A preliminary discussion guide, containing the interview questions, was sent to Mr. Heathcote-Marks by e mail prior to the interview. The interview was conducted on a dialogue basis and Mr. Heathcote-Marks' responses were captured immediately by the interviewer. The interview commenced at 10:00h and ended at 11:00h.

Mr. Heathcote-Marks is an independent management consultant who was formerly working at Deloitte & Touche, specialising in e-Business consulting. Mr. Heathcote-Marks was able to draw on his extensive experience and knowledge to answer the interviewers' questions. Mr. Heathcote-Marks and the interviewer discussed at length the overall process of establishing and building trust in e-Commerce.

Mr. Heathcote-Marks was also able to give some detailed responses to questions of the 'Seals of Approval' section. He explained the differences of various trust seals and gave also the general advantages and disadvantages of using seals of approval, for both the international and South African context. Mr. Heathcote-Marks was able to provide a wide array of insights and could give detailed responses to most of the questions raised by the interviewer.

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### **Interview 3**

**Person Interviewed:**           **Russell Atkins**  
**Marketing Manager, iAfrica.com**

**Company:**                   **Internet Service and Portal Provider**

**Date of Interview:**       **07 June 2001**

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The interview with Mr Atkins took place on the 7<sup>th</sup> of July 2001 at the Fedsure-on-Main Building, Claremont, Cape Town. A preliminary discussion guide, containing the interview questions, was sent to Mr. Atkins by e mail prior to the interview. The interview was conducted on a dialogue basis and Mr. Atkins' responses were captured immediately by the interviewer. The interview commenced at 15:00h and ended at 15:20h.

iAfrica.com is one of South Africa biggest Internet service and portal providers. The company's sites are frequently ranked among the most visited sites in the country. Mr. Atkins is the marketing manager for iAfrica.com. He was able to give some insights in the demographic make up of the iAfrca.com user base and explained the user needs and requirements during the interview. He was also able to provide some detailed information about the usage and shopping statistics of the iAfrica.com site.

Mr. Atkins provided also his ideas and viewpoints about trust in e-Commerce building process and related this to the experience and situation of the iAfrica.com's user base. Throughout the interview, the marketing aspects of building trust in e-Commerce were emphasised, making use of concepts such as the product life cycle or the customer purchase process, responding to the questions raised.

## **Interview 4**

Person Interviewed: **Sandra Graham**  
**E-Commerce Manager, SPF**

Company: **Sanlam Life Insurance**

Date of Interview: **11 June 2001**

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The interview with Mrs. Graham took place on the 11<sup>th</sup> of July 2001 at the head office of Sanlam, Bellville, Cape Town. A preliminary discussion guide, containing the interview questions, was sent to Mrs. Graham by e mail prior to the interview. The interview was conducted on a dialogue basis and Mrs. Graham's responses were captured immediately by the interviewer. The interview commenced at 17:00h and ended at 18:15h.

Mrs. Graham is the e-Commerce manager for Sanlam's Personal Finance business. Sanlam is one of South Africa's biggest life insurance company, dealing with a wide array of financial services products, for example life and health insurance, unit trusts, employee benefits, and other types of investment related financial services. Mrs. Graham is responsible for the development and marketing of the overall Sanlam Web site, which consists of many lines of business and segment sub-sites.

During the interview Mrs. Graham emphasised the importance of the brand, with its tangible and intangible components, for the building of trust in e-Commerce. In order to have trust in e-Commerce an online consumer must realise the benefits of an online brand and must have a 'fluent' experience while he is on the site.

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## **Interview 5**

Person Interviewed: **Simone Green**  
**Internet Strategist**

Company: **Ogilvy & Mather Interactive**

Date of Interview: **14 June 2001**

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The interview with Mrs. Green took place on the 14<sup>th</sup> of July 2001 at the premises of Ogilvy & Mather Interactive, in Cape Town. A preliminary discussion guide, containing the interview questions, was sent to Mrs. Green by e mail prior to the interview. The interview was conducted on a dialogue basis and Mrs. Green's responses were captured immediately by the interviewer. The interview commenced at 16:00h and ended at 17:15h.

Ogilvy Interactive is the 'new media' subsidiary of the established and reputable Ogilvy & Mather advertising agency. Mrs. Green is responsible for developing Internet and e-Commerce strategies for Ogilvy's clients, with a focus on online and digital branding. The company has developed a number of successful online campaigns and Web sites for South Africa's largest companies.

During the interview the importance of branding was emphasised by Mrs. Green and she was able to state a few worked examples, how an existing brand strategy was transferred to the online medium, ensuring consistency in the brand message. Of particular interest was a discussion about the role of the brand at various stages of the online trust building cycle and the importance of the brand for established hybrid online retailers and pure play online retailers.

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## **Interview 6**

**Person Interviewed:**           **Andrea van der Merwe**  
**E-Commerce Strategy Consultant**

**Company:**                   **Deloitte & Touche Consulting**

**Date of Interview:**       **15 June 2001**

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The interview with Mrs. Green took place on the 15<sup>th</sup> of July 2001 at the premises of South African Airways, Airways Park, in Johannesburg. A preliminary discussion guide, containing the interview questions, was sent to Mrs. van der Merwe by e mail prior to the interview. The interview was conducted on a dialogue basis and Mrs. Merwe's responses were captured immediately by the interviewer. The interview commenced at 9:00h and ended at 10:00h.

The interview with Mrs. van der Merwe was conducted at a client of Deloitte & Touche Consulting, where Mrs. van der Merwe was then engaged at. Mrs. van der Merwe offered fairly generalist e-Commerce insights, drawing on a number of areas of the e-Commerce and e-Business field. She was also able to give some insights from previous engagements. The clients' names remained undisclosed during the interview.

Mrs. van der Merwe also expressed her viewpoints about the trust in e-Commerce development process and offered some valuable insights. She was also able to give some macro-economic insights, especially dealing with the industry self-regulation and government legislation questions.

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## **Interview 7**

**Person Interviewed: Andrew Hardie**  
**E-Business Director**

**Company: KPMG Consulting**

**Date of Interview: 15 June 2001**

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The interview with Mr. Hardie took place on the 15<sup>th</sup> of July 2001 at the head office of KPMG, Sandton, in Johannesburg. A preliminary discussion guide, containing the interview questions, was sent to Mr. Hardie by e mail prior to the interview. The interview was conducted on a dialogue basis and Mr. Hardie's responses were captured immediately by the interviewer. The interview commenced at 10:30h and ended at 11:30h.

Due to a lack of time, the interview was restricted to the most important topics relating to the building and development of trust in e-Commerce. Restricting the interview to the most important trust questions allowed for a much more detailed discussion of the core issues under review, rather than addressing the complete discussion guide at a fairly broad level. Mr. Hardie was able to give valuable insights drawing on his vast e-Business consulting experience.

Mr. Hardie provided useful insights into the e-Commerce trust building process, and supported his responses with the methods and methodologies from his consulting practice. He was also able to express his views on industry self-regulation and government legislation initiatives. In general, Mr. Hardie addressed most issues at a fairly detailed level and provided real life examples to certain questions.

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## **Interview 8**

Person Interviewed: **Rowan Bouwer**  
**E-Business Manager**

Company: **ABSA Internet Banking and Service Provider**

Date of Interview: **15 June 2001**

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The interview with Mr. Bouwer took place on the 15<sup>th</sup> of July 2001 at the ABSA Museum, in Johannesburg. A preliminary discussion guide, containing the interview questions, was sent to Mr. Bouwer by e mail prior to the interview. The interview was conducted on a dialogue basis and Mr. Bouwer's responses were captured immediately by the interviewer. The interview commenced at 12:00h and ended at 13:00h.

ABSA Bank has made headlines during the last year offering its Internet Home Banking services, coupled with the Free Internet service offer. In effect, ABSA is offering anyone, not just ABSA customers, to sign up and use the Internet free of charge. Mr. Bouwer is the manager of ABSA's e-Business operations and is responsible for both the Internet banking and free Internet service.

Mr. Bouwer gave the interviewer useful practical insights from the ABSA free Internet and home banking services. He explained in some depth ABSA's user demographics and needs. He further added valuable insights into the ABSA general and online branding strategy, especially the tremendous increase in ABSA brand equity during the last years. Mr. Bouwer also expressed his opinions about the use and benefits of various seal programmes, and the reason for ABSA not making use of such seals.

