

Psychological factors influencing Consumer trust in E-retailing

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Submitted: 02-01-2022

Revised: 09-01-2022

Accepted: 12-01-2022

ABSTRACT

Online trust is one of the main determinants of the success of e-retailers and much research has dealt with website features triggering consumer trust to them. Another stream of research focuses on the psychological antecedents to online trust; i.e., what “happens” in the consumer’s mind before or while a person decides to trust an e-retailer? So far, each effort has focused on only a few selected aspects of this trust formation process. No study has attempted to identify major psychological antecedents of trust. Our work identified the relative importance of the antecedents of institution-based trust in e-retailing; i.e., trust people have in it in general. A review of the literature reveals a large number of potential psychological antecedents. These can be categorized into five group of factors: personality-based, perception-based, attitude-based, experience-based, and knowledge-based. The five categories are hypothesized to influence institution-based consumer trust in e-retailing. According to our results, perception based factors are the main determinants of consumer trust in e-retailing. Consumers do behave, after all, rationally.

Keywords: E-retailing; Consumer trust; Institution-based trust; Psychological determinants; Antecedents to trust

I. INTRODUCTION

“Retail industry is one of the ever-growing sectors in Indian economy. It includes gaining customers’ satisfaction. According to **Business Today (May 2015)**, in the world retail market, India ranks fifth after the United States, China, Brazil, and Russia in terms of market potential. Also, **IBEF report, 2015** stated that the retail industry in India is expected to grow to US\$ 950 billion by 2018, registering a Compound Annual Growth Rate (CAGR) of 8.9 % during 2000-18. **Global Retail Development Index, 2015** reports that” “India’s retail market is expected to expand at

\$1.3 trillion by 2020”. “Retail industry is facing a paradigm shift since the last decade from a small scale unorganized departmental store to a multi-operational organized format of malls and super-markets to a format of” “world without walls” that is “E-Retailing”. “The adoption of Internet and smart-phones is the biggest driver of increasing e-commerce in India. E-Retailing or E-Tailing or Electronic retailing is the selling of retail goods and services through the medium of Internet. It is a play of the two words” “Retail” and “E-commerce. “Products are tangible in nature and can easily be assessed based on its design, features and forms. While services are intangible and perishable, therefore measuring services becomes more important in the case of service industries and retailing organizations.. Since E-Retailing is the most convenient source of retail format, therefore it presents the different experience of services than organized retail even when the same product is purchased. The Internet has made it possible to conduct business-to-consumer transactions across an open network, but it has many benefits and raises many concerns. Currently, the most important ones with respect to e-commerce and e-retailing are security, privacy, and consumer protection issues. The preoccupation with these has resulted in the current dimensions of e-commerce and e-retailing will be smaller than expected. These can all be reduced to consumers’ lack of trust in e-retailing. Trust is central to any commercial transaction, whether conducted in the conventional way (in a retail outlet) or over the Internet (through a website). Trust can trigger increased purchasing to the extent that it reduces the complexity and perceived risks of purchasing.” “Therefore, only if the Consumer trusts the retailer will they feel comfortable when purchasing a product, giving personal information, and using payment methods other than cash. In brief, trust increases the probability of (re)purchase. Without consumer trust, e-retailing will never reach its full economic

potential. Only recently has research on factors influencing.”

Statement of the problem

“India has a large internet savvy population that is not only accessing the Internet but also buying online. With a revolution in the very basics of transaction from a physical store format to a non-store one, the retail industry has begun to understand the indispensability of the Internet as a medium of transaction. However, the rate of diffusion and adoption of the new phenomenon amongst Consumers is still relatively low. A lack of trust discourages consumers from participating in online buying. With the Internet advancing new opportunities, it is important to understand the factors that generate trust of Indian consumers in the online buying system. So far, most of research work is done on factors influencing consumer trust in e-retailing on the effects of situational factors; i.e., the design of the website and the use” of brand names or trust seals. Until now, no study has attempted to identify what the trust; i.e., what are the psychological determinants of trust in e-retailing?

Research Question

1 Trust, according to Rousseau, is defined as: “a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behaviour of another” “This definition depicts trust as a mindset, which encourages a person to take risk because of positive expectations.”

But, **how exactly are these positive expectations formed?** Is trust determined by a person’s

personality or is a more cognitive, **perception-based explanation appropriate?** Is trust also the acquired **knowledge of prior experience with e-retailing?** This research attempt is made to identify the set of psychological antecedents of consumer trust in e-retailing.

