Engendering Trust in Internet Business using Elements of Corporate Branding

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Engendering Trust in Internet Businesses
using Elements of Corporate Branding

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Abstract
In this article we discuss the role of trust as a crucial factor for success in meeting the challenges faced by companies selling goods to consumers on the internet. Corporate branding is proposed as the key vehicle by which the necessary trust-signals for reducing risk as perceived by consumers may be transmitted, based upon a theoretical definition of trust, the trust-signals important to engender trust, and the main elements of corporate brand building.

1 Introduction
From the very first days, trust has been one of the key issues in electronic commerce. First movers have been challenged with the need to create trust in the whole concept of business on the internet. The masses of potential customers, apart from the small percentage of technology prone experimenters, needed to be convinced that the internet provided a valid alternative to buying the conventional way. Reluctance based on a lack of knowledge about computers, as well as fears concerning safety, needed to be overcome. Much emphasis had to be put into convincing potential buyers that their needs and wants would be fully met with the added value of greater convenience and lower price, when purchasing online.

The success of the first movers in convincing a significant number of people of the advantages electronic commerce offers has made the internet a realistic option for an increasing number of consumers. Security of credit card numbers and personal data still is a major issue for consumers today, but with the increasing sophistication of the relevant technology, concerns are likely to diminish. The feeling of risk is fostered by relatively low barriers to entry, and - at least until recently - a fair amount of readily available venture capital, a vast number of new businesses has emerged and is still emerging on the net. Each of these new businesses attempts to differentiate itself with new concepts and innovative ideas, many however are mainly imitating the basic business models with which others have been successful. As the fight for the attention of potential buyers becomes fiercer, the consumer is inundated with a myriad of similar offerings to choose from and overwhelmed by conflicting marketing messages. Having only limited cognitive resources available, consumers seek to reduce information overflow by applying mental shortcuts. One effective mental shortcut is trust, which serves as a means to reduce complexity and information

2 Challenges for internet businesses
Fostered by relatively low barriers to entry, and at least until recently - a fair amount of readily available venture capital, a vast number of new businesses has emerged and is still emerging on the net. Each of these new businesses attempts to differentiate itself with new concepts and innovative ideas, many however are mainly imitating the basic business models with which others have been successful. As the fight for the attention of potential buyers becomes fiercer, the consumer is inundated with a myriad of similar offerings to choose from and overwhelmed by conflicting marketing messages. Having only limited cognitive resources available, consumers seek to reduce information overflow by applying mental shortcuts. One effective mental shortcut is trust, which serves as a means to reduce complexity and information (Luhmann, 1989).

Buying on the internet presents a number of risks for consumers over and above the transaction process itself being perceived as risky. Information asymmetries (Akerlof, 1970), whether real or perceived, have been claimed to be more aggravated in electronic compared to traditional commerce (Choi et al., 1998). Further, the elements of personal interaction usually applied to judge the risk of a situation - like body language, spontaneous feedback or looks and reactions of the person one interacts with as well as the observation of other buyers – are not present, at least not yet. The feeling of risk is

1 Forrester Research figures internet companies are spending $2.7 billion on ads this year, two-thirds of that offline. By 2004, it will be $2.2 billion online and $6.3 billion offline (Hardy, 1999)
2 Information asymmetry describes the inequality of knowledge between seller and consumer in favor of the seller creating uncertainty in the consumer.
further enhanced because of the limited ability to inspect the wanted product. This is especially the case with so-called search goods\(^3\), whose features can be observed and tested before purchase. Trust is the key factor for reducing the perceived risk of a negative outcome in a given situation (Luhmann, 1989).

Another aspect bound to create insecurity in the consumers is the fear that the company they do business with today might not be there tomorrow. This fear is fueled by the recent dive in Net stocks and reports that many internet companies will run out of cash. The firms who will be able to survive in the long run will be those ones that – over and above having a solid business plan and having found a suitable niche in the market – succeed in completely fulfilling the needs and wants of the consumers as well as the expectations of analysts and investors. Only companies that manage to engender trust in their business by fully satisfying consumer' need, have a chance to also meet the expectations of analysts and investors for ongoing high growth rates.

3 Trust

Even though it has been argued that trust plays a role in all market transactions (Etzioni, 1988), the general consensus is that trust is critical in exchanges involving uncertainty and risk. A situation that demands the execution of trust is defined to be loaded with risk and the possibility of loss on behalf of the trustor (Deutsch, 1973). Trust is described as a risky advance concession in the hope or expectation of a positive outcome (Luhmann, 1989). Other authors emphasize the emotional aspect of trust and claim trust to occur because of an emotional bond between persons and a belief in the moral character or “goodwill” of the trustee (Wicks et al., 1999).

