- Word Count: 3976

Plagiarism Percentage

11%

paper text:

The Effect of Vendor Trustworthiness Toward Online Purchase Intention Through Costumer Trust Michael Adiwijaya Lecturer, Faculty **of**   **2**

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ABSTRAK Pemanfaatan teknologi internet dalam dunia bisnis memungkinan transaksi penjualan produk secara online. Terdapat banyak permasalahan dan kendala yang dihadapi oleh konsumen pada saat melakukan pembelian produk secara online seperti kendala adaptasi teknologi, kejahatan online, dsb. Hal ini menyebabkan konsumen menjadi ragu dan khawatir untuk melakukan pembelian produk melalui media internet. Kepercayaan (trust) merupakan faktor utama yang mempengaruhi minat konsumen untuk melakukan pembelian produk secara online. Banyak peneliti yang melakukan penelitian untuk mengidentifikasi anteseden yang mempengaruhi kepercayaan konsumen dalam konteks bisnis online tetapi penelitian tersebut terpisah – pisah dalam artian hanya terfokus pada sudut pandang tertentu saja misalnya dari sudut pandang internal konsumen, sudut pandang teknis website dan teknologi, serta sudut pandang vendor website. Pada penelitian ini dianalisa anteseden trust secara komprehensif yang meliputi

vendor trustworthiness (ability, benevolence, integrity) dan **individual features** (consumer **trust)**   **2**

serta pengaruhnya terhadap minat pembelian (purchase intention) konsumen. Penelitian diadakan di Surabaya melalui survey kuesioner dengan responden penelitian konsumen yang pernah melakukan pembelian produk secara online. Hasil pengumpulan data

diolah dengan menggunakan **teknik analisa Structural Equation Modelling (SEM). Hasil penelitian** 9

menjelaskan faktor yang mempengaruhi kepercayaan konsumen serta minat pembelian konsumen secara komprehensif dalam ruang lingkup bisnis online. Kata Kunci

Ability, Benevolence, Integrity, Consumer Trust, Purchase Intention, Online. 2

ABSTRACT The

using of internet technology in business field facilitates the online product sales. There are many challenges and obstacles faced by customers when they would like to buy product via online, for instance the process of technology adoption, online crime activities, etc. This situation creates customer doubtfullness and worries for engaging in purchasing product via online. Trust plays significant role in affecting customer intention to purchase products via online. The previous research findings showed the antecedents of customer trust but those findings only explained the phenomenon based on one single perspective for example from the customer perspective, the technology perspective, and the vendor perspective. The focus of this research is analyzing the influence of vendor trustworthiness (ability, benevolence, and integrity) towards individual features (customer trust) and customer purchase intention. The research has been done in Surabaya through questionairre survey design by using the customers who had purchase product via online as the respondent. Structural equation modelling is used to analyze the research data. The findings revealed the antecendent of customer trust and its influence on customer online purchase intention comprehensively. Keywords: Ability, Benevolence, Integrity, Consumer Trust, Purchase Intention, Online. 1

INTRODUCTION Nowadays the using of internet technology has been applied to the entire aspect of

human life activities especially the business aspect activities. This condition facilitates the significant development of global business activities worldwide (Maksiyanova, 2012). The utilization of internet technology is the inovative way to conduct business activities which is known as electronic business or commerce. The technology of internet simplify and integrate the business processes such as business transaction, business functions, information sharing, business relationship starting from pre order phase, order phase, and post order phase (Ongori, 2010). In addition the electronic business provides the easiness for both seller as well as buyer. The benefit of e-commerce for seller is to expand the market area while the benefit for the buyer is to gain and to compare the products easily (Niranjanamurthy

> **et al,** 2013). **On the other hand,** the development **of** online **business**   15

evokes new phenomenon which is the arrising of online business crime (Hong and Cho, 2011). The online business 2 market is vulnerable for online business crime threat since the nature of the business involving many parties for instance the seller, the finance intermediaries, the buyer, etc. Therefore the online company has to set up the infrastructure of technology to increase customer trust for examples the feedback mechanism, credit card security assurance, etc (Niranjanamurthy et al, 2013). Many previous research findings were focus on the customer perspectives in adopting online purchase behavior. Those findings showed that customer perceived risks are the main consideration that affecting online purchase decision. The examples of customer perceived risks are the risk of security issues on credit card use, the risk of unreturnable policy when the customers dont satisfied with the product, the risk of mistake in selecting the product because the customer can not see and touch the product directly, etc. These risks refers to existance of customer trust. Haris and Goede (2010) explained that there was significant influence of customer trust towards customer purchase intention via online. Moreover Marzieh et al., (2011) found that the ability of online vendor will affect customer intention to conduct window browsing, while customer trust towards the integrity of vendor online affects online customer purchase intention in overall. Considering the market potential as well as the threads faced by online vendor thus this research is focus on investigating the influence of vendor trustworthiness which is consist