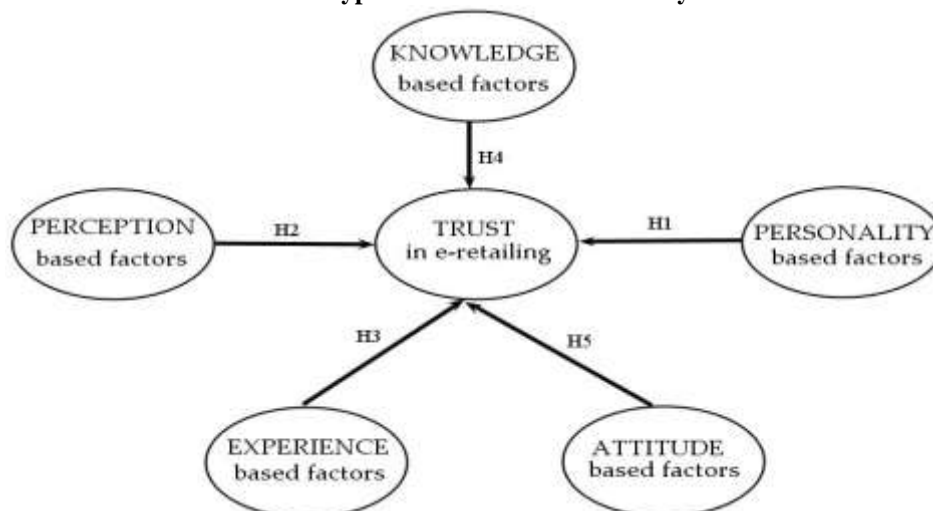
The objective of the Study

- “To identify the antecedents of consumer trust in e-retailing.”
- “To study the influence of psychological factors on consumer trust in e-retailing.”

The hypothesis of the study

- Hypothesis - 1
 H₀: There is no significant relationship between personality-based factors on consumer trust in e-retailing.
- Hypothesis - 2
 H₀: There is no significant relationship between perception-based factors on consumer trust in e-retailing.
- Hypothesis - 3
 H₀: There is no significant relationship between experience-based factors on consumer trust in e-retailing.
- Hypothesis - 4
 H₀: There is no significant relationship between knowledge-based factors on consumer trust in e-retailing.
- Hypothesis - 5
 H₀: There is no significant relationship between attitude based factors on consumer trust in e-retailing.

The hypothesized model of the study



Source of Data Collection:

“Major task of any research relies on a collection of data. In the same line, for the present study both sources were utilized.

In order to achieve the above-stated objectives, the study has planned to be used both primary and secondary sources. The survey method will be used to collect primary data.”

Primary Data

“The primary data to be collected and gathered through structured questionnaire, scheduled for e-retailing Consumer. In Questionnaire design the first part collects details regarding demographical profile of the respondents and second part about their opinion towards consumer trust based on different psychological factor.”

Secondary Data

“Secondary data enables in assessing the first-hand data and study concerning the purpose of the study, sources, methods and tools. It is considered that secondary information sources are less costly and easily accessible. It also provides a base to refine research questions and helps to draft research further. Secondary data also includes scope for interpretation of the primary study. Besides, it also provides useful information for research questions (Saunders et al. 2003). In the present research study, sources of secondary data were previous surveys, statistical information, which were available in magazines, journals, abstracts, reference works and reports from analysts.

Sample Design and Size

“The study has selected 316 sample of Consumer who buys through online by adopting purposive sampling method in order to know the factors which influence the consumer trust in e-retailing.”

Tools and Techniques

“The present research utilized suitable statistical tools like frequencies, percentages, graphs and tables representing the analyzed data. Descriptive analysis was used to explain the simple features of the collected data. The study results were tested with reliability analysis, identified factors using factor analysis. Regression test was used to prove the stated hypotheses.”

Scope of the Study

“The population of this study is large. Due to certain factors such as time, financial and academic constraint, this research work will concentrate only on the selected Consumers who make a purchase through e-retailing within the jurisdiction of Belagavi City.”

