Trust in Electronic Marketing

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INTRODUCTION

Electronic marketing is a relatively new concept and crept into the business vocabulary in around 1970s. It refers to the flawless application of information technology from the point of origin to the ultimate destination of the products along with the entire value chain; the business processes are carried out electronically and intended to accomplish the business goals effectively and efficiently. With the advent and mass acceptance of Radio, Television, Mobile, World Wide Web; electronic media have become the dominant marketing force and an important part of our life. E-commerce further led to the emergence of the ''market space'' - a virtual world of information paralleling the real marketplace of goods and services – that enables marketers to manage content, context, and infrastructure in new and different ways, thereby providing novel sources of competitive advantage (Rayport and Sviokla, 1994). With electronic marketing, one can think of business across the globe that was not possible earlier. In recent years, increasing numbers of businesses have been using the internet in their marketing efforts. The internet is unique because it offers dual advantage to businesses; it can be thought of as a market as well as a medium. Electronic Marketing can be interactive and relatively inexpensive than Traditional Marketing. Now- a- days, manufacturers of physical goods as well service providers (e.g. travel agents, real estate agents, business consultants, chartered accountants etc.) have found the internet to be key to their success. Whatever the potential of the channel for completing transactions, it is obvious that various marketing functions are present with which the internet can assist and play a very important role in establishing competitive advantage (Robbins, 2000). In the same line of thought, Rettie (2002) strongly advocated that the internet is creating a "virtual culture" which has its own form of manners (netiquette), members of society (netizens) and method of expressing emotions (emoticons) for those who have matured in the net generation.

CONSUMER BUYING BEHAVIOR IN ELECTRONIC MARKETING

A customer is an individual or organization that makes a purchase decision and finally owns the product. The purchase decision is based on the desire of the customers to satisfy their wants and needs (Stanton et al., 1994). This gives a challenge to the marketing professional because the success of marketing depends upon the ability of a marketer to satisfy customer's needs and wants profitably. Generally, customers gather different information about quantity, quality, and variety of products from the brand names or through interacting with a physical store. After identifying the need, the customers search information through various sources; *commercial sources* (Sales person, intermediaries, mass media and other advertisement and sales promotion schemes) and *non-commercial sources* (Family and Friends).Sometimes, customers may not get all the desired information from an online store and this can result in dissatisfaction. Customers, whether individual or organization, do not want more choices.They want – when, where, and how they want it – and electronic marketing made it possible for companies to deliver the desired product and services to the customers. Interactive and database technology permits companies to maintain and utilize database on individual's needs and preferences.

While arriving on a purchase decision, the customers either go for high or low involvement decision. When a customer is not fully satisfied with the quantity and quality of information about the purchase situation and finally decides to gather more information and more options available to him, it leads to high involvement purchase decision. Very often; customers go for high involvement purchase decision for durable and luxury items. In case of low involvement purchase, customers are comfortable with the information and alternatives readily available. A low involvement purchase is usually associated with impulse buying (Stanton et al., 1994) and purchase of fast moving consumer goods (i.e. FMCG products) and necessity goods. The effective marketing can relate and react to both types of purchase decision in most efficient ways.

CONCEPT OF TRUST

Electronic marketing brought a new dimension in marketing where customers can buy product and services online (B2C), one business house can interact and exchange something desired with another business organization (B2B).

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Another important change the Internet has meant for businesses is that individuals have the ability to communicate with one another, independent of location (i2i; individual-to-individual); i2i plays a big role in influencing customer behavior and maintaining a relationship.

Morgan and Hunt (1994) conceptualized trust as existing when one party has confidence in an exchange partner's reliability and integrity. They also argued that trust is a major determinant of relationship commitment and affects each and every aspect of a business. Currall and Judge (1995) defined trust as an individual's reliance on another party under conditions of dependence and risk. In the same line of thought, Schneider (1998) said that an individual's trusting behavior heavily depends on the nature of consequences, considering that a risk is a function of the probability that a hazard comes up and the consequences the hazard poses. Risk avoidance behavior may arise as reducing risk receives superiority over cost saving in the context of high – consequence systems such as electronic marketing. Trust is thought to be an action, an attitude or orientation, a state of character, a relationship (Alpern, 1997). Trust has been explained as cognitive behavior (i.e., a matter of opinion or prediction that things will turn out in a certain way or that people will behave in a certain way), affective behavior (i.e., a matter of feeling) or conative behavior (i.e., a matter of choice or will). Finally, it can also be said that trust is not only 'confidence in one's expectation' (Lunhmann, 1979), it is confidence in an expectation of the trustee's good will (Dasgupta, 1988).

