

# THE ISSUES OF RISK, TRUST, AND CUSTOMER INTENTION: A SEARCH FOR THE RELATIONSHIP

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## Abstract

The main purpose of this study is explaining the relationship between customers trust, perceived risk and online purchase intention. However, we added e-servicescape as the antecedent of customers trust, perceived risk, and purchase intention. The respondents were 120 online shop customers. The data was processed using SmartPLS 2.0. We found e-Servicescape to be an antecedent of both customer trust and perceived risk, and customer trust to be the antecedent of purchase intention. However, we found that the relationship between customer trust and perceived risk, as well as perceived risk and purchase intention to be insignificant. Our findings and managerial implications are discussed.

**Keywords:** E-Servicescape, Customer Trust, Perceived Risk, Purchase Intention

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## 1. INTRODUCTION

The history of Internet in Indonesia began at the early years of 1990. During those years, the internet network was known as *paguyuban network*. With the recent development of technology in Indonesia, internet becomes more commercialized, involving online buying and purchasing. According to *Asosiasi Penyelenggara Jasa Internet Indonesia (APJII)*, there were 88.1 million Indonesian internet users as of the year 2016, with 48% users act as daily users. Thus, it can be said that the online potential market is considerably high in Indonesia.

On one hand, the internet has impacted the business world significantly. Businesses are able to conduct their international activities determining their growth globally (Negash et al 2003; Teo & Pian 2004). Such activities include business transactions, global operation of enterprises, and information sharing between an enterprise and its suppliers and customers to maintain their relationships before, during, and after the process of transactions (Hoffman et al, 1997). This will help sellers to enlarge their market of operations, and buyers to acquire sufficient product information prior to purchasing said product (Roche, 1995). This phenomenon creates an urge to create innovative business practices which operate online, or also known as e-business or e-commerce (Avlonitis & Karayanni, 2000).

On the other hand, the rise of internet use among businesses creates a risk. The online business model usually involves third-party companies acting as mediators between sellers and buyers. Therefore, the risk of online crime arises alongside the benefits of internet (Hong & Cho, 2011). Some examples of the risk include identity theft and credit card fraud. Online enterprises use series of strategies to counter the risk, mainly revolving around strengthening the technological infrastructure to build customers' trust with tactics

such as credit card guarantees and feedback mechanisms (Pavlou & Gefen, 2004).

Previous researchers found that the perceived risk in doing online buying plays a significant role in the customers' buying intention (Eastlick & Lotz, 1999, Haris & Goode 2010). They elaborated that the perceived risks include credit card security and non-refundable product policies even when the customers feel unsatisfied. It is described that while the online platforms present wider range of products, customers lack the ability to physically assess the products, resulting in the risk of misjudging the product quality and ergonomics. In short, their trust towards online brands determines whether they would purchase a product via online platform or not.

Based on our previous focus group discussion, the root of customers' trust issues can be caused by the lack of clear activities conducted by some online enterprises which leads to the distortion of information presented to the customers. First, online businesses require small office space to conduct their operational activities. Often, they choose SOHO (Small Office Home Office) as their office base, where their staffs conduct three main activities which are daily operational purchase, product distribution and selling, and product return or refund. These activities are done using limited number of human resource personnel. Thus, some human errors are inevitable. Second, the online business model usually comprises of companies acting as the online platform provider, and individuals or companies acting as the product sellers. Often, this creates confusion, in which the responsible parties, should there be problems during the purchase process, are unclear. These may instill fear in the consumers' online purchase intention process.

Both previous researchers and our focus group discussion findings indicate a strong relationship between consumers' trust and consumer' purchase

intention. However, there are some findings which contradict this. Tang & Chi (2005, indicated that trust has no strong relationship with online buying intention. They explained that trust should build customers' attitude prior to their behavior. Apart from that, Chen (2012) found that sellers' integrity, as a part of trust, has no significant impact towards online buying intention. This is surprising, as a lot of buying decisions are determined by the sellers' reputation. Usually, this is indicated by the "approved seller" stamp given by the platform provider or the number of stars given by their past customers. Thus, it is safe to say that the role of trust in predicting purchase intention is inconclusive.

