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Mechanisms that Impact Online Auction Trust

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Abstract

This research investigates mechanisms that impact trust and trust as an organising principle at online auctions using data collected from a community website. Qualitative analysis is used to make sense of the data collected and to identify key factors that impact trust and organising for trust. As a result of the discussion, I attempt to explore key factors that impact trust at online auctions and relate the discussion to previous research. This research adds to the understanding of trust theory and online auction trust, and this research can be used by practitioners to better support users and improve the design of online auctions.

Keywords

Online trust, distrust, eCommerce, online auction, community website.

INTRODUCTION

Trust is important when entering into a transaction to rely on other parties to fulfil their part of a transaction (Jarvenpaa et al. 1999; Pavlou and Gefen 2004). Trust is a little understood construct and is believed to have an effect on the number of people willing to use eCommerce by helping people to endure the complexity (Luhmann 1979) that technology brings. A better understanding of trust is required in relation to eCommerce.

Of interest to this research are online auctions, the online auction community and community websites. Community websites may provide a focal point for people to gain access to others with similar interests, to share information, the sharing of information may build people's information and knowledge related to their interests and "most learning takes place in communities" (Carroll and Bishop 2005, p.117). Community websites should allow people to learn about online auctions and trust and to provide insights into online trust. People with similar interests are believed to be more trusted than those with dissimilar interests through cognition based trust (McKnight et al. 1998) and these community websites may impact online trust.

This research investigates online auction trust using content analysis of historical data collected from a community website. This research investigates factors that people perceive impact trust at online auctions and organising for trust. This research contributes to theory and practice by providing a better understanding of factors that impact trust and organising for trust at online auctions, and a better understanding of trust is required to build better online environments and encourage more people to transact online.

THEORETICAL PERSPECTIVE

The Theory of Planned Behaviour (TPB), trust, trust as an organising principle and distrust are considered to support the theoretical perspective for this research.

Theory of Planned Behaviour

The Theory of Planned Behaviour is founded in the belief that there is a relationship between attitude and behaviour (Ajzen 2005). TPB "traces the causes of behaviour to the person's accessible beliefs" (Ajzen 2005, p. 126), and TPB postulates that intention is antecedent to behaviour. TPB indicates that three main factors are antecedent to a person's intention to perform the behaviour and these factors are: the person's attitude towards the behaviour; subjective norms; and perceived behavioural controls.

The subjective norm is "the person's perception of the social pressure to perform or not perform the behaviour under consideration" (Ajzen 2005, p. 118), and the perceived behavioural control is "the sense of self-efficacy or ability to perform the behaviour of interest" (Ajzen 2005, p. 118).

Trust

TPB is a widely accepted as a theoretical model (Davis et al. 1989), and TPB can be used as a framework for trust (Salam et al. 2005; Zhang and Zhang 2005), refer to Figure 1. TPB indicates that trust can be considered as an attitude, a set of beliefs, an intention or a behaviour.

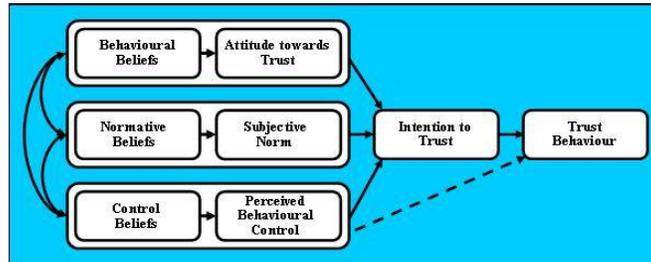


Figure 1: Trust Based on the Theory of Planned Behaviour (Based on Ajzen 2005, p. 118)

Trust can be considered as an attitude; an attitude is “the individual’s positive or negative evaluation of performing the particular behaviour of interest” (Ajzen 2005 p.118). Trust as an attitude is a favourable evaluation that the person, organisation or object can be trusted to perform the behaviour of interest. Gefen (2000) identified trust as “favourable expectations about what other people will do” (p.726). The impact of attitude on intention and behaviour has been questioned in information systems contexts (Davis et al. 1989; Corbitt et al. 2003).

