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# A Cognitive Dissonance Perspective of Customers' Online Trust in Multi-Channel Retailers

Huei-Huang Kuan

*National University of Singapore, mkuan@comp.nus.edu.sg*

Gee-Woo Bock

*Sungkyunkwan University, gwbock@skku.edu*

J Lee

*Korea Advanced Institute of Science and Technology, leejumin@business.kaist.ac.kr*

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# A COGNITIVE DISSONANCE PERSPECTIVE OF CUSTOMERS' ONLINE TRUST IN MULTI-CHANNEL RETAILERS

Kuan, Huei-Huang, National University of Singapore, Department of Information Systems, School of Computing, 3 Science Drive 2, Singapore 117543, Singapore, mkuan@comp.nus.edu.sg

Bock, Gee-Woo, Sungkyunkwan University, School of Business Administration, 53 Myeongnyn-dong 3-ga, Jongno-gu, Seoul 110-745, South Korea, gwbock@skku.edu

Lee, Jumin, Korea Advanced Institute of Science and Technology, Graduate School of Management, 207-43 Cheongryangri-Dong, Dongdaemoon-Gu, Seoul, 130-722, South Korea, leejumin@business.kaist.ac.kr

## Abstract

*Although multi-channel retailers can leverage on offline advantages for their online sales, it has been challenging for them to attract customers to make repeated online purchases. This can be attributed to the development of online trust which has long been cited as central for customers to continually make online purchases from retailers. Even though online trust has been extensively studied in marketing and MIS literature, research efforts generally focus on pure online retailers and there has been no research to investigate the development of online trust in multi-channel retailers during the post-purchase phase. After making initial online purchases from the multi-channel retailer, customers are likely to encounter or even search for information sources (social contacts and online reviews) that may be dissonant with their own online purchasing experiences, causing them to reevaluate their online trust. Hence, this paper addresses the following research question: How do customers jointly evaluate post-purchase information sources and their own online purchasing experiences to reformulate online trust? Since multi-channel retailers have offline and online channels of sales to their customers, we are also interested to investigate: How do customers evaluate their offline and online purchasing experiences to reformulate online trust during the post-purchase phase? This paper draws on the cognitive dissonance theory to present a model of online trust development in multi-channel retailers during the post-purchase phase.*

*Keywords: Multi-Channel Retailers, Online Trust, Cognitive Dissonance Theory, Post-Purchase Information Sources, Offline Purchasing Experiences, Online Purchasing Experiences*

# 1 INTRODUCTION

Even though multi-channel retailers have advantages of an established offline reputation and strong brand image over pure online retailers, it has been a challenge for them to attract customers to make continued purchases from the online channel (E-Commerce Times 2002, MarketingVOX 2005). Based on extensive e-commerce literature, this can be attributed to the lack of customers' online trust (Gefen 2000, Gefen 2002, Reichheld & Schefer 2000). Developing customers' online trust is important for online retailers as customers would continue making online purchases only when they feel comfortable transacting through the online presence (McKnight, Choudhury & Kacmar 2002). Although online trust has been studied on customers who have made actual purchases from online retailers, these studies focus on pure online retailers and there has been no research depicting the online trust development in multi-channel retailers after customers' initial purchases.

Online customers of multi-channel retailers can be exposed to or even search for information sources after their initial online purchases, which may be conflicting with their own online purchasing experiences. Researchers found significant information sources to be consumer-dominated and neutral (Mitra & Reiss & Capella 1999, Walczuch & Lundgren 2004). Consumer-dominated sources exist in customers' social relations and networks and are crucial to influence customers' purchasing decisions as trust is embedded in social relations and networks (Granovetter 1985). Neutral sources exist in the form of independent customer reviews and have become increasingly popular among Internet users as influential sources of information on online retailers (Chatterjee 2001). Although it is known that consumer-dominated and neutral sources play a critical role to affect consumers' trust (Chatterjee 2001, Walczuch & Lundgren 2004), it is relatively unknown to researchers in e-commerce how consumers use such post-purchase information from these sources together with their own online experiences with the retailer to reformulate their online trust. Hence, this prompts the first research question of this paper: *How do customers evaluate post-purchase information from consumer-dominated and neutral sources and their own online purchasing experiences to reformulate online trust?* Since multi-channel retailers offer offline and online channels to their customers, customers' joint evaluation of offline and online purchasing experiences would be pertinent for the development of online trust (Shankar, Urban & Sultan 2002). This comparison of shopping experiences across the two channels prompts the second research question: *How do customers evaluate their offline and online purchasing experiences to reformulate online trust after the initial online purchase?*

The expected contributions of this paper are two-fold. Firstly, this paper focuses on customers' online trust in multi-channel retailers during the post-purchase phase, which has been neglected in previous literature. Secondly, it draws on cognitive dissonance theory (Festinger 1957) to present a model of online trust development after the first online purchase from multi-channel retailers. This classical social psychological theory can be used as another perspective to explain why some multi-channel retailers do not enjoy a high online customer retention rate.