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## **Interview 9**

**Person Interviewed:**            **Tim Droge**  
**Managing Director, Peppers and Rogers (SA)**

**Company:**                        **Peppers and Rogers, 1 to 1 Marketing**

**Date of Interview:**            **15 June 2001**

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The interview with Mr. Droge took place on the 15<sup>th</sup> of July 2001 at the head office of Peppers and Rogers, Craighall, in Johannesburg. A preliminary discussion guide, containing the interview questions, was sent to Mr. Droge by e mail prior to the interview. The interview was conducted on a dialogue basis and Mr. Droge's responses were captured immediately by the interviewer. The interview commenced at 13:30h and ended at 14:30h.

The underlying foundation of the Peppers and Rogers company is the 1to1 marketing concept, pioneered by its founders Don Peppers and Martha Rogers. This concept challenges the traditional marketing concept: instead of serving the needs of a mass market, 1to1 marketing seeks to serve the needs of individual consumers over their entire lifetime, by applying personalisation and direct marketing tools. The perceived benefits of 1to1 marketing are increased customer retention and profitability.

Mr. Droge gave valuable insights about the online marketing environment, making reference to the 1to1 marketing and the direct marketing concepts. He also added to the discussion by giving insights into the privacy, customer information protection and personalisation debate.

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## **Interview 10**

**Person Interviewed:**            **Michael Bryer**  
**Managing Director, Edge 1 Technologies**

**Company:**                        **Planet Pastel Portal (Edge 1 Technologies)**

**Date of Interview:**            **15 June 2001**

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The interview with Mr. Bryer took place on the 15<sup>th</sup> of July 2001 at the premises of Planet Pastel (Edge 1 Technologies), Sandton, in Johannesburg. A preliminary discussion guide, containing the interview questions, was sent to Mr. Bryer by e mail prior to the interview. The interview was conducted on a dialogue basis and Mr. Bryer's responses were captured immediately by the interviewer. The interview commenced at 15:00h and ended at 16:00h.

Mr. Bryer is the managing director of Edge 1 Technologies, which has the Planet Pastel Portal under its banner. The Planet Pastel Portal is both a B2B and B2C online marketplace, providing a common infrastructure for online retailers to set up their online stores. The Planet Pastel Portal has been one of the few successful online marketplaces in South Africa. Mr. Bryer was able to give extensive practical insights from the portal operations and the Planet Pastel user base.

Mr. Bryer gave some valuable insights of the demographic make up of the portal's user base and explained the user needs and requirements. He also had a good understanding of various seal of approval programmes and their usefulness and application for the South African market. Overall, Mr. Bryer offered detailed responses to many of the questions under review.

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## **Interview 11**

Person Interviewed:           **Petru van der Walt**  
**i-Commerce Strategy Consultant**

Company:                       **Dimension Data**

Date of Interview:           **21 June 2001**

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The interview with Mrs. van der Walt took place on the 21<sup>st</sup> of June 2001 at the premises of Dimension Data, Platteklouf, Cape Town. A preliminary discussion guide, containing the interview questions, was sent to Mrs. van der Walt by e mail prior to the interview. The interview was conducted on a dialogue basis and Mrs. van der Walt's responses were captured immediately by the interviewer. The interview commenced at 16:00h and ended at 17:20h.

Dimension Data is one of South Africa's leading technology companies. The company has coined the term 'i-Commerce' (interactive commerce), which is Dimension Data's e-Commerce strategy and consulting division. Dimension Data provides its i-Commerce solutions to a numerous of South African companies. Mrs. van der Walt was able to provide insights to the topic under review, both from technology and a business perspective.

Mrs. van der Walt emphasised that an important requirement to the building of trust in e-Commerce is the image, reputation and overall value of the company. To build trust, an investment in the brand is necessary to achieve differentiation and the overall perception of a quality image. Mrs. van der Walt also explained different approaches to branding strategy and the issues of breaking consumer's trust on the Internet in some depth. Mrs. van der Walt was able to provide comprehensive insights to many questions raised at the interview.



## **Interview 13**

**Person Interviewed:** **Dionne Dames**  
**E-Commerce Strategist**

**Company:** **Old Mutual Life Insurance**

**Date of Interview:** **13 July 2001**

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The interview with Mr. Dames took place on the 13<sup>th</sup> of July 2001 at the headquarters of Old Mutual, Mutual Park, Cape Town. A preliminary discussion guide, containing the interview questions, was sent to Mr. Dames by e mail prior to the interview. The interview was conducted on a dialogue basis and Mr. Dames' responses were captured immediately by the interviewer. The interview commenced at 12:30h and ended at 13:45h.

Old Mutual is one of South Africa's leading financial services organisation. The company has various e-Commerce initiatives and projects under way, and is at the cutting edge with Internet and e-Commerce technologies. Old Mutual benefits from the experiences it has already gained, experimenting with the Internet and electronic commerce. As a result Old Mutual's version 2 Web site was launched in February 2001 with much success. Currently, there are many e-Commerce projects under way, which centre around customer relationship management.

Mr. Dames is a strategist for Old Mutual's e-Commerce operations, and is largely involved with the overall content, branding and 'look and feel' of the Old Mutual Web sites. He was able to provide valuable insights into the large scale e-Commerce operations from a leading financial services provider. He specifically addressed the issues around hybrid and pure-play Internet companies, product versus service providers online, and the role of digital branding.

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## **Interview 14**

Person Interviewed: **Geoff Lander**  
**Product and Marketing Manager**

Company: **M-Web Business Solutions**

Date of Interview: **20 July 2001**

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The interview with Mr. Lander took place on the 20<sup>th</sup> of July 2001 at the headquarters of M-Web, N1 City, Cape Town. A preliminary discussion guide, containing the interview questions, was sent to Mr. Lander by e mail prior to the interview. The interview was conducted on a dialogue basis and Mr. Lander's responses were captured immediately by the interviewer. The interview commenced at 16:00h and ended at 17:00h.

M-Web is South Africa's largest Internet service provider. The company consists of a number of smaller Internet services providers such as iAfrica.com and Icon. Besides providing Internet access to end users, M-Web also offers a comprehensive range of business products under their M-Web Business Solutions brand. For example, M-Web's ShopZone is a trading portal for a number of online retailers, where M-Web provides the basic infrastructure such as Web page design, hosting, security and payment services. M-Web also offers these online retailers a set of enabling security and transaction capabilities as part of their SafeShop offering, such as encryption and use of digital certificates.

Mr. Lander is the product and marketing manager responsible for M-Web's ShopZone. He claims that M-Web's ShopZone is the industry leader in South Africa offering a secure online trading portal for end users. Mr. Lander was able to give valuable insights into the operations of ShopZone and SafeShop and specifically highlighted the importance of branding.

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## **Interview 15**

**Person Interviewed:** Paul Morris  
**Customer Acquisition and Retention Specialist**

**Company:** kalahari.net

**Date of Interview:** 27 August 2001

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The interview with Mr. Morris took place on the 27<sup>th</sup> of August 2001 at the headoffice of kalahari.net, N1 City, Cape Town. A preliminary discussion guide, containing the interview questions, was sent to Mr. Morris by e mail prior to the interview. The interview was conducted on a dialogue basis and Mr. Morris' responses were captured immediately by the interviewer. The interview commenced at 14:00h and ended at 15:00h.

kalahari.net is South Africa's premier online retailer for a variety of goods, such as books, CDs, DVDs, electronics, household goods and wine. The company has been operating since mid 1998 and is undoubtedly one of South Africa's major online retail sites. Mr. Morris is responsible for customer acquisition and retention, an area which the company places great emphasis on. Kalahari.net is a subsidiary of Naspers, one of South Africa's biggest media and publishing companies.

During the interview Mr. Morris was able to give to some high-level insights into the operations and marketing strategies of kalahari.net. Addressing the researcher's questions, Mr. Morris supported his answers by providing cases and examples from Kalahari's day-to-day operations. Mr. Morris specifically pointed out the pitfalls and shortcomings in designing and putting into operation a professional online retailing site, and recommended strategies to address and solve these problems (some problems which Kalahari is currently experiencing).