Trust can be considered as a set of beliefs and beliefs can have a direct affect on intention (Davis et al. 1989). Geyskens et al. (1998) identified trust as a set of beliefs that “one’s partner is reliable, stands by its word, fulfils promised role obligations, and is sincere...is genuinely interested in one’s interest or welfare and is motivated to seek joint gains” (p.225). Trust as a set of beliefs can be based on first hand knowledge or past experience (Corbitt et al. 2003; McKnight et al. 1998). Trust can be considered as a set of beliefs about perceived trustworthiness. Perceived trustworthiness beliefs are based on: ability, reliability, honesty, integrity, dependability, credibility, competence, predictable and benevolence (Ba and Pavlou 2002; Corbitt et al. 2003; Jarvenpaa et al. 1999; McKnight et al. 1998; Nooteboom 2002). Trust can be considered as a disposition and trust beliefs related to a disposition are a faith in humanity, a trusting stance and people are generally trustworthy (Gefen 2000; McKnight et al. 1998).

Trust can be considered as a: willingness to depend on another (Jarvenpaa et al. 1999; McKnight et al. 1998). This willingness to depend on another can be considered as an intention to trust (Gefen 2000; McKnight et al. 1998; Zhang and Zhang 2005). At online auctions, other parties can be virtually anonymous and the objects of trust can be things and pieces of technology rather than a person.

Trust can be considered as a: vulnerability (Geyskens et al. 1998; Jarvenpaa et al. 1999) to the objects of trust and reliance on the objects of trust not to exploit or exclude them (Jarvenpaa et al. 1999; van den Bos et al. 2002). This research considers the actual behaviour to rely on and become vulnerable to the objects of trust as trust behaviour.

Consideration of trust as an attitude, a set of beliefs, an intention and a behaviour provides a grounded theoretical perspective of trust that is suitable for this research and is based on TPB.

Trust as an Organising Principle

Trust can be considered as an organising principle where activity is organised around or delegated to trusted parties. McEvily et al. (2003) stated “trust affects the organisation and coordination of economic activity” (p. 101). At an online auction, boundary activities are required to support payment, item delivery or collection and the potential for a refund. On transaction formation, some decisions about boundary activities are delayed into the future and agreements between buyers and sellers can be incomplete. Over time, these boundary activities are organised and buyers and sellers use trust, transfer trust or build trust to limit, solidify or expand the network that supports the transaction. For users, transactions at online auctions can be less familiar and more complex than offline transactions in more familiar retail settings.

The organisation of activities uses trust and the organisation of actors and systems impacts trust (McEvily et al. 2003). Geyskens et al. (1998) found channel decision structure and channel decision influence patterns impacts trust (p. 242). McEvily et al. (2003) claimed that structure affects trust and Geyskens et al. (1998) found that structure impacts trust. Pavlou and Gefen (2004) indicated that trust building is based on third-party structures and the institutionalization of trust. The organisation of systems, links and networks at an online auction is believed to impact trust in the transaction. The organisation of the systems and links between actors affects the

amount and type of resources available within the network and access to the resources that are available. Designs that are perceived to improve the ability to mobilise important resources and take action to avoid opportunism may increase trust. Designs that are perceived to be well organised with good continuities between actors are believed to be more trusted than designs that are less organised and have discontinuities between actors.

More research is required to gain better understandings of how trust is used to organise and how organising impacts trust.

Distrust

If trust cannot be maintained and used to organise these activities then indicators of distrust (Hsiao 2003) may be evident. If distrust occurs the transaction may be more problematic and one or both parties may decide not to fulfil their part of the transaction. This research defines distrust beliefs and behaviour as follows: distrust belief is a suspicion, doubt, lack of certainty or lack of confidence (McKnight and Chervany 2001; Grabner-Krauter et al. 2006); and distrust-related behaviour is “lack of cooperation, information distortion, formal agreements, increasing controls, not accept influence, not grant autonomy, and no business transacting” (McKnight and Chervany 2001, p. 43).

This section considered: TPB as the underlying theory and model for this research: previous trust research in relation to TPB; the organisation of networks and boundary activities pre and post transaction formation and the impact on trust; and distrust.

METHOD

An online auction user community website was identified to support this research. This community website allowed people with access to the Internet to use the website to post and share information about online auctions. The name of this website is not disclosed to maintain anonymity.

This community website provided a natural setting for the online auction community to communicate information and experiences about online auctions. The information of interest to this research was the unstructured or less structured archival textual information provided by the website user community. The potential strengths of using archival data were: i) the time span of the user information accessible; and ii) the broad user population represented (Judd et al. 1991).