> **of vendor ability, benevolence, and integrity towards customer trust and the**   2

effect to online customer purchase intention. This research will investigate the influence of vendor trustworthiness which is consist of three variables; they are vendor ability, vendor benevolence, and vendor integrity; towards customer purchase intention through customer trust as the intervening variables.

> **The research** conceptual **framework can be seen** on **figure 1**   16

below: Vendor Trustworthiness Ability Consumer Purchase Benevolence Trust Intention Integrity Figure 1. Research Conceptual Framework METHODS

> **The purpose of this research is to examine** and to verify **the** correlation or   6

research variables or constructs. Maggetti et al., (2012) explained causal research as the design research to identify cause effect relationship between research variables wherein the research problem has been obviously formulated. This research plan is chosen by considering the existance of of hypothesis testing and becuase it is used structural equation modelling as the analysis tool. The population for this research was the customer who has been purchased a product via online. The respondent for this research are hardly to get due to the privacy and security consideration. Therefore purposive sampling technique was chosen to determine the respondent as research sample. This techniqe assured that the certain established standard for research sample could be met (Oppong, 2013). The sample criteria are the age (>18 years old) and the purchased online behavior (minimum 1 time within 3 months prior to the implementation for data collection). Questionairre design survey was conducted in several public places in Surabaya, as the second biggest city in Indonesia, for example at shopping malls, universities, cafes, etc. There were total 100 respondents who participated in this research; the data will be processed by using partial least square analysis. There are three independent variables for this research; they are vendor ability, vendor benevolence, and vendor integrity. Vendor ability is measured by using four indicators (ability to serve; experience, knowledge, and security); vendor benevolence is measured by using three indicators (need concern, retain relationship, and helpfulness); and finally vendor integrity is measured by using four indicators (keeping promises, service quality, legal product, and problem solving). Furthermore the dependent variable is purchase intention is measured by using two indicators (intention to repeat and preference) and customer trust as the intervening variable is measure by using three indicators (convenience,satisfaction, responsibility). Ability, benevolence, and integrity are the important elements in affecting customer trust wherein each of the elements has its own variation. It does not mean that those aspects are not relate one another but those three elements could act as independent variable. If the ability, benevolence, and integrity are perceived high by trustor then it demonstrates the high level of vendor trustworthiness. However the conception of trustworthiness has to be seen as a continuing processes. This is not only about the level of trustee trustworthiness but also the influence of each element equally. Trustor can evaluate those three elements prior to purchase transaction activity through trustor own observation and through third party external information.The integrity element is the early crucial element for trustor and trustee interaction. As the interaction grows then both party could measure other elements which are the benevolence as well as the ability element and the result will affect customer

Hypotheses 1: Vendor trustworthiness significantly affects customer trust. This hypotheses is divided into three hypotheses: 1a : Vendor ability significantly affects customer trust 1b : Vendor benevolence significantly affects customer trust 1c : Vendor integrity significantly affects customer trust Previous finding revealed strong relationship between trust and purchase intention wherein trust played vital role both for offline and online business. This finding is supported by Kim and Jihyun (2009) that explained customer trust is even more needed in the online business field compared to the offline businees field. The absence of trust will lead online business into the stagnancy level and even worse it will threaten the existance of the business itself; therefore customer trust is the key to increase the excitement for online business growth (Mao., 2010). In short, customer trust within online business has been affecting customer purchsae intention (Harris and Goede, 2010). Hypotheses 2: Customer trust significantly affects customer purchase

intention RESULT AND DISCUSSION There are three parts of descriptive analysis result; the profile of the respondent, the shopping behavior, and the research variable measurement. The profile of respondent captures gender, age, marital status, profession, and income. The result showed that the majority of respondents is both male and female; on the age of 18 to 35 years old; the marital status is single; the education background is university graduates; the profession is diverse (professional, student, and entrepreneur); and the income is on the range starting from IDR 1 million to 10 million. The result of descriptive analysis on respondent profile revealed that the characteristic of the customers who have intention to purchase product via online is young, educated, and middle income. Descriptive analysis for customer shopping behavior captures vendor online and nominal per transaction. The result showed that respondent purchase product via online to buy airline ticket, books, fashion product, and discount voucher. The total spending per transaction is starting from IDR 100.000 to 500.000,-. Moreover, descriptive analysis for latent variables (vendor trustworthiness, customer trust, and purchsae intention) used interval scale from 1 to 5