Our research addressed this problem, focusing on the antecedents of online shopping behavior which is seen from consumers' point of view. We chose to use consumer's perceptions because online business strategies are in the end, aimed towards the consumers. The success of these strategies relies heavily on whether the enterprises succeed in converting a consumer into loyal buyer. We hypothesized that trust plays an important role as a purchase intention catalyst. Thus, it is important for enterprises operating in the online market to find out what factors trigger online purchasing behavior significantly.

Building trust in an online market is not an easy task. Zeithaml, et al. (2002) believe that trust is built upon an environment projecting efficiency, safety, and fulfillment of needs. Enterprises should build an online platform referring to those aspects. The environment of online platform is often labeled as e-servicescape. Urban, et al. (2000) further explained that security of both transaction and privacy are mandatory, as well as the clarity of information regarding the availability of stock. Moreover, as the competition is more intense, online enterprises' service such as the reliability and

timeliness of delivery is also important. Next, the need for assurance in the transaction process is necessary. This is due to the risk of product defect or inappropriate product specifications.

As trust is built on the fulfillment of consumers' expectation (Barber, 1983), online enterprises need to pay attention to their customers' behavior as in the online market, consumers possess lack of power and control in the transaction process (Chai & Kim, 2010). Therefore, these consumers' are willing to do the online transaction process regardless of the process' weakness or risks (Kimery & McCard, 2002).

The higher the consumers' trust towards an online brand, the lower their perceived risk towards online transaction involving the brand (Williamson, 1993, Gefen, 2002). This emerges from the consumers' feeling of safety during transaction (Jarvenpaa and Todd, 1996). The rationale is that trusted brands usually have their online selling portfolio, highlighting testimonies of satisfied customers. This will increase the consumers' level of trust towards the brands, and creates a perception of safety in doing online transactions via these brands. Thus, it can be said that consumers' trust impacts their perceived risk on online buying. It has to be noted, however, that perceived risk is highly subjective (Woodruff, 1997), as it involves one's point of view which most likely is different compared to others. Therefore, managing risk is a vital skill needed by online enterprises.

This research rationale is built upon the explanations above. It will explain the relationship between trust and purchase intention. However, we also would like to delve further into the antecedent variable of both risk and trust, which is e-servicescape, and these variables' relationship towards online purchase intention. The research framework we use is as follows:

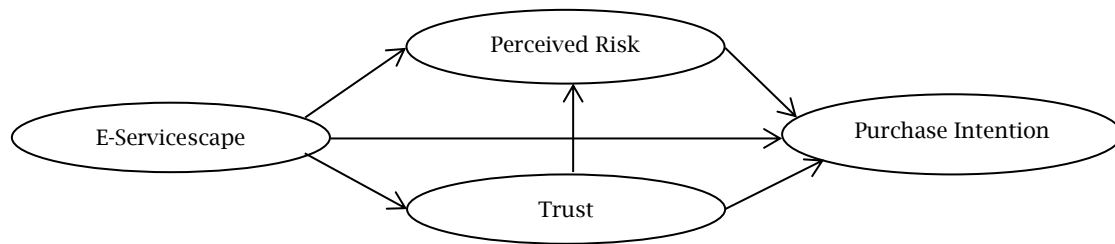


Figure 1. Research framework

It is expected that this research will contribute towards customer trust and purchase intention. It will also address the perception of the online buying environment and the perceived risk in doing online transaction from the point of view of Indonesian online buyers.

## 2. LITERATURE REVIEW

### 2.1. E-servicescape

Baker (2002) stated that the physical environment of products and services are affected by the interaction between customers and the atmosphere, design, and social factors of the said products and services. Whereas according to Bitner (1992), *servicescape* is a

concept consisting of atmosphere, layout, and functional aspects which are complemented by signs, symbols, and forms. Szymanski & Hise (2000) found that there are significant relationships between convenience, merchandising, website design, and financial security with online satisfaction. This is backed up by Zeithaml et al. (2002) who stated that online service quality is assessed based on efficiency, fulfillment, and privacy.

