

Responses of Vendors on Trust Issues Arising from Online Selling

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Abstract

Trust is an essential element in the growing online marketing industry, however, it is difficult to establish due to lack of physical interaction. Online vendors need to overcome this concern and encourage site visitors to pursue the purchase of products. Thus, this study determined the trust issues and how online sellers handled them. The study employed the descriptive research design through survey method using a validated researcher-made questionnaire. Data gathering also included an interview with an open-ended question. The 100 respondents were selected from 260 population of registered online sellers in the area with 90% level of confidence. Frequency and weighted mean were used for data analysis. Results showed that common trust issues encountered by the online sellers in the area included accusation as a scammer, perception of having low credibility, doubts for using advance payment method, doubts about product quality, and rumor about the credibility of the vendor. Most of the respondents used the proof of transactions to reverse the effect of trust issues. These results may help the online sellers to handle trust issues by formulating effective strategies to overcome the adverse problems with the online business.

Keywords: business, buyers, credibility, interaction, purchase

Introduction

People are willing to take risks with people or organizations which they trust. The potential risk in e-commerce is greater because of the silence, distance, and lack of physical interactions (Cazier et al., 2006). In electronic commerce, trust is deemed crucial for turning site visitors into buyers (Garbarino & Strahilevitz, 2004). When engaging in online transactions, customers have to rely on the promises given by the online retailer. For example, customers do not know in advance whether an ordered item will turn out exactly as what they wanted (Nitse et al., 2004). Also, customers have to trust that their personal information will not be passed on to other parties, or that their credit card information is safe from hackers (Jarvenpaa et al., 2000).

As the online environment features many possibilities for fraud (Grazioli & Wang, 2001), customers are generally eager to find out before any purchase whether a particular online shop is trustworthy or not (Bart et al., 2005). Hence, there is a need to promote trust and confidence on the Internet. For consumers, security and privacy issues are seen as barriers to shopping online (Windham & Orton, 2000). New ways of doing things usually create a feeling of uncertainty and dependency and trust is generally an important factor. Many elements of personal interaction such as facial expression, gesture, and body language used in the offline environment are lost or not applicable in an online environment (Grabner-Kräuter & Kaluscha, 2003).

As often mentioned, the reason for consumers not purchasing from Internet vendors is lack of trust. It is regarded as the greatest barrier preventing consumers from transacting online (Petrovic et al., 2003). Marketers are challenged with the task of creating and maintaining a climate of trust to acquire and retain online consumers as well as to build competitive advantage. This challenge has generated tremendous interest in learning about online trust (Wang et al., 2004). Using the definition of offline trust as a starting point, researchers widened the definition of trust and applied it to online trust (Bart et al., 2005).

Trust in the online market encompasses three specific beliefs: integrity, ability/competence, and benevolence (Gefen, 2002). Trust is defined as “the belief that another is benevolent, competent, honest, or predictable in a given situation” (McKnight et al., 2000). Studies suggest that trust affects consumers’ willingness to provide private information (Chellappa et al., 2005). In other words, it is a realization that customers have the power and the firm must aim to satisfy customers by providing them with the best products and honest information to help them make the best choices (Urban, 2005).

In the field of selling, online sellers encounter different trust issues which weaken the relationship between the customers and online sellers. This may also cause the decrease of sales as well as the difficulty of getting the trust and loyalty of customers. Ways to remove the barriers preventing consumers from online selling have not been fully investigated. Hence, there is a need to determine how online sellers handle these problems and how well the customers respond to these issues. This study aimed to determine the responses of vendors on trust issues arising from online selling. The findings may help the online sellers formulate effective strategies to overcome the adverse problems with online business.

Materials and Methods

The data were gathered from 100 respondents who were given the questionnaire personally. To get the population of the respondents, Raosoft online calculator was used to calculate with a population of 260 registered online sellers in Ozamiz Black Market and come up with 100 respondents. This was identified with a 90% level of confidence. The physical distribution was conducted within the provinces of Misamis Occidental, Lanao Del Norte, and Zamboanga Del Sur. The respondents were the active online sellers in these respective provinces. Researchers used self-made questionnaires consisting of three parts that determine the Socio-Economic Profile, Online Selling Engagement, and Problem Engagement of the respondents.