Ability Indicators 1 2 3 4 5 Freq Mean X1.1 1 0 6 67 26 100 4,17 X1.2 1 3 9 47 40 100 4,22 X1.3 1 1 13 59 26 100 4,08 X1.4 2 4 9 57 28 100 4,05 Ability (X1) 4,13 Source: Processed Primary Data (2014) Overall mean score for Ability (X1) on table 4.1 showed that respondents perceived vendor online has high ability. This evaluation is also reflected into the entire indicators including the ability to serve; experience in running the business, knowledge about the business, and security for online transaction Table 4.2 Mean Score for Benevolence Indicators 1 2 3 4 5 Freq Mean X2.1 2 11 25 48 14 100 3,61 X2.2 4 20 33 32 11 100 3,26 X2.3 1 4 29 55 11 100 3,71 Benevolence (X2) 3,53 Source: Processed Primary Data (2014) Overall mean score for Benevolence (X2) on table 4.2 showed that respondents perceived vendor online has demonstrated standard benevolence (neither low or high). The lowest mean score is on the indicator of respondent perception towards vendor online orientation in serving the customer. This phenomeon is happened because the relationship between buyer and seller is limited via online. The customers do not engage directly to the employee of vendor online. Table 4.3 Mean Score for Integrity Indicators 1 2 3 4 5 Freq Mean X3.1 1 1 13 66 19 100 4,01 X3.2 1 2 12 54 31 100 4,12 X3.3 2 1 10 57 30 100 4,12 X3.4 1 2 15 66 16 100 3,94 Integrity (X3) 4,05 Source: Processed Primary Data (2014) Overall mean score for Benevolence (X3) on table 4.3 showed that respondents perceived vendor online has demonstrated high level of integrity. This evaluation is also reflected into the entire indicators including keeping promises, service quality, legal product, and problem solving. Table 4.4 Mean Score for Customer Trust Indicators 1 2 3 4 5 Freq Mean Y1.1 1 4 17 60 18 100 3,90 Y1.2 1 3 14 65 17 100 3,94 Y1.3 1 5 9 65 20 100 3,98 Customer Trust (Y1) 3,94 Source: Processed Primary Data (2014) Overall mean score for Customer Trust (Y1) on table 4.4 showed that respondents trust performance of the vendor online. This evaluation is also reflected into the entire indicators including convenience of doing transaction,satisfaction with service, and vendor responsibility. Table 4.5 Mean Score for Purchase Intention Indicators 1 2 3 4 5 Freq Mean Y2.1 2 3 7 64 24 100 4,05 Y2.2 1 3 18 56 22 100 3,95 Purchase Intention (Y2) 4,00 Source: Processed Primary Data (2014) Overall mean score for Purchase Intention (Y2) on table 4.5 showed that respondents have high intention to purchase product via online. This evaluation is also reflected into the entire indicators including the

purchase to online vendor compared to the offline. This research used Partial Least Square as the analysis tool through SmartPLS software. Table 4.6 described the summary of outer loadings which explained convergent validity, indicator reliability, and internal consistency reliability. For convergent validity, it can be measured from AVE score of each latent variables. The score of AVE is higher than cut of value (0,5) therefore all latent variables are qualified. Moreover for reliability, it can be measured from the kuadrat of outer loadings score on indicator relability section. The standard of cut of value for indicator reliabilty is on the range 0,4 to 0,7. Thus all indicators in this research are acceptable for indicator reliability. Next for internal consistency reliablity, it can be measured from the score of composite reliablity. The cut of value score

is higher than 0, 7 therefore all of the latent variables   12

in this research are confirming the internal consistency reliability. The detail of outer loading score can be seen on table 4.6 below: Table 4.6 Outer Loadings Latent Indicator Composite Variables Indicators Loadings Reliability Reliability AVE Ability