Qualitative methods were used to make sense of the data collected from the community website. NVivo7 version 7.0.214.0 SP1 (QSR 2008) was used to codify, analyse, gain insights into and reduce the qualitative information into key ideas. The key ideas identified were transformed into concepts and links using concept mapping software IHMC CmapTools version 4.03 (IHMC 2006).

Concept mapping software presents information in a graphical format to allow ideas to be organised, linked and make sense of information collected (IHMC 2006; Novak and Cañas 2008). Concept mapping used in this research was not expected to produce a new theory of trust but was able to present information and knowledge that could be interpreted within existing theories. The use of concept mapping allowed a better understanding of information, the identification of new information and linking this new information to trust theory. The concepts were arranged into clusters on the maps and additional concepts included on the maps to represent the clusters of concepts. The concept maps allowed the information to be presented and clustered into meaningful ways to shed contextual light on online trust as a concept and help make sense of the information. Each concept was able to be considered within the context of the main construct under investigation to support a grounded theoretical approach to research.

Four hundred and fifty-two (452) cases of fraudulent auctions were captured from the community website. Each case was checked to ascertain that the case was: related to online auctions; related to trust; credible; suitable for analysis; and not duplicated. Cases that met these checks were accepted as qualified, and the qualified cases comprised the dataset used in the analysis and results for this research. Support was established that: the qualified cases were real, related to trust and represented a broad population of online auction users; and systematic biases were not found. Validity was established for this research.

The main themes that emerged from the data were arranged around the contextual theme of trust and this provided a contextual perspective of trust. On this contextual concept map, commonality between main themes was checked and themes were grouped together to support that commonality. Individual concept maps were prepared for each theme group.

The research methods support the identification and understanding of factors that people perceive impact trust and organising for trust at online auctions.

Feedback items are the individual user feedback and feedback rating. Positive feedback is supported as a main indicator of trust. Users prefer feedback that is independent, honest, accurate and complete, and users did not want feedback to be taken hostage or manipulated.

Reputations at online auctions are more focussed at generalised user reputations rather than organisational reputations. User reputation systems need to provide a consistency between user reputations and user actions. Users are encouraged to consider specific negative feedback comments prior to forming a user reputation assessment rather than solely relying on the auction site's generalised user assessment.

Penalties are the penalties or punishments imposed on users. There is an inconsistent application of penalties where: i) some users are penalised and others appeared not to be; and ii) user suspension and deregistration did not match user expectation. Users are able to penalise other users by placing negative feedback and this negative feedback impacts user reputation.

Auction listings are the listings associated with online auctions. Users require auction listings to be: for the provision of a physical item; an accurate and detailed representation of the item; and clear, consistent, factual and easy to understand. An auction listing may include the terms related to the transaction and support multiple transactions.

Auction items are the physical items that potential buyers expect to be delivered as part of a transaction. User perceptions of trust are less problematic for auction items of lesser value. User perceptions of trust are more problematic for auction items that: i) pose increased financial risks; ii) open to more opportunistic seller behaviours; or iii) contain certain brands and precious stones.

Shipment and delivery is related to the cost, difficulty, validity and traceability of items related to a transaction. Generally trust is better placed for items that are easier to ship, easier to clear customs and less expensive to transport from the seller to the buyer. User time and effort is required to check and track shipments and items related to those shipments.

Online identity is the trading identity of a user at an online auction or auctions. Better linkages across online identities and between offline and online identities are required. User feedback, ratings and reputations should be easily available across time and space. A complete user history should be available that includes all of the user's current and past online user identities.

Standards are related to the policies, procedures and communications that help set and manage norms of behaviour. Standards are required for: i) accurate, honest and easily understandable auction listings; ii) pro-activeness; and iii) the avoidance of repeat offenders. Standards need to be flexible and proactive.

Maintenance of standards is the monitoring, maintenance and improvement of standards to support user expectations. The application of standards needs to be consistent, pro-active and transparent. Items related to the maintenance of standards include: i) effective user identification; ii) effective validation across users; iii) ability for auction sites to effectively maintain standards; iv) transparent actions taken by auction sites, users and other parties; v) flexibility of standards; vi) effective actions taken on digression from standards; and vii) ownership to maintain standards.