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## **Interview 16**

Person Interviewed: **Harry Lewis**  
**Senior IT Specialist**

Company: **IBM Global Services**

Date of Interview: **28 August 2001**

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The interview with Mr. Lewis took place on the 28<sup>th</sup> of August 2001 at the regional office of IBM, at the Waterfront in Cape Town. A preliminary discussion guide, containing the interview questions, was sent to Mr. Lewis by e mail prior to the interview. The interview was conducted on a dialogue basis and Mr. Lewis' responses were captured immediately by the interviewer. The interview commenced at 13:00h and ended at 14:20h.

Mr Lewis is a senior IT specialist within IBM Global Services consulting practice. He has extensive experience in Internet and other network technologies. Mr Lewis also brings extensive experience from the former africa.com site, where he has been manager of technology and operations. He was thus able to provide information from both a technology and business perspective.

Mr Lewis stressed the importance of having an overall framework for network security as a prerequisite for trust in e-Commerce. He also emphasised the human challenges in establishing trust with another party, in this case an online retailer: there can always be elements an online retailer has no control over, that may lead people to distrust the online retailer. Mr Lewis also provided valuable insights about seals of approval, while the intention of seal programmes is generally good and their acceptance has grown, in reality it is difficult to communicate greater trustworthiness through seals of approval.

## **Appendix 4: The Building Blocks Survey for Industry Experts**

### ***Trust in e-Commerce Study***

Below, please find the table of the nine general 'Building Blocks' of trust in e-Commerce and the further decomposed factors. Please have a look at the factors and rate each one independently in terms of importance to the building and development of trust in e-Commerce, by 'tabbing' in the appropriate space. Please add factors, where you think a 'building block' is not adequately covered. The rating scale is as follows:

1 not important at all 2 not very important 3 somewhat important 4 quite important 5 very important / essential	}	factor for the building and development of trust in e-Commerce
-----------------------------------------------------------------------------------------------------------------------------	---	----------------------------------------------------------------

Please rate each factor independently, i.e. do not rank each set of factors belonging to a building block from 1 to 5. Rather assign each factor the relevant score:

Your Name:	Company / Division:

(1) Web Site Design and Product Presentation	Score
Clarity of information	
Interactive decision aids	
Professional Web page design	
Comprehensive product comparisons	
Up to date and unbiased product information	
<other>:	
(2) Navigation	Score
Useful navigation guides	
Consistency in navigation	
Good search functionality	
Easy to use shopping cart	
User friendliness / ease of findings products	
<other>:	

<b>(3) Technology</b>	<b>Score</b>
Effective firewalls	
Quick loading pages	
Encryption for security	
Use of multiple consumer touch points	
Sophisticated technology infrastructure	
<other>:	
<b>(4) Branding</b>	<b>Score</b>
Retailer's Web Brand Equity	
Retailer's Overall Brand Equity	
Breadth and depth of product offering online	
Affiliations with other trustworthy organisations	
Established reputation or credibility of Web site or vendor	
<other>:	
<b>(5) Seals of Approval</b>	<b>Score</b>
Icons and text that symbolise:	
* service security (e.g. VISA logo)	
* network security (e.g. VeriSign logo)	
* e-Commerce capabilities (e.g. IBM e-Business logo)	
* technological capabilities (statements about encryption, cookies)	
* secure transactions processes, including privacy protection (e.g. Trustee logo)	
<other>:	
<b>(6) Fulfilment</b>	<b>Score</b>
Availability of order tracking	
Fulfilment price clearly stated	
Ability to back out of transaction	
International fulfilment capability	
Strong recourse and return policies	
<other>:	
<b>(7) Privacy</b>	<b>Score</b>
Confidentiality of transactions	
Protection of personal information	
Asking for transaction necessary information only	
Disclosure of how customer information is collected and stored	
Access for consumers to view what information is collected and stored	
<other>:	
<b>(8) Security</b>	<b>Score</b>
Secure payment methods	
Clear and concise security policies	
Accurate and complete data processing	
Use of digital certificates and encryption	
Data security (e.g. authentication, authorisation)	
<other>:	

<b>(9) Regulation and Legislation</b>	<b>Score</b>
Protection plans for online consumers	
Policies and standards for Internet trading	
Supervision of self-regulatory and private initiatives	
Development of a SA legal framework for Internet retailing	
Development of public awareness programmes for Internet retailing	
<other>:	

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## **Appendix 5: Myths and Realities about e-Commerce**

**Myth No. 1: It's Easy.** Pulling up a Web site is easy. And putting up a Web site to handle commerce transactions is easy, too. But the number one challenge for companies is infrastructure integration with other databases. Additionally, changes in business processes, customer and supplier relationships, data access, data ownership, distribution strategy, and marketing tactics underpin most Web commerce efforts.

**Myth No. 2: It's Cheap.** Perhaps e-commerce is cheap when compared with a full-blown enterprise resource planning implementation or the purchase of a mainframe. But for a number of reasons, a full-scale online commerce effort is never a low-cost proposition. Companies spend an average of \$750,000 just for the baseline technology, according to a Gartner Group survey of 100 commerce sites.

**Myth No. 3: Everyone's Doing It.** Many companies simply don't see a compelling business reason to move to e-commerce. Maytag Corp., for example, finds that electronic data interchange with its suppliers and distributors works fine, and it's playing the Internet commerce card very carefully. Following the pack is seldom a sound strategy.

**Myth No. 4: It's Lucrative.** Even by the most generous accounts, online retail sales remain only a tiny fraction of what is sold in physical stores or through mail-order catalogues. Despite Amazon.com's huge success, online book sales will account for less than 5 percent of all U.S. book sales this year. Buyers are less likely to purchase "subjective" items, such as coats and dresses over the Web, than PCs.

**Myth No. 5: The Web Levels the Playing Field.** With a few notable exceptions, such as Amazon.com or E-Trade, the biggest e-commerce players are big established companies: Disney, Dell, Microsoft, Charles Schwab. Companies that want to be successful at Web commerce need the marketing clout, brand identity, and scale to do back-end fulfillment and customer service – and above all they need live capital. Size does matter, and size in most cases means brand power, trust, and consumer confidence.

**Myth No. 6: It leads to Disintermediation.** The Web provides an instant global sales channel to all producers of goods and services, which allows to cut out distributors, resellers, and other middlemen. This hasn't happened for three main reasons: the actions of producers, the actions of distributors, and the rise of new intermediaries on the Web, giving rise to the second-generation buzzword "reintermediation". Most successful e-commerce players are using the Web to enhance their existing distribution channel, not circumvent them.

**Myth No. 7: It means the End of Mass Marketing.** The Web is the first communications channel that enables cost-effective one-to-one marketing on a huge scale. But customization and personalization are fine for customer retention but not so good for customer acquisition. Mass marketing is a necessity for the captains of online industry, and together with branding it is more important than ever (in e-commerce).

**Myth No. 8: It leads to Product Commoditisation.** In commodity industries, price is only one factor in e-commerce strategies. Even if commodities such as gas and electricity are sold online, it is important to differentiate the commodity by providing other things around it that add value.

**Myth No. 9: Customer Loyalty is a Thing of the Past.** In e-commerce, the quality of the participant is more important than ever, price information alone is very imperfect information. It tells nothing about reliability, product availability, merchant behaviour, or returns and exchanges policies. You might be able to lure online customers with the lowest price, but it doesn't mean that you keep them.

