Understanding Customer in Electronic Business

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Abstract

Internet has widely changed the way people buy and sell goods and services today. However, the trustworthiness of electronic business is not always a straightforward issue, especially if the partners do not know each other's in advance. Here we look at techniques used in managing trust in Internet. The focus will be business targeted to end-customers.

Key Words: trust, electronic business, customer needs

Introduction

Today most businesses use Internet in selling and buying. There are hardly companies that cannot be found with a search engine. In many fields Internet has become a key success factor. Most people have access to the Internet, and browse the web on a daily basis. This urges businesses to offer their products and services through the Internet. Customers have the possibility to compare, review and make sure they purchase they make right decisions from a massive choice of different kinds of services and goods available. No wonder businesses are challenged to find ways to take advantage of the potential of electronic business.

Clearly, trust has always been an important issue in business. This is also the case in electronic business, in different business activities between companies and end-customers. Trust is important because with any electronic business transaction there are flows of material, cash and information with payment being a critical part of the transaction (Tsiakis & Sthephanides, 2005). As an example, buyers are often concerned whether the product arrives as promised once the payment has been made.

Electronic business – e-Business - has rapidly changed the way buying and selling takes place. In this article we study the risks involved in using Internet for selling and buying purposes. Here it is argued that there are two main factors affecting electronic business, when approached from the consumer perspective (Lim et al. 2008). In this context the important issues are trust and ease of use. Both factors need to be understood from the consumer's viewpoint in order to develop electronic business further.

The main focus will be on transactions between businesses and end-customers, even though the role of risk and trust are present in all types of e-Business activities. Management of visibility in Internet is increasingly important; businesses should take advantage of social media techniques in addition to more traditional web pages in their business. Marketing in the net, and choosing the right channels and strategy is a challenging issue for successful business.

Understanding the Role of Trust in e-Business

Trust is a key concept in business. However, the role of trust is even more important in Internet, both in purchases made by consumers and in e-Business that takes place between organizations. Here we look especially at consumers and their behavior in electronic business.

Trust is a make or break element as in Internet the perceived trust dictates whether potential consumer shall make purchases or not (de Ruyter et al. 2001). It is not only about trusting the vendor, consumers also need to have confidence in Internet itself as a trustworthy media for commerce, communication and distribution (Dugal & Roy, 2000; Aiken et al. 2007). The trustworthiness of Internet is challenged especially by risks related to reliability, fraud, payment and misuse of customer information (Rust et al. 2002; Aiken et al. 2007).

The concept of social institution can help us to understand trust. Internet is the environment or social institution where electronic commerce takes place, with all network infrastructure and stakeholders providing web sites, logistics services and portals (McKnight & Chervany, 2001-2002). In social institutions trust is further divided into two categories, structural assurance and situational normality (McKnight & Chervany, 2001-2002). In this context structural assurance refers to a belief that there exists protective structures ensuring that transactions can be safely made in the Internet. The other component of institution-based trust is situational normality, referring to the belief that transactions and processes will lead to expected outcomes. In Internet-based transactions the individual customer expects that transactions will proceed as they would in real-life, for example there are similar steps involved in purchasing a mobile phone whether this is being done over the Internet in a web-store or in a brick-and-mortar electronics store. Structural assurance and situational normality mean in this context that there is a embedded belief that Internet is a trustworthy platform for communications and shopping leading to predictable processes and outcomes, ultimately leading to successful business activities (Walczuch & Lundgren, 2004; Aiken et al. 2007).

Electronic business relies on the idea that the customer is confident when using Internet and making transactions in the digital environment. However, this does not mean that all businesses, services and offerings in the Internet should be trusted blindly. Customer is often trying to find different kinds of cues and experiences in order to make sure the decisions are optimal. It is noteworthy that the cues and experiences can be his/her own or they can come from others. Internet is a powerful media in telling and accessing buying experiences, for example. Especially in Internet trust develops from past experiences and behavior, it is a track of keeping promises. If the vendor runs also brick-and-mortar business customers are likely to create their opinions also based on real-life experience with the company. However, in pure Internet-companies trust can develop only from digital experiences. Koehn (2003) uses here concepts calculative trust, which refers to judging history of keeping promises, and knowledge-based trust, which develops when parties are familiar with each other and start interacting more frequently. As a result, the reliability of the vendor deals with customer's perceptions of vendor's honesty and ability to perform as promised (Aiken et al. 2007).