We believe the aspects of risk and uncertainty paired with the expectation of a positive outcome as well as confidence in the moral character of the trustee are the important elements for trust being granted by a consumer in a business situation. We further want to stress the important functions trust bears for a consumer, namely reducing information complexity as well as lowering the perceived risk of a transaction. Thus, we define consumer trust as being a means to reduce risk and diminish complexity in a situation involving uncertainty, by the trustee (the buyer) having confidence in the trustee (the seller), and therefore expecting that the trustee shows favorable behavior despite her having the possibility to also act unfavorably for the trustor.

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\(^3\) The classification of goods in search and experience goods originates from Nelson (1970) and has been expanded for the category of credence goods by Darby and Karni (1973).
the feeling of security and generate trust. Perceived risk can also be reduced by bringing into action heuristic cues like experts, attractive persons or majorities as communicators because of their high potential to increase the persuasiveness of the communication (Eagly and Chaiken, 1993).

3.2 Relationship between trust-signals

Trust-signals cover different factors relevant for the development of trust, yet they are not independent from each other. The signals experience, familiarity and affiliation and belonging show interrelationships and joint development over time. Initially, when a consumer has had no contact with a company yet, some initial amount of familiarity, possibly gained through imparted experiences from third parties, is needed to initiate a first encounter. Personal experience with the company can then be made which again leads to greater familiarity and eventually to a sense of affiliation and belonging. The augmentation of familiarity, personal experience and belonging can be seen as an interdependent iterative process. Trust-signals, transparency and factual signals and heuristic cues are company inherent factors, i.e. these are take place on the company’s side and aim to foster the development of experience, familiarity and belonging. Transparency for example exerts a strong influence on experience and a cue representing an attractive person might lead to a feeling of affiliation.

The methods and instruments of corporate branding can be effectively applied to generate trust-signals. We want to explain now the concept of corporate branding and its possibilities to generate trust-signals.

4 Corporate branding

Corporate branding is about creating positively loaded knowledge in the minds of all relevant target communities in order to build trust in the company, its products, services and actions and to differentiate it from its competitors. It is about communicating the corporate strategy with all its facets to the target communities. This creates the corporate brand, which can be depicted as a network of knowledge about the company stored in the mind of the target person. The corporate brand consists of factual as well as emotional elements. The amount and quality of factual and emotional elements of knowledge stored in the “brand network” are key factors in regulating the degree of trust the company is granted by the target person.

Three separate elements can be distinguished in the branding process: targets, content, and methods.

Targets: Target communities for the branding process comprise not only consumers. Further important target communities are investors and employees as well as public and political domains. Mediating targets, such as analysts and journalists are highly important because they have a powerful influence on the targets and therefore play an important role in the corporate branding process. Therefore, these mediators need to be taken into consideration when talking about engendering trust in online consumers. Investors and financial analysts are key targets when it comes to the survival of the internet company.

Content: The content creates the knowledge stored in the “brand network” which is one of the key factors for trust. Nature and quality of knowledge a company wants to generate in its target communities needs to be laid down in the communication strategy. This strategy is influenced by the corporate strategy and needs to be adapted to the interests and needs of the particular target communities as well as to the goals the company wants to attain with them. Concerning interests, consumers want to know what is on offer, how well this meets their needs and demands and how convenient and secure the transaction is. The goal the company wants to attain is to engender consumer trust and generate a loyal customer base.

Methods: Corporate branding has various methods and task areas to transmit the content and achieve the set goals with respect to the target communities. The main task areas are firstly, relationship management with the mediating target communities, i.e. media relations with the journalists and investor relations with the financial community, secondly, consumer relations with the consumers, and thirdly, employee communications with the company employees. These task areas are accomplished by the corporate web site with all its services as well as corporate advertising, corporate sponsoring and corporate design, applied both online and offline.

With regard to engendering consumer trust, we want to now outline how the trust-signals described in 3.1 can be elicited by applying the appropriate methods of corporate branding.

5 Methods to engender consumer trust in internet businesses

Consumer trust is engendered through eliciting the trust-signals outlined in 3.1. Depending on the respective

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4 We refer to the psychological concept of knowledge networks, proposed by cognitive psychologists to describe the storage of knowledge in long-term memory (e.g. Anderson, 1976). This concept is also applied by Keller (Keller, 1998) to describe brand knowledge in the consumer.
signal, methods of corporate branding differ with respect to their appropriateness and effectiveness in achieving the set goal. The web site is the only method serving all needs in all stages of the transaction process. It incorporates all features of the corporate brand and has been regarded as "the corporate brand" itself (Carton, 1999). Thus, the web site is apt to elicit all trust-signals, whereas the other measures are appropriate for only eliciting some. Table 1 gives an overview of the methods and their appropriateness for creating the respective trust-signal(s).