## 2 LITERATURE REVIEW

Trust has been defined in numerous ways throughout research literature and as a result, there has been no universally accepted approach of trust (Rousseau & Sitkin & Burt & Camerer 1998). Diverse measurements of trust in various disciplines and contexts have also been developed (e.g. Bhattacharjee 2002, Ganesan 1994, Swan & Trawick & Rink & Roberts 1988).

### 2.1 Definition of Trust

Trust has been conceptualized as a belief, attitude, intention and behavior (Bhattacharjee 2002). Mayer, Davis and Schoorman (1995)'s definition of trust as the willingness to take risk views trust as

an intention. However, this willingness to take risk is based on the underlying dimensions of trust, which has been often conceptualized as a collection of beliefs. Trust beliefs refer to the truster's perceptions of trustee attributes that pertains to the trustee's behavior (i.e. Bhattacharjee 2002, McKnight et al. 2002, Stewart 2003). Since trust beliefs precede intention and they include both cognitive and affective components, trust beliefs represent a more holistic conceptualization of trust. Therefore, trust is viewed in this study as a collection of beliefs.

Although there are numerous attributes of trustees proposed in previous literature, three characteristics appear often in literature: integrity, benevolence and competence (Mayer et al. 1995). As a set of beliefs, these three perceived attributes of trustees appear to explain a major portion of trustworthiness. Integrity refers to the belief that the trustee will adhere to a set of principles or rules of exchange acceptable to the truster. Benevolence is the extent to which a trustee is believed to intend doing good to the truster. Competence refers to the truster's perception of the trustee's ability and knowledge salient to the expected behavior. As evident, these three characteristics are conceptually distinct and they collectively represent a comprehensive and parsimonious dimension space for trust development (Bhattacharjee 2002). These three perceived attributes in previous literature are also relevant to the retailers' online operations. The key statement of the Theory of Social Responses to Computers (Reeves & Nass 1996) argues that people unconsciously treat technological artifacts as social actors and apply social rules to them. Inevitably, they easily assign personalities (i.e. extraversion, helpfulness) and this phenomenon applies to computer systems with simple text interfaces (Nass & Moon & Morkes & Kim & Fogg 1997, Reeves & Nass 1996). Consistent with this theory, Sztompka (1999) reasoned that in the case of trust in a technological artifact, "we trust those who design the technology, those who operate them and those who supervise the operations". Hence, we define online trust as the customer's belief of the competence, benevolence and integrity of the multi-channel retailer's online operations (McKnight et al. 2002).

Recent research has extended the study of trust beliefs to examine distrust beliefs, which is essentially the lack of trust. Distrust is the term coined to represent negative beliefs of the trustee that pertains to the trustee's behaviour. Although some researchers recently argue that trust and distrust are conceptually different (i.e. Lewicki & McAllister & Bies 1998, McKnight & Chervany 2001, McKnight & Kacmar & Choudhury 2004), there are flaws in these conceptualizations of distrust. Distrust has been mistakenly conceptualized as fearfulness, scepticism, caution or lack of optimism in trustees (Omodei and McLennan 2000). Negative beliefs pertaining to trustee's behaviour are not sufficiently emphasized. As such, many other researchers do not agree that trust and distrust are distinct concepts. Rotter (1980) and Worchel (1979) advocate that the two are the same concept, but at two different ends of a continuum. Similarly, Omodei and McLennan (2000) reasoned that trust and distrust are two ends of the scale and measure them in that manner. Kong and Hung (2006) defines disposition to trust as "the general predisposition to trust or distrust other people". Thus, it is the view of this paper that trust and distrust are not conceptually different and are at two ends of a continuum.