(X1) X1.1 X1.2 X1.3 X1.4 0, 803 0, 861 0, 785 0, 775 0, 645 0, 741 0, 617 0,   3

600 0,882 0,651 Benevolence

(X2) X2.1 X2.2 X2.3 0, 891 0, 772 0, 856 0,   5

794 0,596 0,733 0,879 0,708 Integrity

(X3) X3.1 X3.2 X3.3 X3.4 0, 795 0, 871 0, 855 0, 844 0, 632 0, 759 0, 730 0, 712 0, 907 0,   4

708 Trust

(Y1) Y1.1 Y1.2 Y1.3 0, 887 0, 891 0, 887 0, 786 0, 794 0,   3

786 0,918 0,789 Intention (Y2) Y2.1 Y2.2 0,936 0,801 0,877 0,642 0,862 0,759 Source: Processed Primary Data (2014) For discriminant validity testing, it can be seen from table 4.7 which showed the information about the correlation among latent variables and

the square root of AVE for each latent variables. The square root score of   11

AVE is stationed diagonally on table 4.7. Table 4.7 Discriminant Validity Ability Benevolence Integrity Intention Trust Ability 0,807 Benevolence 0,517 0,841 Integrity 0,718 0,618 0,842 Intention 0,544 0,355 0,547 0,871 Trust 0,740 0,445 0,683 0,586 0,871 Source: Processed Primary Data (2014) The evaluation of discriminant validity can be measured through the comparison between matrix diagonal of discriminant validity and correlation score among latent variables. Based on table 4.7, it can be seen that all latent variables are complying the discriminant validity standard. Hypothesis testing is measured by identifying patch coefficient and significancy level between latent variables. Cut of value for significancy level is T-statistic score > 1.96. Table 4.8 Patch Coefficient Path Coefficient T Statistics Ability -> Trust 0,519 6,429 Benevolence -> Trust -0,025 0,304 Integrity -> Trust 0,326 3,012 Trust -> Intention 0,586 6,107 Source: Processed Primary Data (2014) Based on table 4.8, it can be seen that only three out of four path diagram analysis were significant. They are the influence of Vendor Ability towards Customer Trust; the influence of Ventor Integrity towards Customer Trust; and the influence of Customer Trust towards Purchase Intention. Therefore hypotheses 1a; hypotheses 1c; and hypotheses 2 were accepted. While the influence of Vendor Ability towards Customer Trust was not significant. It means that hypotheses 1b were rejected. This phenomenon is occured due to the nature of online transaction wherein the seller and the buyer are not meeting directly (face to face), therefore it is difficult for buyer to identify Vendor Benevolence. Moreover by comparing score of path coefficient then

it can be concluded that the influence **of** Vendor Ability towards **Customer Trust**

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(0,519) was higher compared to the influence of Vendor Integrity to Customer Trust (0,326). Table 4.9. Coefficient of Determination (R2) Regression R2 Ability, Benevolence, Integrity -> Trust 0,596 Trust -> Intention 0,344 Source: Processed Primary Data (2014) Table 4.9 showed that customer trust on online purchasing activities were affected (60%) by vendor trustworthiness (ability, benevolence, and integrity) which means there were other factors that affected customer trust. The possibility of other factors is explained by Harris and Goede (2010) that technical aspect also affected customer trust in purchasing product via online instead of vendor trustworthiness. This aspect refers to e-servicescape. Moreover the customer purchase intention to buy product via online were only affected (34%) by customer trust. This amount influence of customer trust was not massive enough towards purchase intention. The other factors affect purchase intention is argued by Verkantesh and Agrawal (2006) that customer direct past experience on online product purchase activities also affected his/her intention to purchase product via online. MANAGERIAL IMPLICATIONS Based on this findings, the management of online business need to build customer trust as the foundation to stimulate customer purchase intention. In addition, the management of online business could improve its trustworthiness in emphasizing on its ability to run the business as well as securing the online payment system. The third parties for instance the financial or bank institutions could be involved in securing the transaction process. This argument is also supported by Matic and Vojvodic (2014) who explained that the insecurity of internet usage affected online purchase intention. Therefore the increasing of payment security will increase customer trust that lead to customer purchase intention. Moreover online business vendor is supposed to keep pace with the development of internet technology in purpose to improve its knowledge and its business shopistication system for delivering best service performances. The example is the using of application in android or ios system will provide customer convenience in browsing and dealing for online transaction. In addition since vendor integrity also affecting customer trust then it is necessary to sustain business integrity in running the business as well as serving the customer. Some important indicators that need to take into account are keeping promises to the