Figure 66: Nine myths of electronic commerce and its realities, Wilder (1998)

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## Appendix 6: Internet Interest Product Categories

Interest Products Online (2000)	
Personal Interest Products (groceries, health, beauty)	83%
Computers, Electronics	59%
Toys, Games, Entertainment	44%
Travel, Entertainment	42%
Fashion and Style	42%
Consumables Products	40%
Collectibles and Hobbies	31%
Office Supplies	22%
Investments	14%
Major Purchases	2%

(Source: ActivMedia Research, 2000)

Average Dollar Value of Monthly Product Purchases, Online and Offline			
	Dollar Value of Online Purchase	Dollar Value of Similar Offline Purchase	Online / Offline Ratio
All products	\$312	\$144	2,17
Investments	\$557	\$223	2,50
Travel	\$400	\$165	2,43
Computers	\$382	\$159	2,40
Personal Interest	\$306	\$138	2,22
Office Supplies	\$477	\$224	2,13
Fashion Items	\$362	\$176	2,06
Toys, Games	\$316	\$156	2,03
Collectibles	\$316	\$158	1,99
Consumables	\$307	\$160	1,93
Major Purchases	\$339	\$193	1,75

(Source: ActivMedia Research, 2000)

## Appendix 7: Online Purchasing Penetration

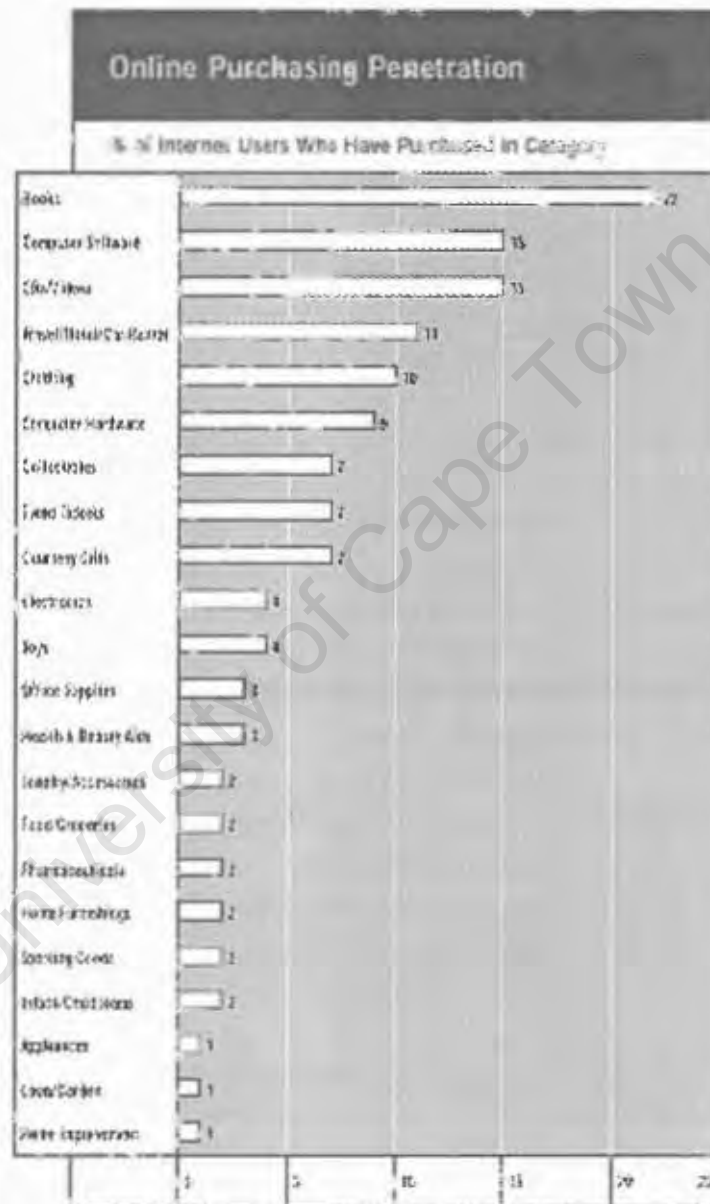


Figure 62: Online purchasing penetration (Boston Consulting Group, 1999)

## Appendix 8: Opportunities to stimulate online shopping

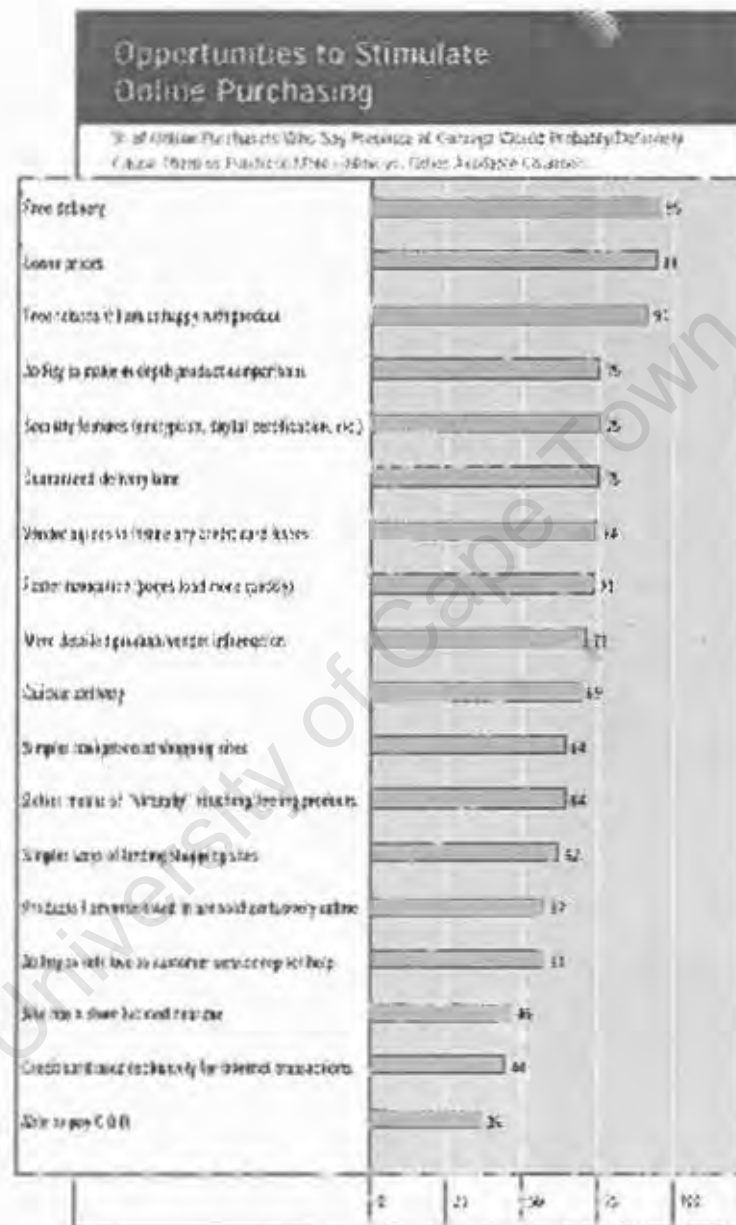


Figure 63: Opportunities to stimulate online purchasing (Boston Consulting Group, 1999)

## Appendix 9: The 'Ten Commandments'

### Ten Commandments for Pleasing the Online Consumer

According to online consumers, the following are online retailing essentials:

1. *Intuitive URL:* The site should be easy to locate without the use of search engines or bookmarks.
2. *Special first-time purchaser handling:* First-time purchasers need to be identified and accommodated with a special navigational interface, offers and guarantees.
3. *Price clarity:* Product price, applicable taxes and fulfillment charges should all be clearly stated.
4. *Real-time inventory tracking:* Consumers should be able to determine when products are currently in stock and what the wait time will be for out-of-stock products.
5. *Comprehensive online product selection:* Everything available offline should be available online.
6. *Internet exclusives:* The site should provide access to exclusive content and deals.
7. *Privacy and security guarantees:* Policies should be clear and verified by a trusted, recognizable third party.
8. *Flexible delivery:* The site should offer multiple delivery options and specify a precise delivery window.
9. *Hassle-free returns:* Goods should arrive with a pre-paid return shipping label.
10. *Easy-to-access customer service:* Customer service should be accessible 24-7 via phone, fax and e-mail.