## **2.2 Nature of Trust in E-Commerce**

Trust is only meaningful when there is uncertainty and the truster experiences vulnerability based on the actions of the trustee. This implies that for trust to operate, decision outcomes should be important but yet uncertain to the truster, manifesting an element of risk. In the online environment, spatial and temporal separation between the consumer and the retailer exists and risk manifests in two forms of uncertainties for the consumer, behavioral and environmental uncertainties (Bensaou & Venkataman 1996). *Behavioral uncertainty* arises because online retailers can behave in an opportunistic manner by taking advantage of the spatial and temporal separation on the Internet. *Environmental uncertainty* exists mainly because of the unpredictable technical nature of the Internet environment. Although risk is cited to be critical for trust to operate, online trust studies so far do not adequately reflect risk in the research design. Many studies on online vendors have analyzed trust by using student samples, fictitious websites, hypothetical scenarios and no actual purchases (e.g. Gefen 2000; Heijden et al

2003; Koufaris and Hampton-Sosa 2004; Stewart 2003). Therefore, this paper calls for a stronger reflection of risk in the research design of trust research by using customers who have made actual online purchases from online retailers.

There is also universal agreement among trust researchers that trust is contextual and how it is built can differ in various situations (Bigley & Pearce 1998). Much literature has been devoted to expound on how trust is developed towards pure online retailers and only recently have researchers begun to explore the context of multi-channel retailing (Kuan & Bock 2005). The reasons why customers trust pure online retailers may not apply to multi-channel retailers (Xu & Kim & Vitharan 2004). This may be attributed to the fact that most multi-channel retailers have started their physical presence first and ventured to the online channel much later. The presence of multiple channels complicates retailing strategies as retailers need to synchronize multiple channels and contend with issues concerning with consumer behaviors on both channels (Noble, Griffith & Weinberger 2005), which may make it even more difficult for these retailers to obtain customers' trust of their online presence.

### **2.3 Development of Trust**

The development of trust has been cited to be different when unfamiliar actors interact and when familiar actors interact (Bigley & Pearce 1998). Similarly, Komiak and Benbasat (2004) classified the development of online trust into three stages: before-interaction, initial-interaction and repeated-interaction. At present, much empirical research has been focused on the trust development during the customer's first interaction with a retailer's website (e.g. McKnight et al. 2002, Stewart 2003).

From extant online trust literature, the information sources affecting customers' online trust during the initial interaction stage can be classified into: consumer-dominated, offline purchasing experience and online navigation experience. *Consumer-dominated sources* (i.e. friends and relatives) are important information sources during the initial online interaction with the retailer (Kim & Prabhakar 2000, Kuan & Bock 2005, Walczuch & Lundgren 2004). If a customer receives second hand information from a trusted person in his/her social network, he/she will use this to define whether the multi-channel retailer is trustworthy online. *Customers' offline purchasing experiences* with the retailer also aid in the development of trust. If a customer is satisfied with the offline operations of the retailer, the customer is likely to believe that the online operations of the retailer are trustworthy. Xu et al. (2004) found that offline satisfaction with the retailer significantly affects online trust. *Customers' initial online navigation experience* can help to increase online trust. McKnight et al. (2002) and Kim, Xu and Koh (2004) reported that perceived website quality significantly affects online trust. Likewise, Xu et al. (2004) highlighted the significant effect of perceived ease of use of the website on online trust.

Studies of online trust during the post-purchase phase have examined the influences of information sources and online purchasing experiences on online trust (i.e. Gefen 2002, Kim et al. 2004). Kim et al. (2004)'s study showed that the antecedents of trust are reputation, information quality, service quality and satisfaction. Gefen (2002) reported certain aspects of service quality as significantly affecting online trust. Although such studies reveal the significant influences of information sources and online purchasing experiences on online trust during the post-purchase phase, these studies do not consider the effects of post-purchase information sources (sources which are not available to customers at the point of purchase). Furthermore, online purchasing experiences and information sources are portrayed to be exerting separate main effects on online trust. The reevaluation of online trust would involve the comparison of a customer's own online purchasing experience as well as post-purchase information sources. As evident, post-purchase trust research do not explain how customers compare their own online purchasing experiences with post-purchase information sources to reevaluate online trust.

## **2.4 Cognitive Dissonance Theory**

Cognitive dissonance theory (Festinger 1957) has been used in consumer behavior literature to explain customers' cognitive reevaluations after their purchases (Cohen & Goldberg 1970). The theory advocates that a person has various cognitive elements: the knowledge of himself, the knowledge of his environment, his attitudes, his opinions and past behavior. If one cognitive element follows logically from another, they are said to be consonant with one another. They are dissonant to each other if one does not follow logically from the other. In consumer behavior literature, dissonance is more pronounced when the purchase decision is important and the consumer is exposed to new information not available at the time of decision making which is contradictory to his experience and/or the information he already has (Oshikawa 1969, Soutar & Sweeney 2003). Dissonance reduction occurs to assist the individual to purchase in a more effective and consistent manner.