A pre-test to 35 students from Misamis University was conducted. Students engaged in online selling were requested to include comments regarding the questionnaire. Using a questionnaire enables the collection of standardized data, which allows for easy comparison (Saunders et al., 2009). Informed consent was obtained from each respondent who signified voluntary participation in research.

Voice recording for the open-ended questions was also carried out. Since this research applies an interview as another method, 45 out of 100 sellers who encountered trust issues were being interviewed. All of their recorded solutions to the problem are being transcribed to a specific answer that the researchers can easily consider as the overall answer. The results/output of the questionnaires from the respondents were collected, tallied, and statistically analyzed with the Statistical Package for Social Sciences (SPSS). Quantitative Data Analysis was applied in this research to count the frequency and to generate the results. For the qualitative data analysis, the researchers focused on how sellers solved/handle the said trust issue in online selling with their prospects or customers.

Results and Discussions

Table 1 presents the personal information of the respondents as to age, address, years of engagement, online selling status, and monthly income. Results revealed that most of the respondents were aged 18-22 years old, most were single, 53% lived in Ozamiz City, and engaged in online selling for about one year to two years. Most of them were doing online selling as their part-time job with a monthly income of below 5000 mostly.

Table 1. Profile of online sellers (N=100).

Personal data	Frequency	%	Personal Data	Frequency	%
Age			Years of engagement		
18-22	49	49	Below 1 year	25	25
23-27	35	35	1 year-2 years	53	53
28-33	16	16	3 years-4 years	20	20
Address			5 years and above	2	2
Ozamiz	53	53	Online selling status		
Jimenez	15	15	Part-time	67	67
Panaon	6	6	Fulltime	33	33
Lanao Del Norte	1	1	Monthly Income		
Clarin	12	12	Below 5,000	37	37
Tangub	3	3	5,001-10,000	28	28
Zamboanga Del Sur	1	1	10,001-15,000	20	20
Pagadian	1	1	15,001-20,000	11	11
Molave	2	2	20,001-25,000	4	4
Aloran	1	1			
Oroquieta	2	2			
Sinacaban	1	1			
Tudela	2	2			
Civil Status					
Single	68	68			
Married	27	27			
Widow	5	5			

Figure 1 reveals that online sellers do meet-ups than any other method of delivering their products to their customers, followed with the preferences of using personal delivery. It is also revealed that most of the online sellers do not prefer to use pick-up orders on couriers as well as with ready to pick-up orders. Delivery by courier door-to-door is the most undesired method of delivery. Online sellers prefer meet-ups as their delivery method because they can assure that their customers may feel safe and secured in paying and getting the products.

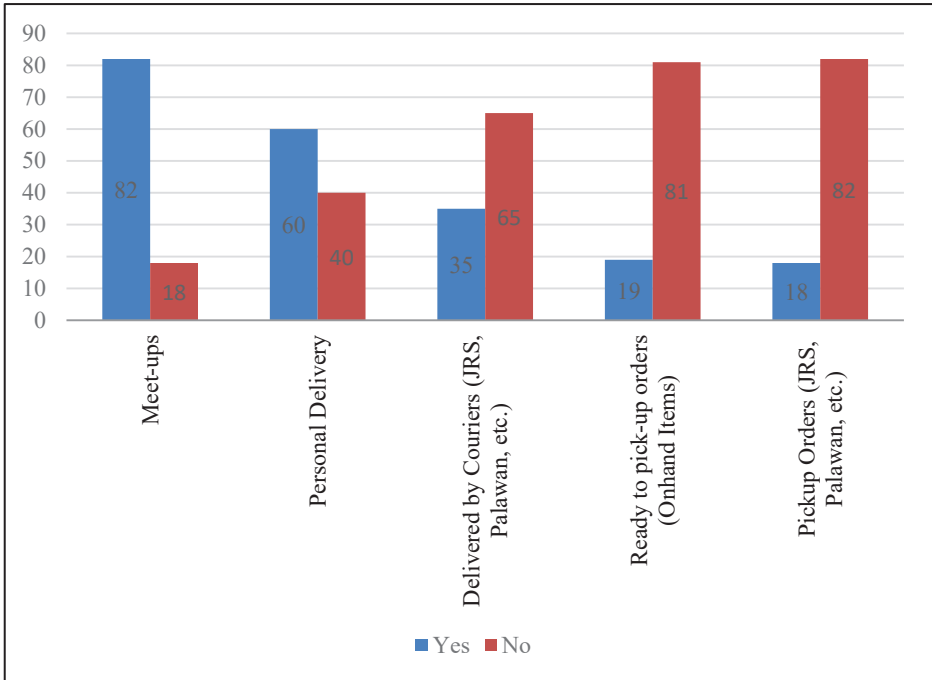


Figure 1. Preferred method of delivery among online sellers.