Figure 54: Ten commandments for pleasing the online consumer (Boston Consulting Group, 1999)

## Appendix 10: A Checklist for Online Retailers

A Checklist for Online Retailers	
<p><b>Site Identification</b></p> <ul style="list-style-type: none"> <li>✓ homepage loads quickly</li> <li>✓ URL is easy to recognize/remember</li> <li>✓ site offers consumer an automatic bookmark function</li> </ul> <p><b>Navigation</b></p> <ul style="list-style-type: none"> <li>✓ navigation interface/prompts are graduated for expertise (e.g. comprehensive prompts for a new shopper, brief prompts for a regular customer)</li> <li>✓ interface is clear and intuitive</li> <li>✓ site map is available and site offers search functionality</li> </ul> <p><b>Product Selection</b></p> <ul style="list-style-type: none"> <li>✓ multiple product search options (e.g. by product type, price, consumer lifestyle)</li> <li>✓ easy to use shopping cart</li> <li>✓ high quality, multi-dimensional product pictures</li> <li>✓ clearly laid out pricing and sales tax policy</li> <li>✓ comprehensive product comparisons, ideally incorporating competitors and certified by a credible partner</li> <li>✓ site displays inventory/product availability to consumer in real time</li> <li>✓ express checkout</li> </ul> <p><b>Order Placement</b></p> <ul style="list-style-type: none"> <li>✓ clear and concise privacy and security policies</li> <li>✓ third party guarantee/certification of privacy and security policies</li> <li>✓ site requires consumer to register only once - during the first time the consumer purchases at the site</li> <li>✓ site requests personal information on a "need-to-know" basis (e.g. when there is a functional reason for doing so, such as a consumer's address in order to schedule a delivery, but never otherwise)</li> <li>✓ site offers payment mechanisms beyond asking for credit card number to be provided online (e.g. C.O.D. or allowing consumer to phone in credit card number)</li> </ul>	<p><b>Fulfillment</b></p> <ul style="list-style-type: none"> <li>✓ international fulfillment capability</li> <li>✓ fulfillment price clearly specified, split out</li> <li>✓ multiple carrier, speed and price options</li> <li>✓ ability to track delivery</li> <li>✓ precise delivery window (including evenings, weekends)</li> </ul> <p><b>(After-Sale) Service</b></p> <ul style="list-style-type: none"> <li>✓ 24/7 response</li> <li>✓ 1-800 number on every Web page</li> <li>✓ multichannel customer service options (e.g. phone, e-mail, store)</li> </ul> <p><b>Loyalty/Retention</b></p> <ul style="list-style-type: none"> <li>✓ special offers for heavy/repeat purchasers</li> <li>✓ ability to join e-mailing list advertising periodic specials</li> <li>✓ opportunity to participate in chat groups</li> <li>✓ offer specialized Internet-exclusive content</li> </ul> <p><b>First Time Purchase</b></p> <ul style="list-style-type: none"> <li>✓ first time online and site purchasers are identified and handled specially</li> <li>✓ special first time purchaser security assurance</li> <li>✓ first time purchaser offers/guarantee</li> </ul> <p><b>Additional Items for Bricks-and-Mortar Retailers</b></p> <ul style="list-style-type: none"> <li>✓ brand consistency between online and offline channels</li> <li>✓ make all products offered offline available online; make some deals and products available online that are not available offline</li> <li>✓ multichannel fulfillment options</li> <li>✓ store locator</li> <li>✓ sites leveraged for fulfillment, customer service, promotion of site awareness</li> </ul>

Figure 55: Checklist for online retailers (Boston Consulting Group, 1999)

## Appendix 11: The Building Blocks of Trust

The six primary concepts, broken down into a total of 28 different ways in which trustworthiness may be established. Each are briefly addressed below :

<b>SEALS OF APPROVAL</b>	Information about other companies that specialize in assuring the safety of Web sites
Network Level 1	Icons symbolizing security of the computer network as a whole, such as TRUSTe or VeriSign
Network Level 2	Text accompanying the icons
Technology Level 1	Icons symbolizing commerce-enabling functions, such as MS Commerce Server, ICAT, IBM e-business mark, and Browser interoperability marks
Technology Level 2	Text accompanying the icons
Merchant Level 1	Icons symbolizing merchant service security like MasterCard, VISA, Amex
Merchant Level 2	Text accompanying the icons
<b>BRAND</b>	Importance of the company's reputation in choosing to do business with them
Overall Brand Equity	Consumer awareness of what this company does for consumers outside of the Web
Web Brand Equity	How well the company's Web site fits with consumers' sense of what the company is about generally
Benefit clarity	On one's first visit to the site, how easy it is to discern what the site is promising to deliver
Portal/Aggregator Affiliations	Markers of an affiliation to portals and aggregators such as Yahoo, eXcite, Village Lycos, etc.
Co-op Third Party Brands	Promotion of "third-party" quality brands
Relationship Marketing	Sending updates and other notices to consumers
Community Building	Facilitating interactions between individual shoppers
Depth of Product Offering on the Site	How many varieties of product types the site contains
Breadth of Product Offering on the Site	How many types of products the site contains
<b>NAVIGATION</b>	The ease of finding what the visitor seeks
Navigation Clarity	Terminologies for navigation and content are apparent for the user to differentiate
Navigation Access	The navigation system placement is consistent, persistent and easy to find
Navigation Reinforcement	There are prompts, guides, tutorials, instructions to aid and inform the user to perform transaction and/or search tasks on the site
<b>FIT-FIT-MENT</b>	The process one works through from the time a purchase process is initiated until the product is received
Protection of Personal Information	The information one provides is guaranteed to be used for no purpose other than what one gave it for, without their approval
Tracking	The site provides feedback or a confirmation number once the order is placed
Reverses	The transaction process allows for recourse if one has a problem at any time during the process
Return Policy	How clearly the return policy is explained
Simplicity of Process	How simple it is to buy something
<b>PRESENTATION</b>	Ways in which the look of the site, in and of itself, communicates meaningful information to you
Clarity of Purpose	The visual layout effectively convey the idea and the purpose of the site. (Someone who would know they can purchase products when they get to the site)
Craftsmanship	The degree to which, when one first views the homepage, one believes that the Web site developers were skilled in their efforts
Resembles other Trusted Sites	How much the site resembles others consumers have come to trust
<b>TECHNOLOGY</b>	The ways in which the site technically functions
Functionality	Overall, how well the site seems to work
Speed	How quickly each page, text and images appears

Figure 67: The Building blocks of trust (Cheski Research, 1999)

**Appendix 12: Establishing a New Security Model**

<b>Certification</b>	The transmitting and receiving parties are who they say they are; and they are authorized to transmit and/or receive.
<b>Authenticity</b>	The information received is identical in form and content to what is transmitted.
<b>Confidentiality</b>	The information is accessible only to the intended parties.
<b>Non-repudiation</b>	Verification and time-stamping of receipt establish precisely who sent a business communication and when it was sent.

Figure 71: Establishing a new security model (PriceWaterhouseCoopers, 1999)

## **Appendix 13: TRUSTe's Core Tenets**

TRUSTe's core tenets include:

- **Notice:** Web sites displaying the TRUSTe seal must post clear notice of what personally identifiable information is gathered and with whom it is shared; this disclosure must be easy to read and accessible by one mouse click from the home page
- **Choice:** users must have the ability, through opt-in or opt-out functions, to choose whether to allow secondary uses of that personal information; in effect, users must be able to prevent the Web site from selling, sharing, renting or disseminating their personally identifiable information
- **Access:** users must have reasonable access to information maintained about them by a Web site to correct any inaccuracies in data collected
- **Security:** the Web site must provide reasonable security to protect the data that is collected

## Appendix 14: OECD Selected Industry Self Regulatory Initiatives

Name	Objective	Enforcement Mechanism
BBB Online Reliability Program	To assure that a company's advertising is truthful and accurate, the company commits to delivering the products and services offered and that, if the company cannot resolve a dispute with a consumer, it commits to using a third-party arbitration/mediation program such as the Better Business Bureau.	A company signs a license agreement committing to the principles of the program and the particular resolution process applicable to the program.
BBB Online Privacy Program	To offer a comprehensive assessment process to measure a company's ability to stand behind the promises made in its online privacy policy and offer a dispute resolution process for consumer privacy concerns.	A company signs a license agreement committing to the principles of the program and the particular resolution process applicable to the program.
CPA WebTrust	To build trust and confidence in e-commerce by increasing consumer confidence in using the Internet and helping businesses deliver on their sales promises.	WebTrust involves a full-scope audit of a website by an independent, specially trained CPA, or their equivalents around the world, using the WebTrust Principles and Criteria as a benchmark to determine the soundness of online businesses' activities and procedures related to e-commerce.
TRUSTe	To build consumer trust and confidence in e-commerce by empowering users to decide how their personally identifiable information will be used by the website. To educate site developers on the importance of demonstrating the site's commitment to addressing online privacy to both consumers and governments.	Sites that choose to become licensees of the TRUSTe program must sign a one-year contractually binding licensing agreement. The agreement must be renewed each year. The agreement stipulates conditions to which the licensee must adhere, including privacy principles and escalation procedures. <sup>41</sup>

Figure 72: OECD Selected Industry Self Regulatory Initiatives (PriceWaterhouseCoopers, 1999)

