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E-business differentiation through value-based trust

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Abstract

For e-business, location is irrelevant and competition is intense. To succeed in this environment, organizations must find new ways to differentiate themselves from their competition. One way to achieve e-business differentiation is to foster trust by building a perception of value congruence and avoiding a perception of value conflict. We explore how value congruence contributes to and how value conflict decreases trust in e-businesses. An experiment was conducted to examine the respective impacts of value congruence and value conflict on trust in an e-commerce setting. Our results show that, for e-businesses, value congruence has an enabling effect on trust while value conflict reduces trust. Such effects are strong enough to suggest that value congruence can be employed as an effective way for e-businesses to differentiate themselves while creating and sustaining competitive advantage. Managerial implications are drawn from our results.

Keywords: Trust; Value congruence; Value conflict; E-commerce; E-business; Differentiation; Competitive advantage

1. Introduction

Trust makes business possible. Without it, few transactions would occur. Consumers must trust a seller to deliver a product as agreed. Clients may also refuse to do business if they do not trust the security and privacy practices of the vendor. In the brick-and-mortar world, customers can alleviate their concerns through face-to-face interaction with a human; physical presence of the business offers assurance that it exists, is accessible, and is trustworthy. In the online virtual marketplace, it is difficult to develop such trust.

Building and marketing a business in the online world poses unique challenges. When the well-known four P's (product, price, promotion and place) of marketing were developed in the 1960s, place was considered important. The four P's have been extensively studied by researchers and employed by practitioners [2]. However, online businesses need a new model for success, as place has become an irrelevant factor in this arena. Wilson and Abel [42] claimed that on the Internet location has become a non-issue, and with the declining importance of place, other factors are more critical. A new factor that may substitute for place is *perception*, including the customer's perceptions of trust, value congruence, and other factors that motivate customers to complete a transaction. As competition turns intense in e-commerce, perception may be very influential and perceived value congruence can become more important. With the competition just a click away, e-businesses must find other ways to distinguish themselves from competitors.

Trust has been identified as a critical success factor for businesses. It is therefore imperative to study how

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online consumer trust is promoted and cultivated [20]. Luo [22] argued that lack of online trust is a main reason that people drop out of online business transactions. Without sufficient trust, they are unwilling to engage in e-commerce. Brynjolfsson and Smith [7] reported that an online retailer with the lowest prices does not necessarily register high sales for its products. They argued that this result is partially due to differences in the levels of trust in online sellers. As a consequence, some Internet businesses have to lower their prices to compensate for less consumer trust—a practice that may hurt their long-term profitability and sustainability. Ba and Pavlou [4] found that high levels of trust allowed vendors to charge price premiums.

Quelch and Klein [30] showed that trust is a key factor in stimulating Internet purchases, especially at the early stages of commercial development. Greater levels of trust often lead to greater margins, more sales, and higher profits; these are crucial for the survival and prosperity of online business. At an international level, Huang et al. [15] found that trust is an important factor in increasing the Internet's penetration and usage.

However, much work still needs be done to determine the production of trust in e-business. Our paper attempts to look at the role played by value congruence (conflict) in creating (destroying) trust. Value congruence or compatibility is a measure of the amount of overlap between the values of customers and those values they believe the organization possesses. The sharing of values, backgrounds, and beliefs has been empirically demonstrated to produce trust between persons that share common values [8].

While many other factors can influence trust in e-business, value congruence may be unique and particularly important. The durability of affect-based trust created through value congruence makes it more desirable than trust created by other means. This qualitative difference sets value congruence apart and merits further study and evaluation. In this study, we examine the relationship between value congruence and trust to analyze how sellers in the online marketplace can harness this relationship.

2. Theoretical framework

2.1. Trust

Trust has been defined as ‘‘confidence in a person or thing because of the qualities one perceives’’ [29]. In the literature, the definition has been taken a step further to include the person's behavioral intentions as the ‘‘willingness of a party to be vulnerable to the actions of another party based on the expectations that the other one will perform particular actions important to the trustor, irrespective of the ability to monitor or control the other party’’ [23]. The latter definition replaces confidence with the willingness to be vulnerable and replaces qualities with how the trustee is expected to behave in the future.

While both definitions of trust are useful, the ‘‘willingness to be vulnerable’’ concept is especially important because online transactions tend to put buyers in a vulnerable situation. For example, when customers place an order online, they have to reveal sensitive personal and financial information, like address and credit card numbers, to the vendor. In order to engage in online transactions, customers need to trust vendors enough to put themselves in a potentially vulnerable position. Chow and Holden [9] found that e-commerce customers cannot physically interact face-to-face with a human representative, so they must rely on their trust in the organization when making purchases.

When we trust a person or organization, there is an increase in our likelihood of taking risks with them. In e-commerce, the potential risk is greater due to the anonymity, distance and lack of physical interactions. Therefore, the study of online trust is critical in understanding why people do or do not engage in e-commerce activities.

There are perceived risks in doing business online. By far, identity theft is the largest category and it represents one of the fastest-growing crimes in the U.S.; 43% of all complaints received by the Federal Trade Commission (FTC) were related to it [39]. In 2002, the FTC logged nearly 162,000 consumer complaints of identity theft, more than five times the 31,000 reported in 2000 [6]. Victims of identity theft can have their credit ruined; some have been repeatedly arrested for crimes committed by others using their identity and others have lost their jobs due to the criminal record resulting from the theft. Online job posting company Monster.com admitted that identity thieves had post-false job openings on its website in order to steal people's identities [10]. Fear of identity theft can deter Internet users from engaging in online business.

In the online world, it is relatively easy to set up a company that appears legitimate but is actually a fraud [27]. While fraud also exists in the physical world, the chance of becoming a victim there is relatively lower. In e-commerce, there is typically a delay between the time of payment and the receipt of the goods; this delay leads to greater perceived risk. In addition, there have been a large number of reported fraud cases that increased consumers' perceptions of risk. A high level of trust can help overcome such negative perceptions [21].