In today's world, social media is becoming the source of product related information, where a user will interact online with other individuals regarding their experience on a certain product/service (Mir & Zaheer, 2012). Figure 2 shows the most common products being sold online by the respondent online sellers. These include apparel, accessories, footwear, cosmetics and fragrance. On the other hand, movie tickets, autos, and auto parts are the most rarely sold items online. Based on interview, online sellers prefer to sell these products because they have a wider variety of choices and they are also some of the basic needs of the customers. Besides the design of the websites itself, studies showed that sales of social commerce business can be affected by attractiveness that encompasses product assortment (number and uniqueness of the "shop's" products) and the ability of the social

commerce business in creating an appealing product assortment (Stephen & Toubia, 2010).

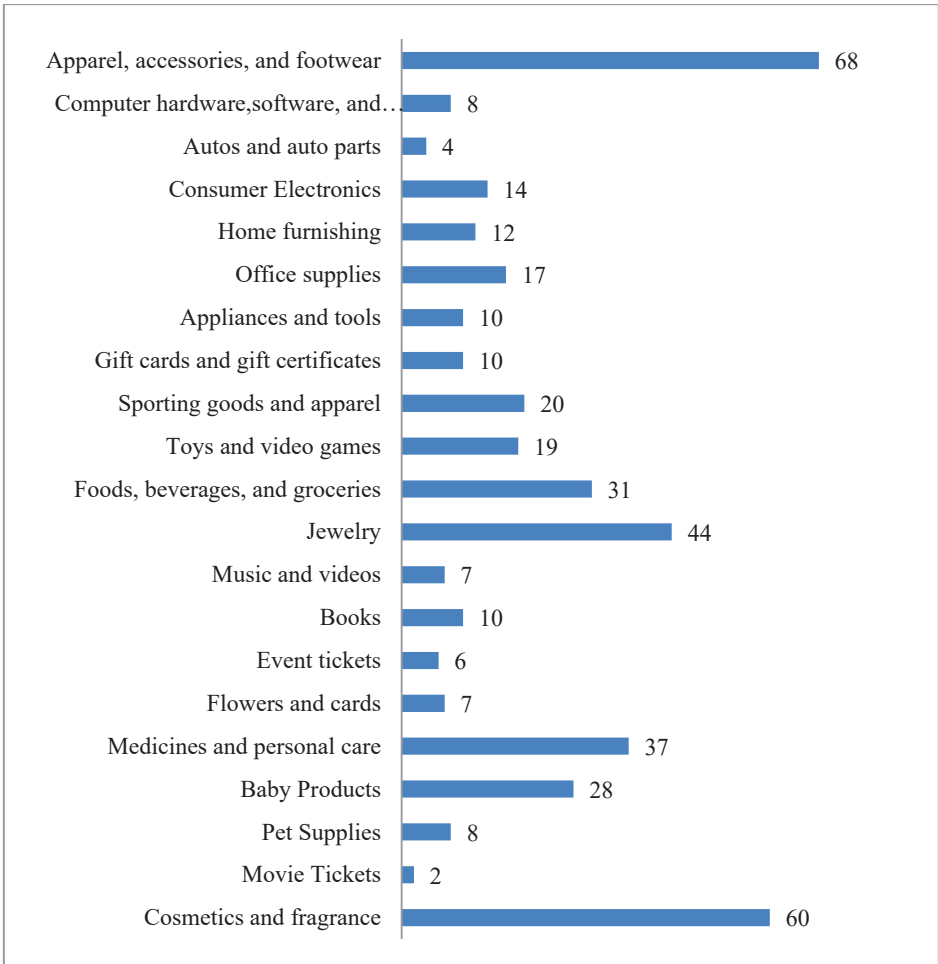


Figure 2. Types of products sold by online sellers.