There are several forms of trust: ***goal-based, calculative, knowledge-based, and respect-based.*** **Goal-based trust** arises between two or more parties who think that they share a common objective. The goal may be good or bad. Goal-based trustees frequently rely on propaganda or high-blown oratory to inspire trustors to take great risks. Very often, it has been observed that the trust has a great affective component. **Calculative trust** attempts to predict what the trusted party will do by seeking evidence for the other's trustworthiness - e.g., does the other party have a history of keeping promises? A good reputation? The trustor estimates the perceived benefits and losses of trusting; calculative trust is basically cognitive and conative. It is common within commercial or utility relations where the parties may be largely unknown to each other. **Knowledge-based trust** takes place when individuals are familiar to each other and/or interact frequently. This type of trust may exist within commercial relations (e.g., the long-term relations between manufacturers and their suppliers). Knowledge-based trusting relations may evolve when the two parties delight in each other's company. This relation can be affective as well as cognitive. **Respect-based trust** arises and is developed when both the parties involved in a relationship have a similar love of virtue, excellence, and wisdom and are willing to engage in dialogue and ongoing conversation with a view to understand each other in the best possible way. This form of trust is most proper to friendships among good people. In this trust relationship, the parties can have confidence in the other's judgment so much that one party may trust another to make decisions on his or her behalf. Relations between parties who think they have a good sense of each other's character tend to be longer lasting than merely calculative relationship.

IMPORTANCE OF TRUST IN ELECTRONIC MARKETING

As the use of the electronic media like Internet has increased, various issues related with trust have aroused viz. will my privacy be protected if I provide information to this online vendor? Will my credit card remain secure? Should I trust that this party will deliver the goods as per my expectation? Will the goods be as described?

Involving oneself in an e-commerce transactional relationship assumes some amount of consumer dependence on the web merchant for products or services. Trust is important when risks are supposed to be high and e-commerce is perceived highly risky. Individuals are reluctant to furnish private information about them over the Internet, and they are worried about the misuse of credit cards and about fly-by-night retailers (Mutz, 2005). Trust mechanism does help individuals coping with the menaces inbuilt in specific transaction and relationships. The type of dependence determines the formation of specific types of relationships that are influenced by specific types of trust mechanisms. A vendor seeking relationship with customers can easily get their initial information if he knows the nature of the dependence and trust mechanism. It might then evolve into a transactional (short-term) or relational (long-term) relationship, provided the vendor takes the necessary steps to ensure the usage value of its Web site while nurturing the consumer's trust.

Due to the lack of personal interface in the electronic mode of transaction, customers often experience distrust at first encounter with electronic channels. It is more complicated for marketers to build a relationship with customers they never see (Dobie et al., 2001); in such a situation, it is very tough for marketers to enjoy effective marketing as we know that modern marketing heavily relies upon relationship with its customers. Trust is so important; that is why Spekman (1988) postulates it to be “the cornerstone of strategic partnership” because relationships characterized by trust are so highly valued that parties will desire to commit themselves to such a relationship. Indeed, because commitment entails vulnerability, parties will seek only trustworthy partners. That is why trust is considered as a major determinant of relationship commitments (Archol, 1991). “Relationship marketing attempts to involve and integrate customers, suppliers and other infrastructural partners into a firm’s developmental and marketing activities” (McKenna 1991; Shani and Chalasani 1991). Morgan and Hunt (1994), while discussing relationship variables focused more on *commitment and trust* as a major variable affecting relationship between different parties involved in marketing transaction and exchange. Whatever you do to maintain a relationship with your stakeholder, Customer retention is the base of relationship marketing (Rosenberg and Cazepiel, 1984). ‘Trust’ element always helps marketers to trim down transaction costs as trust increases the confidence and security in a relationship and promotes open substantive and influential information exchange. (Cummings and Bromiley, 1996; Handy, 1995). It also plays an important role in building transactional relationships as it assists in managing uncertainties and ensures further possibilities of improving cooperation and coordination among trading partners.

WHERE DOES TRUST COME FROM?