Limitations of the Study

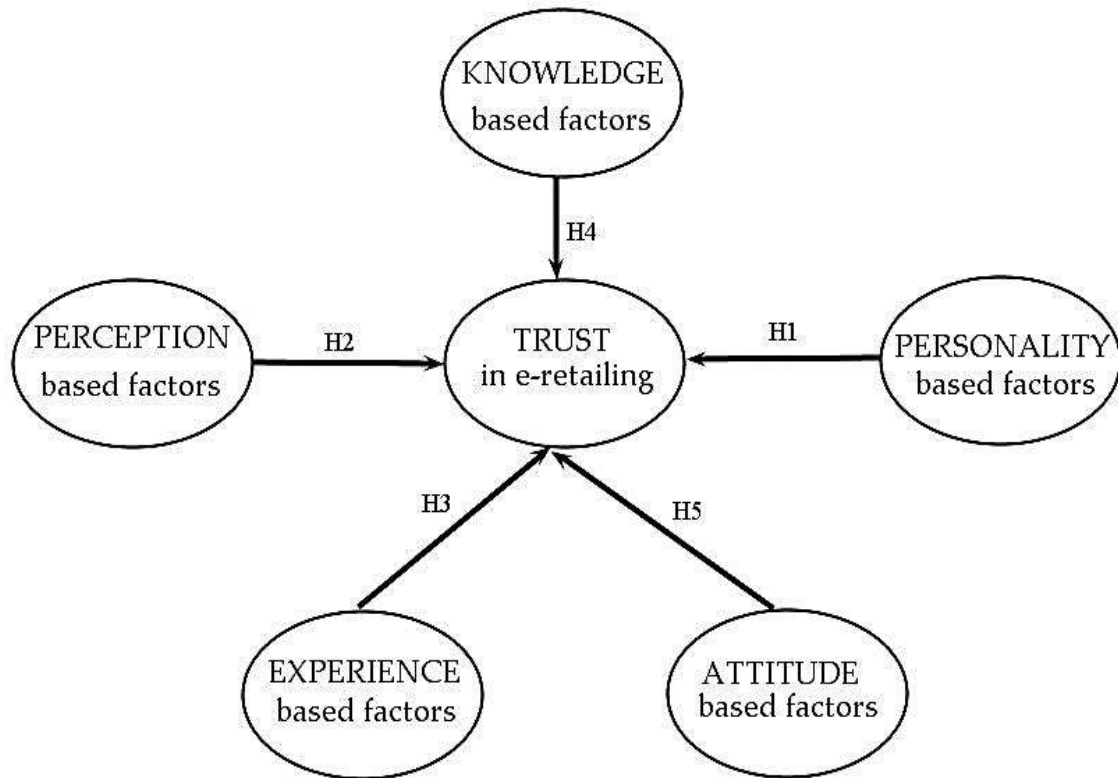
“Any primary data-based study through pre-designed questionnaire suffers from the basic limitation of the possibility of difference between what is recorded and what is truth, no matter how carefully the data has been collected. The same may be with the present study because the respondents may not deliberately report their true opinion”

Introduction

This chapter deals with the analysis of Psychological Factors Influencing Consumer Trust In E-Retailing. Here we consider the following factors:

- a. Personality-based factors
- b. Perception-based factors
- c. Experience-based factors
- d. Attitude
- e. Knowledge

In order to reach the objective of the study we have developed the following research model:



For this study we have framed the following hypotheses:

H1: Influence of personality-based factors to consumer trust in e-retailing.

H2: Influence of perception based factors to consumer trust in e-retailing.

H3: Influence of experience-based factors to consumer trust in e-retailing.

H4: Influence of knowledge-based factors to consumer trust in e-retailing.

H5: Influence of attitude based factors to consumer trust in e-retailing.

We have analyzed these parameters by using percentage and weighted average tables. The present chapter also proves hypotheses formulated for the study by using statistical tools like one-way ANOVA, Chi-square test and regression analysis through SPSS 24.0 software.

Sample Size

The equation for calculating sample size is shown below:

$$\text{Sample Size} = \frac{z^2 \times \hat{p}(1 - \hat{p})}{\epsilon^2}$$

Where, z is the z score ϵ is the margin of error N is population size \hat{p} is the population proportion

Hence the population of the study is

$$\text{Sample Size} = \frac{1.96^2 \times 0.5(1-0.5)}{0.05^2} = 384.16$$

Thus, a sample size of at least **385** people would be necessary for the case above. Among the received

samples, data filtration was done, we have noticed that 69 questionnaires were adequate, either incomplete or linear answers for each question. Therefore, the final sample size selected for this study was **316**: interview and questionnaires.

Findings of the Study

1. Majority of the respondents were female, i.e 56.64% female and 43.35% male.

2. 68.67% respondents age lies between 21-30 age category, 23.10% respondents age belongs to 31-40 age group whereas 6.32% respondents age belongs to 41-50 category and 1.89% respondents were more than 50 years old.

3. 3.79% of respondents completed elementary education, 7.59% of respondents completed HSC followed by 52.84% graduates, and finally, 35.75% have completed post-graduate education.