We want to now outline the methods for creating the different trust-signals in some detail, in which we concentrate only on the most important methods.

5.1 Personal experience

Web site: Personal experience with the company during the transaction process can be considered the strongest trust-signal with the highest potential to reduce perceived risk. A recent study by Boston Consulting Group revealed that satisfied first-time purchasers engaged in three times more online transactions than dissatisfied first-time purchasers (BCG, 2000). These findings elucidate the importance of a failure-free transaction process and the role of personal experience.

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Table 1. Trust-signals and appropriate methods (bold print indicates greater importance)

The web site has to fully meet the needs and demands of the user regarding content and its presentation. As outlined elsewhere in detail (Porak et al., 2000), we propose the design of "Corporate Media". These are platforms which integrate all community members related to a company and all tools necessary to serve them. The design of the Corporate Media considers three dimensions (see Schmid, 2000): a) organizational design, describing structures and operations, b) communications design, describing syntax and semantics in order to reach an optimal level of mutual understanding, and c) IT-design, technically describing the architecture of Corporate Media.

One important feature of Corporate Media is its generation and presentation of case sensitive information. An autoadaptive representation module enables the mode of representation to adapt in accordance with the user’s actions and characteristics. The Corporate Media ensures a fully tailored interaction process regarding the demands of the user, thus enhancing the ease of communication and understanding. The design of the Corporate Media enables users to attain and process the information quickly and effortlessly, thus generating satisfaction and eventually trust.

5.2 Imparted experience

Web site: To overcome the disadvantage of not being able to physically observe the behavior of others, specific services like online chats and virtual communities can be administered. Herewith, consumers have the chance to find out about the experiences others have already made with the company and its services. Aside from that, the reviewing of products by consumers can be offered (see Amazon’s book reviews) as well as the recommendation of items ordered by other consumers with similar preferences and purchase history.

General press coverage: Experiences with the company and its services can be imparted through the press. Features about consumer’s experiences, for example on television, can strongly signal trust, provided the coverage is positive.
5.3 Familiarity

General press coverage: Due to its perceived independence, messages in the press, be it print, TV, radio or online, are perceived as relatively trustworthy, the degree of trustworthiness depending on the exact medium\(^5\). Features on persons – like the founders or employees – help to personalize a company. Being familiar with the face behind a company name, reduces the perceived risk engendered through the impersonal nature of internet interaction, as people are more apt to like and trust people with whom they are familiar (see Baron and Byrne, 1991). Another advantage of press coverage lies in its low costs.

Corporate advertising: Repeated exposure to advertisements, name, logo and designs of the company leads to familiarity. Advertising can be applied to convey a first impression of what the company stands for, raise interest and imprint the URL in consumers’ minds. It is especially important in the early stages of an interaction. Based upon the usage habits of the target consumers, the trustworthiness of the channels needs to be taken into account. A recent study shows, that for online consumers, print newspapers lead in the credibility they lend advertising, while the internet ranks last. On the internet, non-profit and new sites create the most trusting context for advertisements (Forrester Research, 1999). Word of mouth propagation, which ICQ real time messaging service almost solely relied on, is certainly the most cost effective form of advertising.

5.4 Affiliation and belonging

Web site: A sense of affiliation and belonging can be engendered by hosting virtual communities, in the sense of communities of interest (Schubert, 1999), on the company’s web site or even elsewhere on the internet. By this means, experiences can be exchanged as well as acquaintances and even friendships being formed.

The personalized form of communication enabled through Corporate Media generates a feeling of mutual understanding in the consumer. By receiving content and presentation adapted to personal demands regarding interest as well as individual perception and cognition mechanisms, a feeling of being fully understood elicits the signal of affiliation and belonging.

Financial coverage/IR: For listed companies, turning customers into shareholders is a highly effective method for elevating their feeling of belonging. Therefore, internet companies already listed on a stock exchange should strive to convince their customers to invest in their shares using targeted IR methods.

5.5 Transparency

Web site: Transparency concerning company details can be achieved by disclosing as many data about the company as economically possible. Most importantly, these data need to be easily accessible whenever the consumer demands them. Ease of accessibility implies, that complete transparency should not lead to confusion. Corporate Media is outlined to offer greatest transparency as well as ease of accessibility by singling out information adapted to the demands and interests of the respective user. Transparency of the transaction process can furthermore be achieved by keeping the consumer updated on its respective status.