customer, maintaining the level of service quality, selling the legal product, and finally providing the solution for the problems faced by customer. Next the findings showed that mostly the respondent purchase product via online especially for leisure and lifestyle products for instance to buy airline tickets, books, fashion product, and discount voucher. Therefore this creates the opportunity for other leisure and lifestyle offline business to expand its businesses into the online area. According to the findings that vendor benevolence does not influence customer trust but still the online business vendor could increase the performance of this aspect by developing several program for example offline customer gathering, online discussion forum, etc. This activities is considered important to overcome the limitation of online business nature as well as to develop the relationship with the customers. Besides vendor trustworthiness; the management of online business vendor need to consider the technical aspect of the website that affect customer trust for instance the appearance, features, layout, etc. This aspect is significant since the website acts as the offline store that attract customers to browse and stimulate customer purchase intention. CONCLUSION Based on research findings then there are several conclusion that can be made as follow: Customer trust plays vital role in creating customer purchase intention therefore

it is necessary to identify the antecedents **of** customer **trust in the context**   7

of online transaction. The vendor trustworthiness (except vendor benevolence) influenced customer trust, therefore it is a compulsory for online business vendor management to focus on increasing vendor ability as well as vendor integrity in purpose to create customer trust. REFERENCES Kim Hongyoun Hahn, Jihyun Kim, (2009), "The effect of online brand trust and perceived internet confidence on online shopping intention in the integrated multi channel context, International Journal of Retail and Distribution Management, Vol. 37 No 2, pp. 126-141. Harris, L. C & Goode, M. H. (2010). Online servicescapes, trust, and purchase intentions, Journal of Services Marketing, 24/3, 230–243 Hong, I. B., dan Cho, H. 2011. The Impact of Consumer Trust on Attitudinal Loyalty and Purchase Intentions in B2C E-Marketplaces: Intermediary Trust vs. Seller Trust. International Journal of Information Management. Volume 31(5), 469-479. Jason, A. C., Brent, A. S., & Jeffrey, A. L. (2007). Trust, Trustworthiness, and Trust Propensity: A Meta Analytic Test of Their Unique Relationship With Risk Taking and Job Performance, Journal of Applied Psychology, Vol.92, No.4, 909-927. Maksiyanova, T. V. (2012). 'Innovative changes in Russian economy under the influence of internet economy formation and development, World Applied Science Journal, vol. 20 (9). DOI: 10.5829/idosi.wasj.2012.20.09.2886 Kim, D. J., Ferrin, D. L., dan Rao, H. R., 2003a. Antecedents of Consumer Trust in B-to-C Electronic Commerce, Proceedings of Ninth Americas Conference on Information Systems, pp. 157-167. Ling, K. C, Chai, L. T & Piew, T. H (2010), "The Effects of Shopping Orientations, Online Trust and Prior Online Purchase Experience toward Customers' Online Purchase Intention", International Business Research, Vol. 3, No. 3; July 2010 Maggetti, Martino, Fabrizio Gilardi and Claudio M. Radaelli (2012), Research Design in the Social Sciences, SAGE Publications Marzieh, Z, Laily, BT. HJ.P, Jamil, B.B, & Syuhaily, BT. O. (2011). The effect of trust on online malaysian students buying behavior, Australian Journal of Basic and Applied Sciences 5 (12), pp.1125-1132. Matic, M and Vojvodic, K. (2014), "Customer perceived insecurity of online shopping environment", International Review of Management and Marketing, Vol. 4, No. 1, pp. 59-65. Mao, D. (2010), A study of consumer trust in internet shopping and the moderating effect on risk aversion in mainland China, Undergraduate thesis, Hong Kong Baptist University Press. Ongori, H. (2010). Information and communication tecnologies adoption in SMEs: literature review. Journal of Chinese Entrepeneurship, 2(1), 93-101. Oppong, S. H. (2013). The problem of sampling in qualitative research: Asian Journal of Management Sciences and Education, 2(2), April, 2013. Niranjanamurthy, M, Kavyashree, N, Jagannath, S & Dharmarendra, C. (2013). Analysis of e-commerce

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