### Appendix 15: The Familiarity of Web based Brands

The tables below indicate the relationship between familiarity and trust, particularly for Web based security brands :

<b>Symbols, Trust – by Those Familiar with Symbol</b>			
	Percent Stating*		
	Familiar With (Sample Sizes)	Increase Trust (315)	Increase Trust by those familiar (Varied)
	(%)	(%)	(%)
VeriSign	36	28	53
BBB Online	18	16	36
TRUSTe1	23	12	31
TRUSTe2 (blue circle)	10	6	30
Visa (Spinning)	83	24	27
Netscape Key	40	12	24
Safe Secure Shopping Guarantee	26	9	22
Virtual Emporium	3	2	22
Excite Certified Merchant	33	10	21
American Express	84	18	19
RSAC	19	4	17
Cybercash	27	5	15
MasterCard	79	13	14
Handshake	23	4	14
Excite Guarantee	11	4	14
Visa (word)	70	11	13
Microsoft	58	9	13
Lycos (Top 5% seal)	30	5	12
IBM	19	4	11
MasterCard ShopSmart	34	6	10
PublicEye	6	9	10
Discover	72	7	8
BrzRate	8	3	4
Ascend	12	2	3
iCAI	13	1	2
Shop.org	4	3	0
e-merchant	0	0	-

Question: Next, please select the two symbols that would increase your trust the most if you saw either of them on a Web site.  
 \* Corrected. Small base size.

Table 68 : Familiarity of Web based brands (Cheskin Research, 1999)

(Sample Sizes)	Percent Stating*		
	Familiar (315)	Increase Trust (315)	Increase Trust by those familiar (varied)
<b>Traditional Brands</b>			
Visa (Spinning)	83	24	27
American Express	84	18	19
BBB Online	18	16	36
MasterCard	79	13	14
Visa (word)	70	11	13
Microsoft	58	9	13
Discover	72	7	8
MasterCard ShopSmart	34	6	10
IBM	19	4	11
<b>Web-Originated Brands</b>			
VeriSign	36	25	53
Netscape Key	40	12	24
TRUSTe	23	12	31
Excite Certified Merchant	33	10	21
Safe Secure Shopping Guarantee	20	9	22
Truste2 (Blue circle)	19	9	30
PublicEye	6	9	10
Lycos (Top 5% seal)	30	5	12
Cybercash	27	5	15
Handshake	23	4	14
RSAC	19	4	17
Excite Guarantee	11	4	14
HizRate	8	3	4
Shop.org	4	3	0
Ascend	12	2	3
Virtual Emporium	3	2	22
iCAT	13	2	2
e-merchant	0	0	0

\*Question: Of the symbols shown below, please check all those you are familiar with or have seen before.  
 Question: Next, please select the two symbols that would increase your trust the most if you saw either of them on a Web site.

Table 69: Familiarity of Web based brands (Cheskin Research, 1999)

(Sample Sizes)	Percent Stating*		
	Familiar (315) %	Increase Trust (315) %	Increase Trust by those familiar (varied) %
<b>Merchant Seals</b>			
Visa (spinning)	83	24	27
American Express	84	18	19
BBB Online	18	16	36
MasterCard	79	13	14
Visa (word)	70	11	13
Excite Certified Merchant	33	50	21
Discover	72	7	8
MasterCard ShopSmart	34	6	10
Lycos (Top 5% seal)	30	5	12
Excite Guarantee	11	4	14
BizRate	8	2	4
Shop.org	4	3	0
ICAT	13	1	2
e-merchant	0	0	0
<b>Technology/Network Seals</b>			
VeriSign	36	25	53
Netscape Key	40	12	24
TRUSTe1	23	32	41
Microsoft	58	9	13
Safe Secure Shopping Guarantee	20	9	22
TRUSTe2 (blue circle)	10	9	30
PublicEye	6	9	10
Cybercash	27	5	15
Handshake	23	4	14
IBM	19	4	11
RSAC	19	4	17
Ascend	12	2	3
Virtual Emporium	3	2	22

Question: Of the symbols shown below, please check all those you are familiar with or have seen before.  
 Question: Next, please select the two symbols that would increase your trust the most if you saw either of them on a Web site.

Table 70.1. Familiarity of Web based brands (Cheskin Research, 1999)

The diagrams indicate that the most familiar brands – the credit card companies – have far less trustworthiness than VeriSign and TRUSTe, given their relative familiarity (Cheskin Research, 1999). Overall, if a site wants to use these symbols to suggest their trustworthiness, they would be better off including symbols for VeriSign, TRUSTe and other Web based security brands than to include credit card brands.

## **Appendix 16: Virtual Advisors As Effective Trust Builders**

In 1999, pickup trucks accounted for more than 15% of all consumer vehicles purchased in the United States. Each of the more than 90 product alternatives sold for more than \$10,000. Clearly, consumers could benefit when making such complex and risky decisions. Imagine having the world's best expert on pickup trucks help you select the best truck. Such an expert would ask questions about your needs and preferences, provide you with full information on the variety of trucks available and recommend vehicles that suit your needs. With this in mind, we designed a site called "Truck Town" to demonstrate how virtual advisors can create trust on the Internet. We used the analytical tools of utility theory to estimate customer preferences for each product alternative and Bayesian decision theory to revise these preferences as customers told the advisor more about their needs.

Truck Town visitors can choose to be guided completely by the virtual advisor or may navigate the site independently. Truck Town's architecture allows the user to exercise considerable control over information acquisition, which is an important trust cue. Truck Town's welcome screen displays a map to help customers locate dealers, the bank, a news-stand, coffee shop, city hall and customer-advice offices. An avatar in the form of a friendly, intelligent owl guides the customer to site features and answers questions about information sources. The owl explains that Truck Town helps customers make informed purchasing decisions and then refers customers to the town hall and the personal advisors for specific product information and recommendations. The second screen takes the customer to the town hall where Truck Town's mayor explains that all the information is accurate and up to date. He also answers queries about the satisfaction guarantee, return policy and system audits.

In a national survey of consumers, respondents were asked whom they trusted most when buying automobiles: dealers, salesmen, mechanics, contractors, bankers, neighbours or magazine editors. Respondents said they would most trust an auto mechanic, a retired editor of an auto magazine or a contractor who has purchased many trucks. On the basis of this ranking by consumers, Truck Town presents these three advisors, who are not modelled after specific individuals but are composites of the best practices of people serving in those roles.

The virtual auto mechanic in our example is named Craig, a middle-aged man dressed in a mechanic's uniform. (See "Meet the Auto Mechanic.") After introducing himself, he answers queries about how he is paid, his strengths and weaknesses, and past customer comments. He then starts the conversation by asking the customer the size of the truck he or she prefers. (See "The Dialogue Begins.") After conversation on the truck's intended use -- for example, if it will be used to haul a trailer -- Craig probes for other preferences, such as relative preferences for low price, performance, fuel efficiency, power and style. Craig then creates a personalised showroom with four trucks that he thinks best fit the customer's needs. He bases his recommendations on how well the trucks match the customer's stated preferences and what similar customers have purchased.

The customer can then obtain complete information on the trucks' specifications (horsepower, towing capacity, load-carrying volume, fuel efficiency, bed length), configuration (selection of options), competitive comparisons with other truck specifications in a matrix table, and evaluations by other users. Customers can also obtain magazine articles and advertisements about all the trucks presented. Additional options are to "meet other people like me" or to be transported to the coffee shop in Truck Town where they can engage in a live chat session with other customers who have similar needs. The dialogue ends by scheduling a test drive or requesting a price and delivery quotation from an actual dealer.

### **Truck Town's Trusted Advisors**

In June 1997, we conducted an empirical concept-and-usage study of the Truck Town prototype to assess the viability of a personal advisor. A sample of 280 Boston-area respondents who had bought a truck in the previous 18 months evaluated Truck Town in terms of trust, quality of recommendations and their willingness to use and pay for the service. Respondents spent an average of 30 minutes on the Truck Town site prior to answering the survey.

The results indicate that the virtual advisor developed during this research is able to generate trust in consumers. In answer to the question "Did you trust the advisor?" 82% of the respondents answered "yes," 76% agreed that the information provided was trustworthy, and 88% agreed that the advisor recommended trucks that fit their needs. More importantly, 60% agreed that the advisor suggested alternatives they would not have considered otherwise. In terms of purchasing, 88% of respondents would consider buying a vehicle through Truck Town. On average, they would be willing to pay an additional \$40 for this service.