5.6 Factual signals and heuristic cues

Web site: Consumer trust can be enhanced by seals of approval, like VeriSign or TRUSTe, reassuring that high security standards have been established. Clearly pronounced return policies as well as guaranteed security of payment and a privacy policy are crucial factors for reducing the perceived risk.

Despite the importance of factual security signals, many sites still lack transparency on this matter. A study by IMSN, which examined 700 e-commerce sites globally, found that online shopping sites were particularly lacking in information on privacy, security and customer rights. In addition, more than 50 percent had no security information on payment methods (IMSN, 1999).

Corporating advertising: Heuristic cues like attractive communicators or experts can be used as testimonials for example in corporate advertising. This has been found to enhance persuasiveness of the communication especially if people are not processing information thoroughly, i.e. systematically, as is usually the case with advertising. Research has shown that in situations that bear uncertainty, heuristic cues have a strong influence a person’s attitude (Bohner et al., 1995).

6 First mover advantage?

The necessity to engender trust deriving from the challenges outlined above applies both for first movers as well as for late followers. Nevertheless, there were and still are differences between first and late movers concerning the difficulty in eliciting the various trust signals. As mentioned introductory, first movers were challenged with engendering trust in the whole process of doing business online as well as engendering trust in their

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\(^5\) It has been recommended to work through a “pyramid of influence” which begins with industry analysts, develops through the trade, mainstream business publications, and vertical market media, ending with mass consumer titles (anonymous, 1998).
company. They were faced with the difficult task of explaining what the internet was, how their business worked and trying to sell a product most people did not understand (Schaumann, 2000). Despite this disadvantage, there were also significant advantages for first movers. They profited by relatively low competition in their own field and strong interest from the media. Yahoo! for example built its brand almost solely on media coverage and creative marketing measures like street fairs and community outreach (O’Brien, 1999) and became the second biggest internet-brand although investing relatively little in branding measures.

Today, first movers have an advantage when it comes to familiarity many users have already accumulated with their business. Especially when trying to cross the chasm to win the late majority, which is more conservative and risk-averse than earlier adopters, first movers have an advantage of already having established a strong brand in the consumer’s minds. Those who have engaged in business with the company might have collected positive experiences and established a sense of affiliation and belonging. Thus, for late followers with a similar business idea not having an outstanding USP, it is certainly difficult enticing away consumers loyal to another firm.

Nevertheless, first movers need to pamper their business relationships and constantly work on strengthening the level of trust they might have already gained. Tolerance for bad experiences can be compensated by a sense of affiliation and belonging but is only granted up to a certain trust-threshold. Followers, also the ones with new business ideas, are faced with the disadvantage of entering a highly competitive field, where it is difficult and expensive to gain familiarity, create experiences and a sense of belonging in the customers.

7 Conclusion

Characteristics of the internet as well as rapid developments in this sector require that internet companies focus on engendering consumer trust. Particularly with the future scenario in mind, that only the strongest companies will survive, consumer trust and its valuable consequences for the firm is vital for meeting investor’s expectations for ongoing high growth rates, which often equates to survival.

In our research we centered on internet-only companies selling goods to consumers and the methods relevant for those to engender trust. Many of the described methods are certainly also relevant for businesses supporting consumer to consumer transaction like auction sites as well as for bricks-and-mortar companies, however with a different focus.

Auction sites for example need to also engender trust by providing the clients with strict guidelines for interaction, so the bidder feels safe to bid at the auction. The site in this case serves as the “trust-guarantor”. Comparing internet companies with bricks-and-mortar companies, the web site plays a much more important role for the former than for the latter. Further is the direct influence of employees of greater importance for bricks-and-mortar companies. Over and above this, eliciting the described trust-signals is particularly crucial for internet-only companies, due to the specific challenges outlined in 2.

Not considered in this paper is the special case of multi-channel firms, which have the advantage to reduce risk of the consumer by also offering locally available bricks-and-mortar presences. It is expected that the manifold advantages of multi-channel companies will turn them into the winners on the internet, as some of them already are. During the 1999 Christmas shopping season, web sites with a strong offline presence enjoyed the highest growth rates according to figures from Media Metrix (Dembeck, 2000). Engendering trust in the internet business of multi-channel firms is particularly interesting when tackling the issue of trust and shall therefore be subject to further research.

Acknowledgements

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6 IntelliQuest based their unaided brand awareness at 18%.


Schaumann, H., Telephone interview with Heiner Schaumann, Director PR Intershop, March 9, 2000.