Trust is a very important element of electronic marketing, as customer and seller do not see each other physically. In order to build a model to develop trust, it is useful to know the sources of trust. Olson and Olson (2000) listed the following sources from where trust comes:

- **Personal Characteristics**: Some people are inherently more trusting than others, and some cultures are more trusting than other cultures.
- **Situational Characteristics**: People assess the cost-benefits of trust and vulnerability moment by moment. We trust more when the stakes are relatively low or the same as our partner or when the potential loss is miniscule.
- **Personal Assumptions**: Individuals derive trustworthiness on the basis of information gathered from various sources. Reputation and goodwill do play an important role in making perception of the individuals. We sometimes infer such reputations by weighing social/organizational standing, inferring that some people could not have achieved their stations in life without being trustworthy. Sometimes, seeing that other people are like ourselves, we infer they have the same level of trustworthiness as we do.
- **Face-to-face Interaction**: Personal interaction, making face-to-face contact offer lots of information about the credibility of other party. Just from seeing and observing people , we can deduce nationalities, social class, and behavior. Face-to-face interaction gives a chance to enter in the heart and mind of others and thus opens the door to make a relationship that is more trustworthy.
- **Telephonic Conversation and Text Chat**: Although this provides an easy way to interact with different people (Customer/ organization) but neither of these provide any visual cue from which we might guess others’ behavior.
- **E-mails:** Although e-mailing is very simple and less time consuming, it lacks interactivity of text chat. At the same time, we get no clues as to whether the other people are even reading our messages.
- **Videoconferencing:** This mode of communication has emerged as one of the vital communication tools in recent times. This provides visual clues about various aspects of an individual viz. cultural orientation and status, which helps both the parties to understand each other in better way; we still have difficulty if the physical distance and the cultural boundaries that have to be crossed are huge.

BUILDING TRUST IN ELECTRONIC MARKETING

Borys and Jemison (1989) suggested that the development of trust initially arises from a set of contractual relationships and then moves to more generally accepted rules of conduct. There are, of course, higher levels of trust that ultimately emerge with repetitive transactions and sharing of information.

Bailey and Bakos (1997) found trust to be very important as both markets and marketing have moved from physical place to virtual space and at the same time, because of the limitations of the electronic medium, it is very difficult to gauge the reliability of the trading partners. In order to reduce the perceived risk of the buyers, traders always try to establish a good relationship with their target customers. Intermediaries who are involved in building customers’ trust are often known as advisors or guarantors. In this view, Sarkar, Butler and Steinfield (1996) argued that cybermediaries (such as web retailers) can also improve trust simply because of their relatively unbiased position as a seller of multiple producers' goods.

Ratnasingham (1998) argued that the trust in electronic marketing is vital and it should be used in a way that ensures e-commerce security. The basic security requirements of electronic commerce can be described by the following points as follows:

- **Authorization:** Ensuring authorized uses of systems and performance of business functions by authorized users only. So, a seller must have a system to ensure that only authorized people are performing all the operations.
- **Authentication**: Establishing that parties of an electronic transaction or communication are who they claim they are. The system should be so effective that it can verify the operation and transaction.
- **Integrity**: Ensuring that the data or information on the host system or in transmission are not created, intercepted, modified or deleted illicitly. This is all about ensuring honesty for both the parties.
- **Confidentiality**: Affirming that data are only revealed to those parties who have a legitimate right and need to know it.
- **Availability:** Ensuring that legitimate access to information and services is provided. The system should be simple and user friendly and should not require many technicalities.
- **Non-repudiation:** It's all about keeping a mechanism to facilitate dispute resolution at times if a party later denies to some transaction or communication that has ever happened.
- **Privacy**: Ensuring that customers' personal data collected from their electronic transactions are protected from indecent and/or unauthorized disclosure.

CONCLUSION

Although Electronic Marketing cannot be considered as a substitute of traditional marketing due to its own limitation, it plays a very important role in the modern world of marketing and it can be considered as supplement to traditional marketing. Along with the required information, customers can place order for the product and payment can be made online. The 'trust' is a very important dimension of relationship marketing and at the same time, relationship marketing can be considered as a life blood of the organization's marketing effort. Management of 'trust' is very critical as a seller has to maintain relationship with those customers they never see. It's not very easy to develop trust for the customer but effective marketing heavily depends on trust. So, electronic marketer must focus on building and maintaining trust to make marketing successful.

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