Security and privacy issues are of great concern especially when it comes to revealing credit card information. Some consumers are worried of being cheated by the sellers as they do not meet the seller or

“feel” the product prior to purchase (Karmel & Hussein, 2001). Table 2 shows that online sellers prefer to use Cash on Delivery (COD) as their method of payment among online sellers, followed by Payment first policy and Advance Cash Payment. Deposit Payment with shipping fee and paying through Credit or Debit cards were the rarely used payment method. Customers want to feel safe and secured so they cannot feel totally protected from dishonest vendors with the hidden agenda to only get hold of the consumer’s credit card number (Gustavsson & Johansson, 2006).

Table 2. Preferred method of payment among online sellers.

Payment Method	Weighted mean	Interpretation
Advance Cash Payment	3.03	Sometimes
Cash on Delivery	3.49	Always
Credit or Debit card	1.87	Rarely
Payment First Policy	2.82	Sometimes
Deposit Payment with Shipping Fee	2.30	Rarely

Trust is defined as not being afraid when you are vulnerable (Saint Paul Insurance, 2000). Previous research supports this result, showing that trust increases purchase intentions both directly as it does in other buyer-seller relationships and through reduced perceived risk (Gefen & Straub, 2000). Price does not rule the Web, trust does (Reichheld & Schefter, 2000).

Table 3 shows the trust issues encountered by online sellers from their customers. Forty-five out of 100 online sellers encountered trust issues because they were perceived as online sellers with low credibility or not known by the clients. Customers also have doubts about the online seller’s product quality and the authenticity of the product.

Most of the solutions done by the online sellers to solve the problem are to let the customers view the page of the seller and showing previous receipts from previous customers. It is clearly stated that these solutions are effective. A consumer’s trust in an Internet vendor may be influenced by the customer’s past online and e-store experiences, since knowledge and/or experience can lead to an increased assessment of an internet vendor’s trustworthiness (Chen & Dhillon, 2003).

Table 3. Results in online selling about trust issues.

Trust Issue	Have experienced	Actions taken	
Accused as scammer	18	Send proof of previous transaction	15
		Giving of immediate explanation	3
Was not known by the customer (perceived to have low credibility)	21	Letting the customers to view seller's page	17
Arising doubts for using Advance Payment Method	17	Showing the receipts of their previous customers	11
		Inform the customers about the details or steps	6
Doubt about the product quality and the genuine of the product	20	The product must have been observed before selling	8
		Sellers must have to exchange the product because of defects and damages	4
Someone made rumor about my credibility	4	Sellers are defending the product to their customers as being truthful in business	3

As to the aspect of generalizing the respondent's solutions/actions to solve the problem of encountering trust issue, there are five actions that answer trust issues (Table 4). The most common way of handling trust issues was giving some proof of transactions. This is followed by product observation where the online sellers observe the quality of the products before selling. Advance payment details is third which is composed of both parties' private information as to where the payment is sent, to whom the payment is sent, how much is the advance payment, and contact numbers. Fourth is product exchange which is an act of changing the product being purchased by their customers to his or her much more desired product. Lastly is giving an immediate information which is done by telling immediately the prospect an explanation that the vendor is not a scammer.

Table 4. Summary of actions taken in online selling about trust issues.

Summary of actions taken	No. of preferred solutions	%
Proof of transactions	46	61%
Giving of immediate explanation	3	6%
Advance payment details	6	13%
Product exchange	4	8%
Product observation	8	17%

Online sellers favor to have proof of transactions from previous business activity so they can have something to show to customers or prospects if they ask. There were 28% or 13 out of 45 online sellers who also ignored some trust issues. Retailers can build mutually valuable relationships with customers through a trust-based collaboration process (Dayal et al., 2001). However, the way in which trust may be gained and the impact it has on e-business outcomes are not yet well understood (Jones et al., 2011).

Conclusion and Recommendations

In online business, trust issues are most common that online sellers encountered. Proof of transaction is a piece of evidence that the prospect or customer can trust the online sellers. Overall, online trust is a vibrant and growing field with research. We can expect continued advancement in the field of online trust research and its impact on improved internet strategies of firms. It is important to disseminate through forum the findings of this study to groups of online sellers in the provinces of Misamis Occidental, Lanao Del Norte, and Zamboanga Del Sur.

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