

## Effect of transaction trust on e-commerce relationships between travel agencies

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Received 21 December 2004; accepted 16 June 2005

### Abstract

This study attempts to examine wholesaler construction of trust mechanism in B2B commerce in the travel industry. Eight hundred and sixty-eight travel agencies in Taiwan were surveyed, yielding 212 valid returned surveys. Results show a great difference between party trust and control trust, showing that retailers are primarily concerned with image and reputation, and less with concrete measures to enhance control trust. Finally, this study concluded with recommendations for how wholesalers can improve trust mechanisms, so as to consolidate and retain the trust beliefs and trust attitudes of the retailers for future transactions.

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*Keywords:* Trust; Travel agency; Electronic commerce

### 1. Introduction

The topic of trust has aroused increased interest in Internet business research. Gambetta (1988, p. 213) noted that “scholars tend to mention trust in passing, to allude to it as a fundamental ingredient or lubricant, an unavoidable dimension of social interaction, only to move on to deal with less intractable matters.” The emergence of the World Wide Web and communications technology has opened up the world of conventional travel agencies. Many successful travel Web sites have also stimulated other organizations, such as airlines, travel agencies as well as tourism-related print media to join e-marketing, aiming to increase their share of the tourism market (Chen & Yung, 2004). According to statistics released (2005/1/18) by the Ministry of Transportation and Communications Tourism Bureau (<http://202.39.225.136/indexc.asp>), there were 7,780,652 travelers in 2004, up 1,857,580 (31.36%) from 2003.

In the Internet context, the original distribution from manufacturers (airlines) to distributors (wholesalers) and then on to retailers has been abruptly compressed. Manufacturers and wholesalers now link directly to their Internet end users, while at the same time the relationship between wholesalers and retailers has become a business-to-business (B2B) operation. On one hand e-business has slashed travel agency operating costs while on the other it has driven traveler volume purchasing that has reduced costs as well. Electronic commerce has also influenced the way that travel agencies conduct their business and, in particular, the way travel agencies distribute their tourism products in the market place (Buhalis, 1998; Buhalis & Licata, 2002). Increasingly, travelers can undertake their entire tourism product search and booking online. To do that, they require flexible, customized, accessible, interactive product and communication with travel agencies (Garcés, Gorgemans, Sánchez, & Pérez, 2004). Moreover, e-commerce can also convert travel agencies from dependence on commission fees as their major revenue source to service charge collection (Willaim, 1999); lending support to the notion that e-commerce has not only opened up new marketing channels, but also created a new marketplace (Chen & Yung, 2004). Because so

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many of these transactions take place in cyberspace where buyer and seller have no face-to-face connection, trust is a critical determinant of successful B2B transactions (Dwyer, Schurr, & Oh, 1987; Mayer, Davis, & Schoorman, 1995; Morgan & Hunt, 1994; Reichheld & Schefer, 2000; Saporito, Chen, & Sapienza, 2004).

Although a number of studies (Castelfranchi & Tan, 2002; Kim, Foscht, & Collins, 2004; Luo, 2002; Mayer et al., 1995; McKnight & Chervany, 2002; Morgan & Hunt, 1994; Tan & Thoen, 2001) have addressed Internet B2B transactions from the perspective of trust at various levels, few empirical studies have been conducted on the wholesaler response to the way trust affects retailer transaction intentions in the travel e-commerce industry.

This study differs from past research in adapting the theory of reasoned action (TRA) (Fishbein & Ajzen, 1975) as the conceptual framework. The TRA is designed to explain various human behaviors, emphasizing the strong correlations among beliefs, attitudes, and intentions (Becker & Gibson, 1998; Chang, 1998; Felton, Dimnik, & Northey, 1995; Kolekofski & Heminger, 2003; Shih, 2004; Vijayasathy, 2004). TRA is a widely studied model from social psychology concerned with the determinants of consciously intended behaviors (Fishbein & Ajzen, 1975). According to TRA, a person's performance of a specified behavior is determined by his or her behavioral intention to perform the behavior, and behavioral intention is jointly determined by the person's attitude and subjective norm concerning the behavior in question. A person's attitude toward a behavior is determined by his or her salient beliefs, while subjective norm is determined by normative beliefs and motivation to comply (Davis, Bagozzi, & Warshaw, 1989). The purpose of this study is to examine how trusting beliefs, attitudes and transaction intentions affect each other, and then analyze the types of transaction trust that affect wholesaler perception of retailer intentions, and ascertain the roles and importance of party trust and control trust throughout the entire transaction process, in order to generate useful recommendations for wholesalers.

## 2. Literature review

### 2.1. Internet and the travel industry

According to a report of MIC (Market Intelligence Center, Taiwan's leading IT industry analysis and consulting service provider) in June of 2004 (<http://mic.iii.org.tw>), Taiwan has a population of 23 million, of which some 8.88 million people surf the Internet. Internet penetration has reached 39% of the population and is still growing. The report also states that in 2003, the overall value of the business to consumer (B2C)

market transactions, reached USD\$ 0.66 billion. Online travel agencies, who do USD\$ 0.32 billion of business, account for 48% of the B2C e-commerce market, making them the leading industry in B2C e-commerce.

### 2.2. Trust

The Web presents the consumer with a limitless number of business Web sites, all with different features and characteristics, operated by firms ranging from private individuals to non-profit organizations to small businesses to giant multinationals. As a result, trust plays a central role in governing transactions. Lack of trust in online companies is a primary reason why many consumers do not shop online. Despite general scholarly agreement that trust is essential to social relationships, the role of trust in commercial transactions remains a matter of debate (Saporito et al., 2004). As Gronroos (1994) indicates, the greater the uncertainty that the customers have, the more important the trust factor becomes. In the field of e-commerce, much research has been directed at exploring the differences in the roles and definitions of trust among study subjects. For example, Morgan and Hunt (1994, p. 23), looking at inter-organizational trust, defined trust as: "when one party has confidence in an exchange partner's reliability and integrity." Kim et al. (2004, p.198), addressing trust between businesses and consumers, opined: "Trust is a dynamic process. Trust can only be built over a certain period of time, and it usually contributes to customer satisfaction over and beyond the effects of the economic outcomes of the relationships." Trust exists because the parties effectively understand and appreciate the other's wants, and this mutual understanding is developed to the point that each can effectively act for the other (Lander, Purvis, McCray, & Leigh, 2004). An early trust theorist, Rotter (1967), defined interpersonal trust as an expectancy held by an individual or a group that the word, promise, verbal or written statement of another individual or group can be relied upon. These definitions also highlight the importance of trust.

### 2.3. Determinants of trustworthiness

Mayer et al. (1995) defined three characteristics of inter-organizational trust: ability, benevolence and integrity, which appear to explain a major portion of trustworthiness. Ability refers to the group of skills, competencies and characteristics that enable a party to have influence within certain specific domains. The domain of ability is specific because the trustee may be highly competent in some technical area, affording that person trust on tasks related to that area (Zand, 1972). Benevolence is the extent to which a trustee is believed to want to do good to the trustor, aside from an egocentric profit motive. Benevolence suggests that the

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