Communications are the user-to-user and website-to-user communications that support online auction transactions. Some transactional communications are intimidating, vulgar, inconsistent, false, unresponsive, unidirectional, excessive, blame others and extend expected transaction times. Communications requirements of users are: i) responsive and ongoing two way communications; ii) factual, consistent and honest communications; and iii) communications that do not delay a transaction or make excuses for delays.

User networks are the auction user community network/s. Users use these networks to: i) voice opinions and concerns; ii) share experiences; iii) share and explore knowledge; iv) build relationships; and v) build community cases.

In conclusion, fourteen (14) sub-themes were related to trust at online auctions and the results of each sub-theme were presented.

DISCUSSION OF RESULTS AND RESEARCH IMPLICATIONS

This section discusses support found for the factors that impact trust, organising for trust and the theoretical and practical implications of this research. The factors that impact trust are presented as a taxonomy of trust, refer to Table 1.

Payment authority network, recourse and assurances impacted trust through: transactional relationships that support payment; monetary controls or perceived controls; controls for recourse that are easy to use and to obtain results; and assurances that are honest, deliverable and can be counted on.

Transactions that used credit card payments were more trusted than those that used moneygrams or money transfers for payment. Answers may lie in network decision structures (Geyskens et al. 1998) and the embeddedness (Granovetter 1985) of users within monetary networks. User participation in post payment decisions was greater for credit cards than it was for the other payment types. Network decision structures for credit cards appeared more specialised and concentrated to identify, access and retrieve monies paid.

Table 1. Taxonomy of Trust Based on Research Results

Mechanism for Trust	Why the Mechanism Matters
Payment authority network	Trust in transactional relationships that support payment; monetary controls or perceived controls impacts trust beliefs and trust in a transaction. Trust in the ability to: identify payments made; trace monies paid; obtain proofs required; and access resources.
Recourse	The ease of use of controls to obtain recourse impact trust beliefs and trust in a transaction. Buyer trust in the seller is required: i) to return an item to the seller; and ii) that a replacement or refund will be forthcoming.
Assurances	Assurances impacts perceived trust; honest and deliverable assurances and assurance that will be honoured impacts trust.
Feedback	Positive feedback impacts trust beliefs, hostage taking impacts seller trust in buyers and hostage taking impacts user feedback. Honest, complete and accurate feedback provides better indicators of trust beliefs. Negative feedback impacts distrust and distrust appears to impact trust beliefs.
Reputation	User reputation impacts user trust beliefs. Accuracy and reliability of user reputations impact perceptions of trust beliefs about another user and trust in the transaction.
Penalties	Hostage taking allows a threat of negative user feedback; penalties impact user feedback and reputations. Auction sites that expel untrustworthy users maintain norms of behaviour and a community of more trustworthy users. Inconsistencies between communicated and actual penalties impacts distrust and perceived norms of behaviour.
Auction listings	Honest, accurate and easy to understand auction listings impact trust beliefs about an auction listing and trust in a transaction.
Auction items	The types of auction items may or should impact trust beliefs. Distrust auctions that contain items based on size, brand, preciousness of item and item
Shipment & delivery	Accuracy of shipment and expected delivery impacts trust in a transaction; controls or perceived controls related to shipment and delivery impact trust beliefs and trust in a transaction
Online identity	Linkages between offline and online identities impact trust beliefs; a complete user history should better inform users for the formation of trust beliefs.
Standards	Standards are required to monitor, manage and improve community norms and values, user behaviour and user trustworthiness. Norms, values and behaviour impact trust beliefs. Repeat offenders should be distrusted and need to allow users to easily identify repeat offenders and to form better assessments of distrust.
Maintenance of standards	Standards that are maintained impact behavioural norms and user values. These impact trust beliefs.
Communications	Bidirectional, responsive, honest and non-emotive communications impacts trust and helps to maintain trust.
User networks	User networks support the exploration of online auction activities, things that impact trust beliefs and trust.

Transactions that required recourse were initially referred to the parties directly involved in transactions such as the seller, the payment authority and the auction site. Where an acceptable solution was not forthcoming, users referred these unresolved cases to the police or the police local to the seller. These local authorities can be considered as society's guardians of trust (Shapiro 1987). This research supported that there is a higher reliance on the local authorities to resolve problematic cases at online auctions than there was for other commercial transactions. This reliance on police implied that these cases were poorly handled within the immediate transactional network structure, and poorly handled cases were believed to impact all types of customers (Tax et al. 1998).