Developing a Trustworthy e-Business Environment

Business activities are based on trust, and this is especially the case with transactions which are made over Internet. In Internet customers put a lot of importance on the trustworthiness of the seller, especially if they are first time buyers, and do not know the vendor or product well. As a result, developing trustworthy business environment becomes a key issue in Internet-based business.

The environment where e-Business takes place consists of several elements, some of them are within the domain of the seller, whereas others are services provided by companies specializing in money transactions or logistics. The Internet itself is one element that is the basis of all activities. If we look at the environment from the sellers perspective there are only some elements that can be directly managed, while others are being developed and maintained by other organizations. Accordingly, the online seller should carefully choose partners for delivery of the purchased products, for example. In this way the trustworthiness experienced by the customer can be maximized.

Let us look at elements that the seller can manage. The credibility of vendors web-site affects directly the perceived trustworthiness. Vendor should minimize any suggestions of a transaction risk for potential customers by setting up a thoroughly designed and smoothly functioning web-site. Keeping the focus on the trust of the potential customers Wang and Emurian (2005) suggest a scheme with four web-site design dimensions. The dimensions are

- graphic design,
- structural design,
- content design and
- social-cue design.

Clearly, the structure, design and layout are important in any web-site. It has been noticed that graphics and web-site colors have a direct impact on customer's feeling of the web-site (Kim & Moon, 1998). Basso et al. (2001) notice that attractive graphics grabs the potential buyer's attention, whereas good design demonstrates the professionalism and capability of the vendor. As a result, the quality of the web-site and professionalism are likely to increase trust experienced by the customers.

Content design refers to the way how products and services are presented to potential buyers. In this context there are four aspects that should be considered (Wang & Emurian, 2005). Firstly, one should pay attention to the overall brand image, including company logo, business background, description of operations and contact details. Secondly, it is important to inform the customer clearly in all stages of the business transaction, and make sure the customer can easily contact the seller if there are additional questions. Most buyers are concerned about issues like security and privacy, packaging, delivery services and tracking of delivery, and the refund policy. This type of information about the business transaction should be clearly available on the web-page (Cheskin et al., 1999; Egger, 2001; Neilsen, 1999).

Wang & Emurian (2005) emphasize the third aspect of web content development, company's accountability. This includes features related to customer privacy, security of transactions and warranty arrangements. Especially testimonies and experiences from other customers are elements that increase company's credibility (Hu, Lin and Zhang, 2001). Fourthly, web site developers need to provide accurate information on services. The web site should also display company name and brand in order to differentiate the site from competitors, make it more attractive and increase customer's trust and understanding of the products (Egger, 2001).

Generally, web-sites provide information in textual and graphical format. Communication is one-way communication, often limited to information displayed on user's screen with no possibility to ask questions directly, for example. In recent years some sites have started to provide online assistance, often in text-based chatting window or in voice-based format. These may help potential customers in a variety of situations, such as in giving further clarification on warranty related issues. However, there is practically no face-to-face communication in current e-Business sites. The lack of face-to-face interaction is likely to create a gap between company and customers. Riegelsberger & Sasse (2001) suggest that social-cue design could help in this situation, and further increase customer's trust in the vendor and the provided services.

The interface to the web-site is an important role. Basso et al (2001) found that interface which is interactive can indirectly influence customers to share information about the company and its products, and it also encourages customers to revisit the site and purchase. In addition, social cues can increase customers trust in the vendor. These include elements such as photos of employees. This makes the company better approachable - a simple but effective way to strengthen the customer connection (Steinbruck et al., 2002). Similarly, opening hours, phone numbers and email addresses could be listed. Address, map and how-to-get-there are elements that further increase customers trust in the business (Fen-Hui & Chiu-Chu, 2009).

It is very important how the content of the web-site is presented to the user (Wang & Emurian, 2005). Simplicity and consistency are features that increase trust among customers (Nielsen, 1999). The site should present content in a way that it is easy to find and understand key elements. Here grouping the content in a way which makes it easy to navigate can significantly improve readability and the overall credibility of the site (Zhang et al., 1999).