In fact, 82% of respondents considered the Internet experience more trustworthy than an in-person dealer experience. Most respondents said Truck Town's information quantity (87%) and quality (83%) was better than that available from a dealer. Whereas approximately 80% would recommend Internet shopping on the basis of testing Truck Town, only 20% would recommend the dealer from whom they last purchased a vehicle.

These are encouraging results and suggest that the advisor-based Truck Town site successfully engendered acceptance of the advice and information provided. This is a key element in trust building. Assuming that trust correlates with sales, the Truck Town site demonstrates how establishing trust can enhance buying through this type of advisor-based system.

(Excerpt from: *Placing Trust at the Center of your Internet Strategy*, Qualis, et. al., 2000)

## Appendix 17: Security Concerns

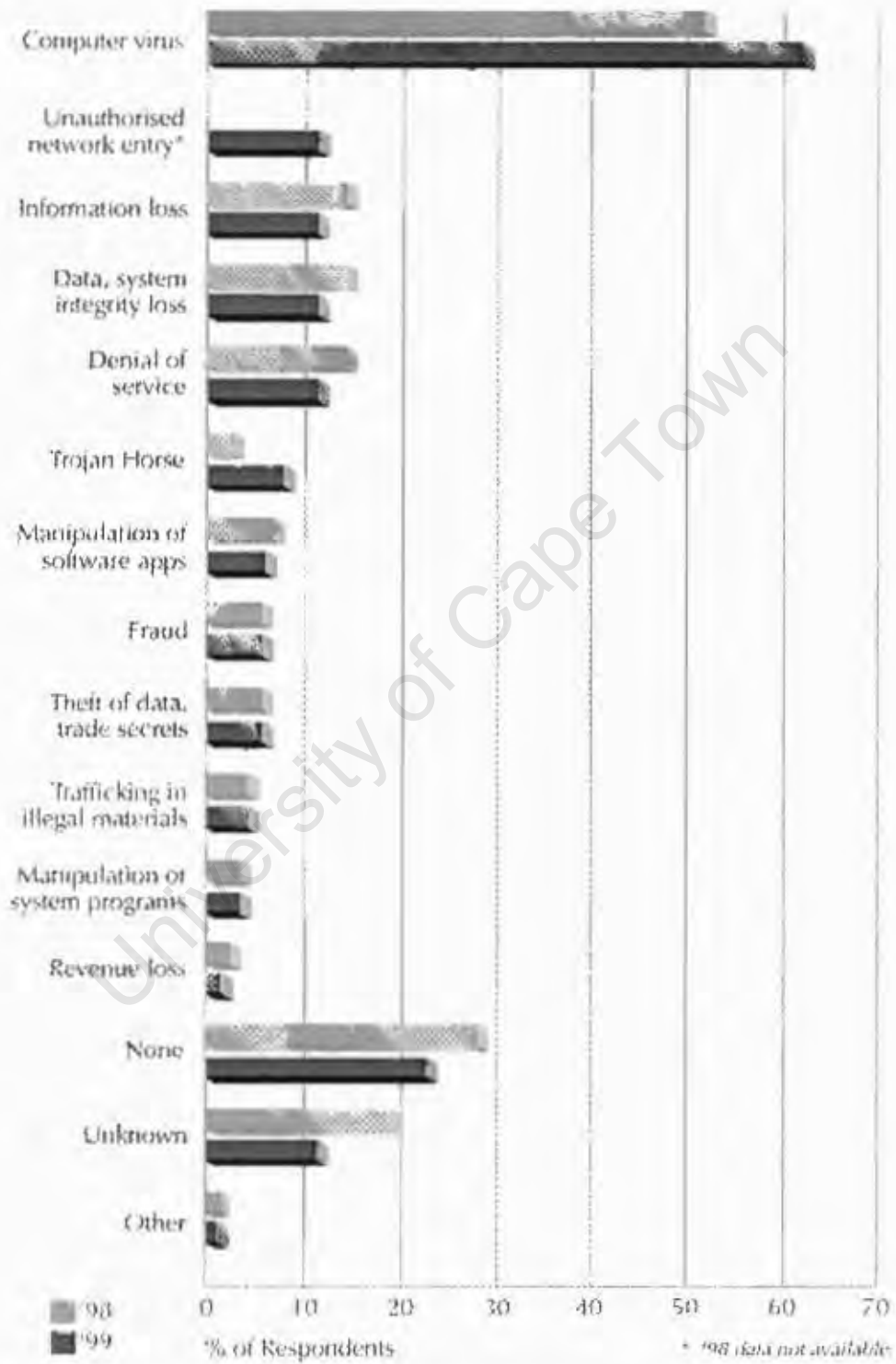


Figure 73: Security Concerns (PriceWaterhouseCoopers, 1999)