Although cognitive dissonance theory does not specify the mode of dissonance reduction, it suggests that there are several possible ways to reduce dissonance (Oshikawa 1969). Attitude change, opinion change, seeking and recall of consonant information, avoidance of dissonant information, perception distortion and behavioral changes are some of the common ways to lessen dissonance (Brehm & Cohen 1962). However, many researchers argue that individuals would seek cognitive reevaluations after their purchase, reevaluating positively when they encountered positive discrepant evidence and negatively when they encountered negative discrepant evidence (Cohen & Goldberg 1970, Santos & Boote 2003). Sweeney, Hausknecht and Soutar (2000) and Kassartjian and Cohen (1965) argued that customers would want to determine whether they have made a wise purchasing decision after the purchase since they often face uncertainty pertaining to the wisdom of the purchase. For example, if a customer purchased a particular product, he or she may face dissonance on why he/she did not purchase alternative products instead which are also similar (or even better) in attractiveness.

After online purchases from a particular multi-channel retailer, it is very possible that customers experience dissonance on why they did not purchase from other online retailers or why they did not continue purchasing from a particular online retailer when they encounter discrepant post-purchase information sources. Cognitive reevaluations of trust by online customers are likely to occur for two reasons. Firstly, online purchases are perceived to carry greater risk compared to offline purchases (Bensaou & Venkataman 1996). Customers are interested to know if the multi-channel retailer is trustworthy to handle their subsequent online purchases. Secondly, there are many other alternative online retailers of similar trustworthiness (or even better) to purchase their products from. Customers may subsequently regret their decisions to trust an online retailer when there are many other online retailers which are more trustworthy to handle their online purchases.

Despite the fact that cognitive dissonance requires certain conditions to arise, cognitive dissonance research has neglected to uphold the integrity of a realistic setting to invoke dissonance (Soutar & Sweeney 2003). Previous literature has demonstrated cognitive dissonance in artificial and trivial situations (i.e. Cohen & Goldberg 1970, Korgaonkar & Moschis 1982). Such situations reflect decision conflict rather than decision dissonance, since the conditions were not important due to the artificiality of the experiments. The participants were also not exposed to contradictory evidence after the decision was made (Korgaonkar & Moschis 1982). Extant studies on cognitive dissonance largely focused on students, who do not necessarily represent a population experiencing dissonance. Thus, we argue that it is imperative for this study to investigate the role of cognitive dissonance on online trust using actual online customers of a multi-channel retailer who have made major online purchases.

## **3 COGNITIVE DISSONANCE MODEL OF TRUST**

Based on cognitive dissonance theory (Festinger 1957), a conceptual model is formulated to examine the online trust development of a customer after his/her first online purchase from the multi-channel

retailer (see Figure 1). This model illustrates how a customer jointly assesses his/her online purchasing experiences with post-purchase information sources to reevaluate online trust.