Generally, web-site developers should pay attention to usefulness and ease of use. The web-page is the forum where seller can earn trust of potential customers, and the site has an impact on the possible decision to buy. In the online environment web-site is the single most important communication channel between vendors and customers. Consequently, web-site becomes crucial for sales made in Internet environment (Lowry et al., 2008; Cyr, 2008).

Ease of Use and Customer Satisfaction

It is clear, that Internet is a very demanding environment for vendors doing electronic business. Customers have access to product and service information, finding the best prices for a given product is easy with various services designed for this purpose. As services and products are consistently being evaluated, reviewed, rated and discussed on discussion forums vendors are challenged to deliver quality products and services in order to do successful business (Doney & Cannon, 1997; Aiken, et al. 2004).

Here it is argued that ease of use is a key issue in electronic business. Generally, ease of use and perceived usefulness have a positive impact on information system usage and Internet usage (Igbaria et al. 1995; Lee & Turban, 2001; Lim et al. 2008). When websites contain useful content and provide an enjoyable user experience they are likely to be visited also in the future (Shang et al. 2005). However, Lim et al. (2008) found that enjoyment, and positive user experience are not sufficient conditions to make the purchasing decision.

In general, keeping customers is a challenge in electronic business. Customer satisfaction is one of the most important determinants of customer loyalty (Oliver, 1999, Szymanski & Henard, 2001; East et al. 2008). Shankar et al. (2003) found that customer satisfaction and loyalty are in a relationship where they strengthen and reinforce each other. Still, the connection between customer satisfaction and loyalty is relatively complex (Oliver, 1999; Mittal and Kamakura, 2001). The web-site developers could provide enhanced functionalities that further empower the customer to do shopping. For example, these might include possibility to make comparisons between different products and track order delivery (Aladwani & Palvia, 2002; Heinrichs et al. 2007). Even though customers are happy with the company, products and services and they may not be loyal to any specific vendor. The easy of searching the net for alternative providers, even better prices and services has an impact on customer loyalty.

Switching costs can help in understanding customer relationship and customer loyalty in electronic business (Balabanis et al. 2006; Shankar et al. 2003). Whereas customer satisfaction is likely to increase customer loyalty, will higher level of customer satisfaction also reduce perceived benefits of switching behavior (Devaraj et al., 2002; Anderson & Srinivasan, 2003; Chiou, 2004). In a situation where customers are dynamically looking for best price, for example, may vendor wish to create switching barriers in order to keep customers. However, there is evidence that switching barriers can increase customer retention when customer satisfaction is low (Jones et al., 2000; Balabanis et al., 2006). Customer satisfaction and switching costs interact negatively, and guide customer behavior in the future. Typically, if switching costs rise intentions to stay as a customer may decrease. Jones et al. (2000) found evidence on negative connection when surveying different samples of bank and hairstylist clients. In these cases development of switching barriers actually decrease intentions to repurchase. Noteworthy, Burnham et al. (2003) studied business consumers of a credit card company and found no support for the negative interaction between switching costs and customer loyalty. The conclusion is here that there can be significant variations in switching behaviour and that switching costs may vary across industries (Chen & Hitt, 2002).

Discussion

The focus of this article is electronic business, buying and selling products and services over the Internet. We argue that there are two important elements in successful electronic business, trust and ease of use (based on Lim et al. 2008). In general, trust is a vital element in business. In electronic business this is even more important, especially if transactions take only place online, and there is no physical contact between vendor and customers. Here we argue that successful e-Business relies on trust between the vendor and customer. Customers use the net to gather information on products and services, and experiences from other customers. The reliability of the vendor is an important issue, and it consists of customer's perceptions of vendor's honesty and ability to perform as promised (Aiken et al. 2007).

The web-site has critical role in electronic business, it functions as basis for commerce and transactions. As a result, the usefulness and ease of use have impact on sales made over the net. The web-site should provide an interface that is straightforward and easy to use with a variety of terminal devices. The importance of customer satisfaction should be understood in electronic business. Vendors have very little control over what is being said about their products and services in various Internet reviews, ratings, discussion forums (Doney & Cannon, 1997; Aiken, et al. 2004). Therefore, customer satisfaction is critical and the continuity of the business depends highly on customers.

Keeping customers is a challenge for e-Business companies – how can one keep customers when it is easy to switch between suppliers? Attempts to create barriers for switching can be a risky strategy. Different types of switching costs may not eventually prevent customer retention. A better approach is to provide superior service to the customer.

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