Feedback, reputation and penalties were identified as factors that impacted trust and included: positive feedback; taking feedback as a hostage; honest, complete and accurate feedback; accurate and reliable user reputations; and a consistent use of penalties. The threat of negative feedback, negative feedback and inconsistencies between the expected and actual penalties impacted distrust.

This research supported that user feedback at online auctions was used as a main indicator for user trustworthiness and this finding was supported by: the argument of Dellarocas (2003); and the findings of Ba and Pavlou (2002). Current feedback was provided by relatively unknown informants and was open to manipulation. This study found that some sellers delayed placing feedback until the respective buyer had placed feedback; this delay or non-placement of feedback for the buyer was consistent with hostage taking. Nooteboom (2002) stated “the essence of a hostage is that it has value for the hostage giver but not for the holder” (p. 69) and acknowledged that hostages could be taken to increase trust.

This research supported the finding of Kerr and Cohen (2007) that user reputation systems could be improved and improved reputation systems would enable users to make better decisions about trustworthiness and trust. Better reputation systems could reduce or remove the issue of feedback hostages and feedback could be kept confidential until both parties had placed feedback; this finding supported the idea of more symmetric trust (Nooteboom 2002). Better reputation systems could present negative feedback in ways that better reflected how more experienced users considered negative feedback; support for this finding may be found in Ba and Pavlou (2002) statements that “[negative feedback] should carry a much stronger effect than positive ones” (p. 264) and “reporting feedback in aggregate form minimizes the impact of negative ratings” (p. 264). Better reputation systems may be low cost, information rich and tied to economic and social incentives for members to be trustworthy (Granovetter 1985). Third parties could be used for feedback (Nooteboom 2002) and based on Granovetter (1985) trusted third parties who have dealt with that user previously would be perceived to provide better assessments of that user’s reliability.

Auction listings, auction items and shipment/delivery were found to impact trust through: honest, accurate and easy to understand auction listings; the types of auction items; accuracy of shipment and expected delivery details; and controls or perceived controls related to shipment and delivery. Support was found that the physical size of an auction item, brand, preciousness of item and item value impacted distrust.

Online identity, standards and maintenance of standards were identified as factors that impacted trust through: better linkages between offline and online identities; a more complete user history; standards to monitor, manage and improve community norms and values; and an ongoing maintenance and improvement of standards.

Less experienced users appeared to take the structure and order of online auction transactions more for granted and this supported an over socialised perspective of trust (Granovetter 1985). Whereas, more experienced users called the existing networks of relations into question and were concerned with the organisation of fraudsters and the ability for fraudsters to recreate themselves within and across online auctions; this supported an under socialised view of trust (Granovetter 1985). Granovetter (1985) claimed “the extent of disorder resulting from force and fraud depends very much on how the network of social relations is structured” (p. 492). This implied a gap between the network of relations perceived by less experienced users and the actual networks at online auctions. One way to improve the network of relations at online auctions was to include more effective and efficient guardians of trust within the networks. The guardians of trust were a “supporting social-control framework of procedural norms, organizational forms, and social-control specialists” (Shapiro 1987, p. 635).

Auction sites could allow users to more easily identify repeat offenders and hence form better assessments of distrust. More work is required to improve user identification and authentication, the application of penalties by account suspension and generally fulfil the need to better support and protect auction site users.

Communications and user networks were identified as factors that impacted trust through: bidirectional, responsive, and honest communications; and user networks that supported the exploration of online auction activities, knowledge transfer and ongoing improvements. Communications that faltered and misled supported distrust.

This research supported that community networks provided: access into broad based experiences across online auctions; mechanisms to transfer experiential knowledge from more experienced users to less experienced users; and a better understanding of community acceptable standards of behaviour.

The **theoretical implications** of this research were: the use of a community website; that online auctions could be better organised for trust; and the importance of controls and trust beliefs.

Community websites have been under represented in information systems research. This research has shown that such a website has allowed interactions amongst website users, provided a wealth of data available from a broad range of users and provided new perspectives of trust.

This research supported the importance of beliefs about perceived trustworthiness. Key perceived trustworthiness beliefs supported by this research were ability, reliability, honesty, integrity, competence and predicability. Ability is supported by the need to access resources, to shift the burden of proof to the other party and to take action to maintain integrity within the online auction’s user community. Reliability is supported by

the need for reliable feedback, reputations, user listings, shipments, delivery information and communications. Honesty is supported with honest assurances, feedback, user listings, and communications. Integrity is supported with the need to honour promises and to have integrity within the user community. Competence is supported by auction items that are deliverable. This research supported that these perceived trustworthiness beliefs extended beyond personal characteristics to the objects of trust that supported online auction activities.