## Appendix 18: The Language of Cyber Crime

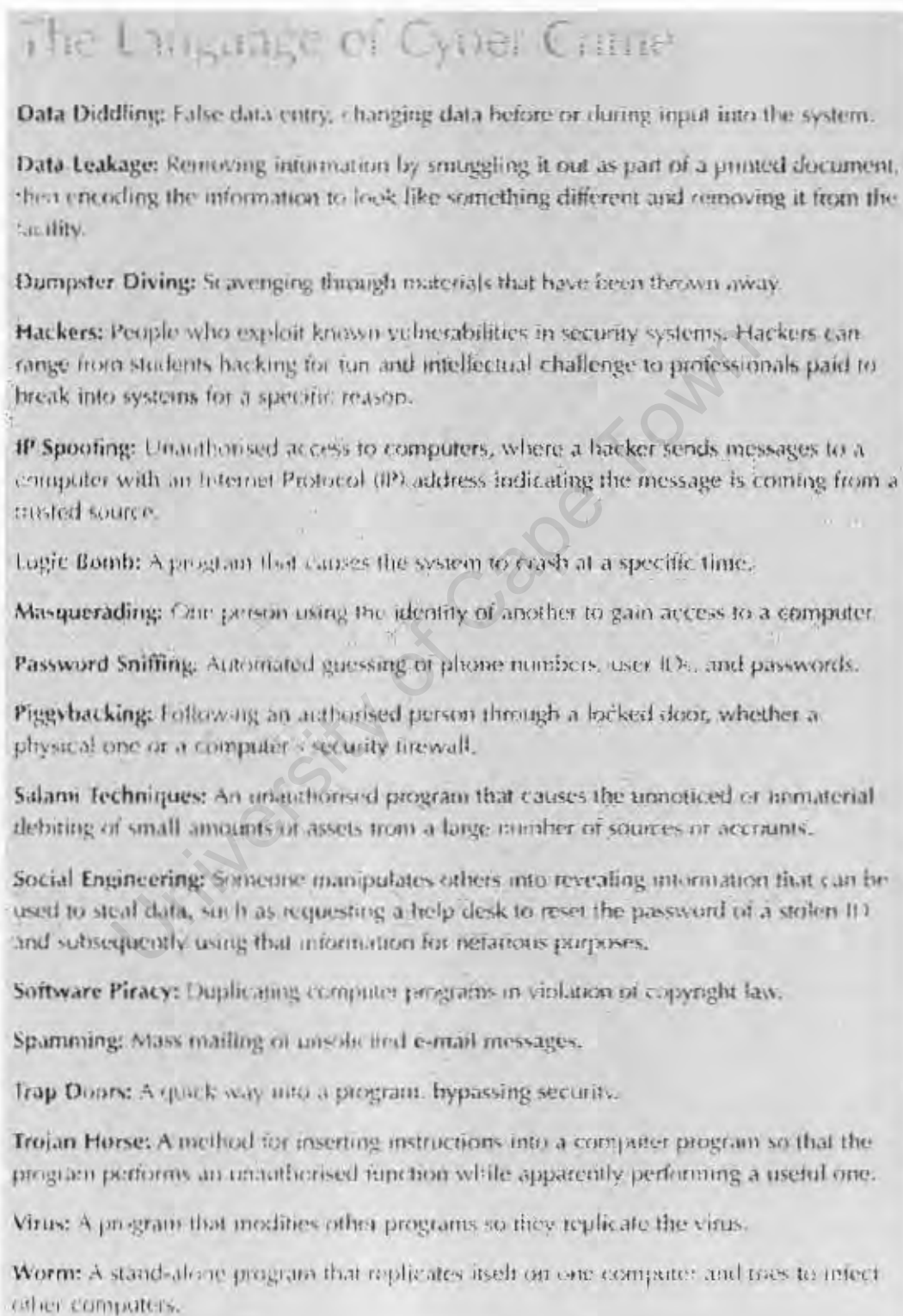


Figure 74: The language of cyber crime

### Appendix 19: Money spent on Security Technology

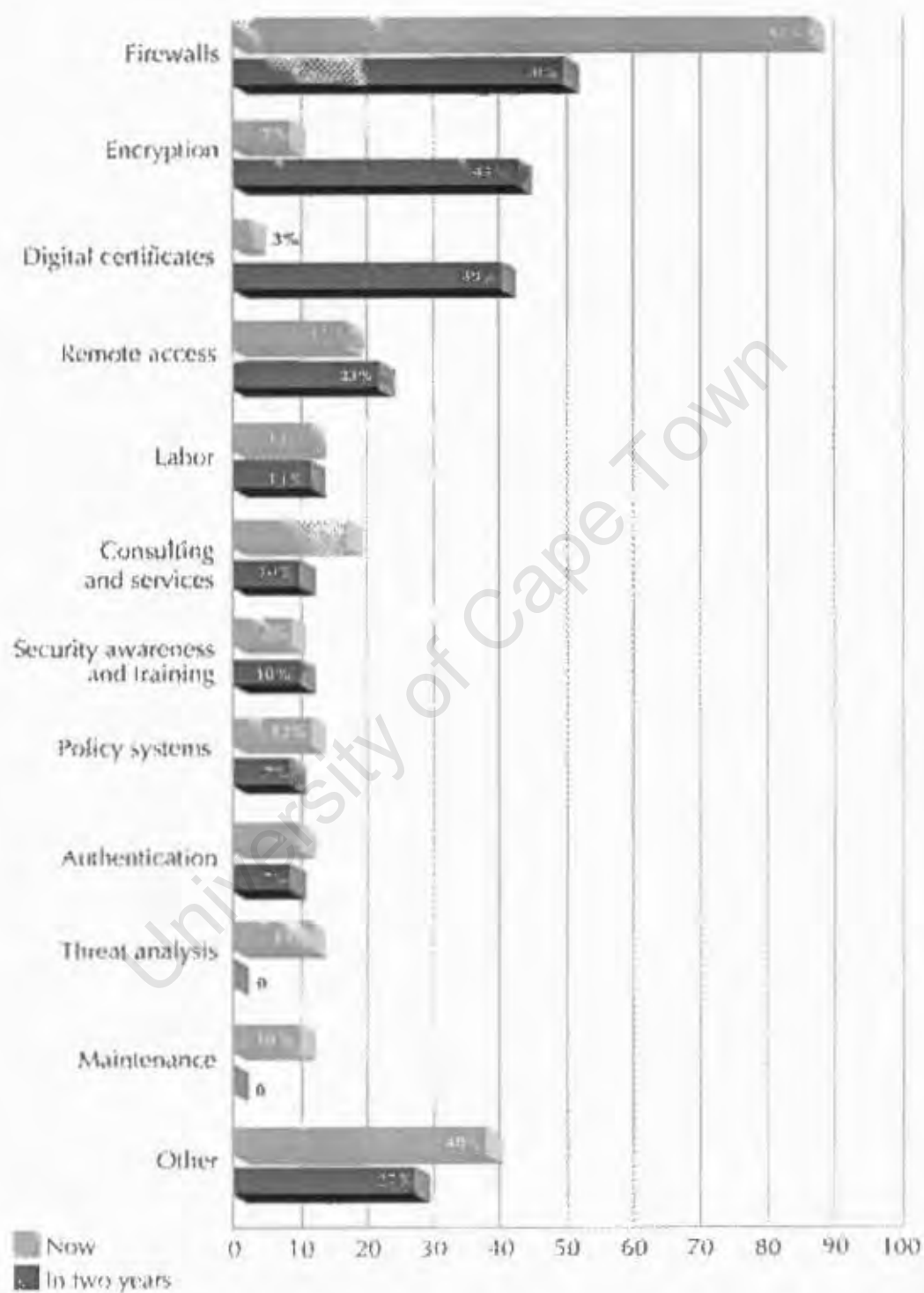


Figure 75. Money spent on security technology (PriceWaterhouseCoopers, 1999)

## Appendix 20: Preliminary Models of Trust in e-Commerce

### A 20.1 Cheskin Research

According to Cheskin Research (1999), the simple model below describes the major components of the development of trustworthiness for Web sites :



Figure 76 : A model to understand e-Commerce Trust (Cheskin Research, 1999)

Consumers new to e-Commerce sense a kind of chaos in the Web, where information is vulnerable to hackers, technology is unreliable, and good intentions may lead to unpredictable results. This perception leads to a desire for control, particularly of personal information (Cheskin Research, 1999).

For current e-Commerce users, control is still a fundamental concern (Cheskin Research, 1999). However, for some reason, be it experience, or psychographics these individuals can be assured, to their satisfaction, that they retain some control over their own personal information.

Cheskin Research (1999) has found, that seals of approval (symbols like VeriSign and Visa) seek to re-assure the visitor that control has been established. Once a sense of security has been established, a visitor's focus changes to the five (other) signifiers of trust : brand, navigation, fulfilment, presentation and technology. Interestingly, 'technology' is often key in producing a sense of legitimacy for the 'seals of approval' (Cheskin Research, 1999).

The diagram below depicts the development of trust for Web sites :



Figure 77: Development of trust for Web sites (Cheskin Research, 1999)

According to Cheskin Research (1999), the six different major building blocks that communicate trustworthiness, as discussed earlier, interact with each other in complex ways.

## **A 20.2 PriceWaterhouseCoopers**

PriceWaterhouseCoopers' answer to the question 'How does a company assume the mantle of trust' is: Risk Management. Risk management, according to PriceWaterhouseCoopers (1999), is fundamental to building trust in eBusiness; its three stepping stones are:

1. Control
2. Security, and
3. Assurance

### **Control**

Today the assessment of risk – its likelihood and impact – is complicated by the fact that in the world of eBusiness, organisations are much more interdependent, relying upon one another to a greater degree than ever before (PriceWaterhouseCoopers, 1999). Thus, the control architecture must be comprehensive and the question must be asked what risks keep us from achieving our objectives. Companies must understand how certain 'control attributes' are supported from both internal and external perspectives (PriceWaterhouseCoopers, 1999). Trust is achieved when certain control attributes are proven.

### **Security**

While security of business information is important to the success of any operation, in the world of eBusiness it is crucial (PriceWaterhouseCoopers, 1999). Information can leak out quickly, sometimes untraceably. When it is gone, it is lost forever or, worse, it becomes a co-opted asset of the competition. Several elements of eBusiness security, as mentioned previously, are: physical security, personnel security, administrative security, communications security, operations and risk management. Companies using the stepping stones, control, security and assurance, in their efforts to build sound operations in the digital environment must therefore

undergo a fundamental shift in perspective: a 'clean sheet approach to achieve trust will encompass an end-to-end security solution (PriceWaterhouseCoopers, 1999).

### **Assurance**

The single best way to communicate trustworthiness is to provide assurance to all stakeholders that proper controls are in place as transactions are undertaken (PriceWaterhouseCoopers, 1999). Assurance policies must be in place in six specific areas:

- Information protection
- Secure Infrastructure
- Disclosure of business practices
- Transactional Integrity
- Operational Resiliency, and
- Compliance

According to a recent PriceWaterhouseCoopers / World Economic Forum Survey (1999), nearly 80% of global CEOs believe Internet enabled eBusiness will reshape competition in their industries. But confidence that their operations will be protected is fundamental as they pursue new goals in the digital environment. These companies, their customers, and their business partners are often reluctant to accept new market and technology strategies because they don't trust electronic approaches (PriceWaterhouseCoopers, 1999). Unfortunately, this view is in stark contrast to the simple reality of eBusiness: it opens markets and shrinks the world of business by virtue of the low transaction costs, minimal barriers to entry, and improved access to information that are so closely associated with the Internet.

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