4. 6.96% of respondents monthly income was less than 30000 rupees, 17.72% respondents monthly income was in between 31000 to 40000 rupees, 34.49% respondents monthly income belongs to 41000 to 50000 rupees income category. Finally, 40.82% respondents monthly income was more than 50000 rupees.

5. 38.29% of respondents were students, 6.01% were housewives, 23.41% of respondents were belongs to service category, 29.11% respondents

belonged to business category and 3.16% of respondents were retired from service.

6. 43.03% respondents were married and 56.96% respondents were unmarried.

7. Our research supports that extroverted individuals are energetic, outgoing and dominant in social situations therefore more likely to trust e-commerce and less likely to voice strong privacy concerns.

8. The current study supports individuals who are neurotic (emotionally unstable) are less likely to trust in e-commerce as he or she has a tendency to experience more threats and anxiety than do emotionally stable individuals.

9. Results show that more agreeable individuals who are generally more likely to trust their social environment and who have a tendency to strive for harmony in their social relationships expressed fewer security concerns.

10. This study has demonstrated, at least for this sample, that conscientious individuals and their focus on planning and detail may lead them to perceive e-commerce as an opportunity to retrieve information necessary to succeed, complete tasks, and be detail-oriented.

11. This study has revealed that individuals high on openness report lower levels of concern about privacy-related issues, demonstrating that their tendency to seek new experiences influences their evaluation of possible risks.

12. The study results show that positive assessments of perception-based factors such as perceived reputation have positively influenced consumers' trust in e-commerce.

13. This study has revealed that positive assessments of perception-based factors such as perceived similarity positively influence consumers' trust in e-commerce.

14. Results of the study shows that positive assessments of perception-based factor such as perceived normality positively influences consumers' trust in e-commerce.

15 The study has revealed that positive evaluations of perception-based factors such as perceived control of consumers positively impact consumers' trust in e-commerce.

16. Results of the study has revealed that positive assessments of experience-based factor such as experience over time positively influence consumers' trust in e-commerce.

17. The shows that positive assessments of experience-based factors such as satisfaction positively influence consumers' trust in e-commerce.

18. The findings of the study revealed that positive assessments of experience-based factors such as

communication positively influences consumers' trust in e-commerce.

19 The study has shown that knowledge is positively associated with consumers' trust in e-commerce.

20. The study results have revealed that online shopping activities have been positively associated with consumers' trust in e-commerce.

21. The study has revealed that attitude towards shopping, computers, and the Internet did not significantly influence consumer trust in e-retailing.

II. SUGGESTIONS AND CONCLUSION

“When analyzing reasons for consumer trust in e-retailing, consumers seem to make their decision to trust an e-retailer on a perception-based, cognitive basis. The majority of significant factors (reputation, word-of-mouth, information from friends and relatives, perceived investment, perceived similarity, perceived control, perceived familiarity) are all directly related to the customer's perception of e-retailing. The image a person has of e-retailers is thus the most important determinant of trust in e-retailing. These antecedents completely determine consumer trust in e-retailing for experienced buyers. Issues like the reputation of e-retailing, information from Consumer-dominated sources, perceived investment (size, perceived similarity, and perceived control) are the main issues that determine online consumer trust. A lack of perceived familiarity with Internet and e-retailing may be a reason for the low trust levels of participants with no e-retailing experience.”

“For an online business this is rather good news, since all of these are factors that can be influenced at least to some extent. By dedicating more resources to marketing initiatives or simply by doing good business and thus supporting positive reputation and word-of mouth among customers, e-retailers can increase trust in e-retailing in general and thus in their virtual stores.”

“Inexperienced Internet users can increase their familiarity with the Internet and e-retailing without actual e-retailing experience. Providing potential customers with information about e-retailing would have a positive influence on familiarity and thus on consumer trust. Long pages full of legal small print will not help improve customer's familiarity but probably scare them even more. Instead, a company website should explain the e-retailing process and the guaranties given to customers. Often, a customer has to experience the buying process to find out that it works.”

Extra costs, such as delivery, are not always disclosed to the customer until shortly before the consummation of the buying process. A person unfamiliar with e-retailing may not dare to investigate the shopping process by pretending to buy a product if he or she fears that the result may be an unintended buy. It is the responsibility of the e-retailer to provide all the necessary information and make them easily accessible.

Conclusion:

This study has attempted to shed some light on the psychological antecedents of institution-based consumer trust in e-retailing. According to our results, perception-based factors like perceived reputation, perceived investment, perceived similarity, perceived control, and perceived familiarity are the main determinants of consumer trust in e-retailing. Consumers do behave, after all, rationally.

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