This research has supported the importance of trust beliefs related to norms of behaviour and values, and these beliefs related to: the application of penalties; and the setting, application and improvement of standards.

This research identified the importance of controls that were easy to use. Controls identified were: monetary controls; access to recourse that is easy of use; easier to understand auctions listings; easier to use shipment and delivery information; better linkages between offline and online identities; access to a complete user history within and across online auction sites; and access to ongoing, responsive, two-way communications.

Increasing controls related to recourse indicated behavioural distrust and increased recourse controls that improve fairness should increase the perception of fair procedures and trust (van den Bos et al. 2002). In other words, an interaction between distrust and trust was supported.

This research supported the need to better organise for trust with: effective and efficient standards that support desired community norms and values; the organisation of networks for monetary transactions and recourse; and better networks of relations such as the inclusion of more efficient and effective guardians of trust.

The **practical implications** of this research were the need for: better payment authority networks; access to easier to use recourse; improved feedback and reputation systems; better incentives and actions against digressers from the norms and values; and a reduction in the perceived gap between expected and actual networks by users.

Online auctions could reduce reliance on the police as society's guardians of trust for issue resolution and improve the controls for recourse. Recourse could be easier to use and provide fairer interactions and distributions. Auction sites that promote and use better payment authority networks provide stronger indirect linkages between users and increase online auction trust.

Reputation systems could be improved to provide more accurate and transparent information. Feedback could be sourced from trusted third parties rather than more anonymous users to enable users to better assess perceived trustworthiness and trust.

This research supported that more effective actions were needed by online auction sites against users that digress from the auction site's behavioural norms and values. Online auctions could provide stronger incentives for users to be trustworthy, take more effective actions against digressers and allow trustworthiness to be taken more for granted (Coleman 1988). Jiang et al. (2005) indicate that effective actions are not easy to do as "warning users of ... lying is easy, enforcement is usually not" (p. 132).

Practitioners could reduce the gap between the network of relations perceived by less experienced users and the actual networks available at online auctions. Opportunities to do this are: assistance in selection of networks by users, knowledge transfer from more experienced users, and improvements to the actual networks available at online auctions such as the inclusion of more efficient and effective guardians of trust within networks.

LIMITATIONS AND FUTURE RESEARCH

The main research limitations were the representation of online auction users, the reduction of data collected and the magnitude of effects.

Users that posted information on this website may have been a certain type of user rather than a broad representation of all online auction users. Buyers did place the majority of cases considered within this research. However, additional information was able to be added to cases by buyers, sellers or other interested parties and 31.9% of all cases lodged included one or more case additions.

The reduction of data was a limitation within this research as rich and detailed data collected from the website was reduced into key themes and ideas as part of this research. There may have been other ways to view the rich textual data such as long narratives could be presented to avoid data reduction.

This research identified factors that impacted trust and not the magnitude of each impact on trust. Future quantitative research could be completed to investigate the magnitude of impact of each factor on trust.

CONCLUSION

This research: identified key factors that impacted online auction trust; identified trust beliefs and behavioural controls related to the factors that impacted trust; and identified improvements to networks of relations. This

research can help theorists better understand online trust and practitioners to build better online auction environments and better support online auction users.

Perceived trustworthiness beliefs identified by this research were ability, reliability, honesty, integrity, competence and predictability. These trustworthiness beliefs were more related to the objects of trust rather than personal characteristics. The objects of trust were related to assurances; feedback; reputations; auction listings; shipment and delivery; and communications.

This research found support that behaviour controls impacted trust and distrust. The use of behavioural controls indicated behavioural distrust and perceived behavioural controls impacted trust. Controls identified by this research were: monetary controls; access to recourse that is easy of use; easier to understand auctions listings; easier to use shipment and delivery information: better linkages between offline and online identities; access to complete user histories within and across online auction sites; and access to ongoing, responsive two-way communications.

This research found that online auctions could improve the networks of relations and better organise for trust. These networks help support the desired norms and values of the community, provide better access to and mobilisation of resources and reduce reliance on society's guardians of trust.

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