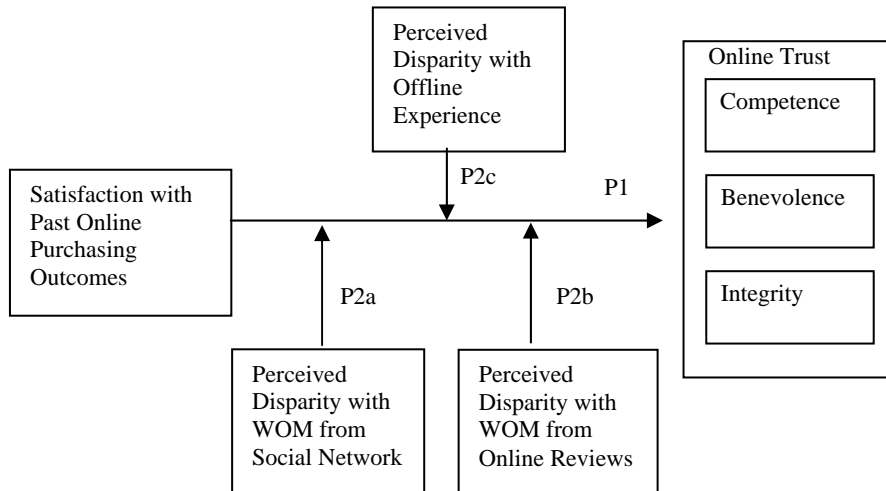


Figure 1. Conceptual Model of Online Trust and Cognitive Dissonance

Trust studies in marketing literature have cited that the customers would be relying on their own experiences to form their trust (Ganesan 1994, Garbarino & Johnson 1999). Satisfaction with past online purchasing outcomes is defined in this paper as a positive affective state based on the outcomes of the online purchasing experience with the multi-channel retailer (adapted from Ganesan 1994). In the online retailing context, the online purchasing experience covers three aspects: online navigation experience (McKnight et al. 2002, Kim et al. 2004), order fulfillment (Thirumalai & Singha 2005) and retailer's service quality (Dabholkar, Thorpe & Rentz 1996). The *online navigation experience* involve aspects of the website navigation such as product information and ease of online ordering, *order fulfillment process* has to do with the characteristics of product delivery such as the punctuality and correctness of delivery and *retailer's service quality* refers to the commitment of the retailer to resolve customer concerns, such as complaints, returns and exchanges. Satisfaction with these aspects of the online purchasing experience provides customers the confidence that they are not taken advantaged of when purchasing online and that the multi-channel retailer is truly concerned about their welfare. If customers are not satisfied with previous online purchasing experiences from the retailer, they would view the multi-channel retailer as untrustworthy and would feel uncomfortable purchasing from the retailer online (Walczuch & Lundgren 2004). Hence, based on marketing and MIS literature, in the absence of cognitive dissonance from post-purchase information sources, we derive a main effect of satisfaction with previous online purchasing outcomes on the online trust in multi-channel retailers.

**Proposition 1:** *Satisfaction with past online purchasing outcomes from the multi-channel retailer is positively related to online trust.*

However, after their initial online purchase from the multi-channel retailer, customers may encounter or even intentionally search for information sources regarding the retailer's online operations. Mitra et al. (1999) as well as Walczuch and Lundgren (2004) cite two forms of such information sources: customer-dominated and neutral. Consumer-dominated sources exist in customers' social relations and networks while neutral sources exist in the form of independent customer reviews. The social capital theory (Coleman 1988) provides a strong theoretical basis for the importance of consumer-dominated sources in social relations to formulate online trust. Coleman (1988) and Granovetter (1985) advocated that since conscious efforts to obtain specific information can be costly, people normally acquire such information from social relations (that are maintained for other purposes) as a basis for trust and future action. In contrast to information from social contacts, neutral customer reviews available online is far more voluminous in quantity and includes several units of positive and negative information presented together from multiple sources at the same time as opposed to a single piece of information that is

either positive or negative in valence (Chatterjee 2001). Since online customers are concerned about the wisdom of their online purchases, they would jointly evaluate their online purchasing experiences together with post-purchase information sources to assess their online trust of the multi-channel retailer.

According to cognitive dissonance theory (Festinger 1957), when customers encounter discrepant information after their initial purchasing experiences, they are very likely to experience cognitive dissonance and they are likely to reevaluate their online trust of the multi-channel retailer to reduce cognitive dissonance. Firstly, discrepant information can exist in customers' social relations and networks. Since individuals are more motivated to adjust to and fit in with the expectations of socially meaningful others (Morling & Kitayama & Miyamoto 2002, Kitayama & Snibbe & Markus & Suzuki 2004), they are likely to compare their own online purchasing experiences with their social contacts to determine the wisdom of their online purchases. If one's satisfaction with his online purchasing outcomes is high but his social contacts' online purchasing outcomes are much less favorable (high negative disparity with own experiences), the customer may reason that one's favourable experiences are exceptional and his online trust becomes low, instead of remaining high. Similarly, if one's satisfaction with past purchasing outcomes is low but his social contacts' experiences are much more favorable (high positive disparity with own experiences), he may think that his bad experiences are isolated cases and his online trust becomes high, instead of remaining low. Secondly, customers can also encounter discrepant information when reading independent customer reviews on certain websites and online forums when sourcing for information related to their online purchases (Chatterjee 2001, Dellarocas 2003), such as Bizrate.com and Epinion.com. Studies on word-of-mouth information also show that customers are influenced by independent online reviews posted by other individuals (i.e. Chatterjee 2001, Rafaeli & Dan-Gur & Barak 2005). When reading these reviews, customers can compare their online purchasing experiences with the information provided by these individuals to reevaluate their online trust. If one's satisfaction with his online purchasing outcomes is high but the online reviews reveal much less favorable outcomes (high negative disparity with own experiences), the customer may reason that one's experiences are exceptional and his online trust becomes low, instead of remaining high. Similarly, if one's satisfaction with past purchasing outcomes is low but the online reviews reveal more favorable outcomes (high positive disparity with own experiences), his online trust becomes high, instead of remaining low. Therefore, we put forward these propositions:

**Proposition 2a:** *Online trust is a function of perceived disparity of online purchasing experiences with WOM from social networks and satisfaction of past online purchasing outcomes.*

**Proposition 2b:** *Online trust is a function of perceived disparity of online purchasing experiences with WOM from online reviews and satisfaction of past online purchasing outcomes.*

Being customers of multi-channel retailers, they can also compare their online purchasing experiences with their offline purchasing experiences. E-commerce research postulates that customers prefer seamless and consistent purchasing experiences across both channels (Shankar et al. 2002). Shankar went further to add that inconsistency among different channels "could be a trustbuster". Since both channels belong to the same retailer, if their online purchasing experiences have high discrepancies compared to their offline purchasing experiences, customers can reevaluate their online trust. For example, if one's satisfaction with online purchasing outcomes is high but his online purchasing outcomes are much less favorable than online purchasing outcomes (high negative disparity with own offline experience), the customer believes that the multi-channel retailer is less proficient to handle online purchases and his online trust decreases, instead of remaining high. Similarly, if one's satisfaction with online purchasing outcomes is low but his online purchasing outcomes are more favorable than offline purchasing outcomes (high positive disparity with own offline experience), the customer believes that the multi-channel retailer is better in handling online purchases and his online trust increases, instead of remaining low. Therefore, we derive:

**Proposition 2c:** *Online trust is a function of perceived disparity of online purchasing experiences with offline purchasing experiences and satisfaction of past online purchasing outcomes.*



## **4 DISCUSSION, IMPLICATIONS AND FUTURE DIRECTIONS**

This paper has presented a cognitive dissonance perspective of online trust development after customers' initial online purchases from a multi-channel retailer. Propositions 2a, 2b and 2c of this study suggest how customers would react to discrepant post-purchase information (word-mouth from social networks and online reviews) as well as one's own offline purchasing experiences and we believe they can possibly add to our understanding of the dynamic nature of trust in the context of multi-channel retailers.

### **4.1 Theoretical Implications**

The introduction of cognitive dissonance theory (Festinger 1957) into online trust development for the post-purchase phase yields several issues for trust literature. Firstly, previous research has only examined the effects of information sources and experiences separately on online trust. Cognitive dissonance theory extends trust literature and provides a theoretical basis on how customers jointly evaluate their own online purchasing experience and information coming from their social contacts, online reviews and offline purchasing experiences to assess online trust. Empirical tests of the model can reveal whether post-purchase information sources or offline purchasing experiences exert a stronger effect on trust, which is of concern to academics. Secondly, this paper calls for the integrity of a realistic setting to ensure the meaningful examination of cognitive dissonance and trust in the online environment. Researchers testing the proposed model should use actual online customers of multi-channel retailers who have made important online purchases.

Although this paper brings significant contribution to trust literature, some limitations of the proposed model and future directions should be recognized. Firstly, some individuals are comfortable with the disparity of their own experiences with information sources in the midst of decisions of high importance and may not seek to reduce their cognitive dissonance (Bell 1967). Future research can extend this model by incorporating this aspect of individual threshold for dissonance. Secondly, this model did not consider the cultural aspects to how customers deal with cognitive dissonance (Kitayama et al. 2004). Future research can extend this model to different cultures. Lastly, the model did not incorporate marketer-dominated information sources (i.e. online advertisements, mass media advertisements). Mitra et al. (1999) ranked this information source category as the least important and Walczuch and Lundrgen (2004) found them to be insignificant in affecting online trust. However, future research can validate this and possibly extend this model to include marketer-dominated sources as well.

### **4.2 Practical Implications**

The cognitive dissonance perspective of online trust can also aid the formulation of strategies to enhance online trust for customers. If customers have dissatisfactory online purchasing experiences and retailers are able to demonstrate that their experiences are different from that of other online customers (through referral programs by social contacts, online reviews by other customers), customers' online trust are likely to be high. If customers' online purchasing experiences are favourable, their online trust can be strengthened by showing that their purchases are similar to the majority of their online customers. Furthermore, this perspective can also potentially advocate the importance of the consistency of purchasing experiences on both channels in the development of online trust during the post-purchase phase.

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