### 2.2. Online Trust

Trust is a major issue in the interaction between customers and a company, especially in e-commerce based business. Gefen (2000) stated that the object

of customer trust is the performance of a company or vendor which said customer interacts with. In online business, this interaction process bears a risk which is caused by the uncertainty of technological infrastructure for information sharing as well as the parties involved in a transaction (Grabner-Kraeuter, 2002). In other words, there is a risk for customers in doing online transaction because the accountability of the online vendor as well as the parties involved, such as the payment or shipping vendor, is uncertain.

McKnight & Chervany (2002) explained the phenomenon of online trust as the tendency for a customer to believe and place their expectation in a website, website vendor, and internet. Thus, it is proposed that one way to understand the phenomenon is to examine the attributes of the trustee.

### 2.3. Perceived Risk

Customer's decision to purchase, modify, or postpone the purchase process is heavily affected by their perception of risk in doing transactions. Kim et al. (2003) stated that this perception of risk, or perceived risk, is customer's belief that there is potential negative risk which surfaces in a certain condition or situation. This is heavily subjective in nature, as each customer may have different perceptions regarding a situation, which includes a situation where this customer does an online transaction (Kimery & McCard, 2002). This amplifies Mitchel's (1999) findings stating that the perceived risk is often used by customers as a consideration in forming certain behaviors as they would often try more to avoid mistakes compared to maximize utility in purchase process.

### 2.4. Purchase Intention

Purchase intention can be classified into a component of consumers' cognitive behavior which explains why an individual possesses an intention to make a purchase (Ling et al., 2010). The higher the consumers' purchase intention are, the more likely they are to make an actual purchase. Schiffman & Kanuk (2011) explained this phenomenon by stating that the consumers who possess positive purchase intention will create positive loyalty towards a brand which later leads to an act of purchase. Laroche et al. (1996) stated that to measure purchase intention, one has to take consumers' consideration and expectation into account. This measurement is needed because understanding customer's purchase intention will help companies to profile potential market segment and predict future demand of a product or service (Urban & Hauser, 1993).

### 2.5. E-servicescape, Trust, and Purchase Intention

The dimensions of e-servicescape, which are aesthetic appeal, layout and functionality, and financial is adapted from offline store environment (Wolfenbarger & Gilly, 2001). These dimensions explain the process of interaction between consumers and the store ambience, design, and social factor (Bitner, 1992, Baker, 2002) which then translated into online platform interface for the

purpose of online environment research (Szymanski & Hise, 2000).

Yen & Gwinner (2003) posited that trust should be the main aspect of successful online services. Thus, it is mandatory for online enterprises to focus on increasing and maintaining consumers' level of trust to be successful in their online activity. The initial stage of online purchase is the evaluation of online platform visually (Mandel & Johnson), as the attractiveness of the platform reflects an online enterprise's credibility, and credibility creates the feeling of trustworthiness (Harris & Goode, 2004). This will at the same time decrease the level of perceived risk of doing online transactions. Chang & Chen (2008) amplified this by stating that aesthetic appeal plays a significant role in improving consumers' online trust.

The process of assessing the online environment continues by judging whether the platform is useful and easily operated. In fact, Kim, et al. (2003) explained that layout and functionality dimension is the main criterion assessment used by consumers to evaluate an online platform. Customization (Lynch, et al., 2001), interactivity (Fiore & Jin, 2003), and function design (Menon & Kahn, 2002) of a platform are the most fundamental aspects which are assessed by customers which will lead to the increase of online customer trust. This dimension will also reflect an online enterprise's performance, which is tied closely to perceived risk as it ensures consumers that negative outcome potential resulting from the transaction process is minimized.

The financial security dimension plays a significant role in building customers' trust. Szymanski & Hise (2000) stated that this aspect is considered to be crucial. The number of complains and the content of testimonies can be read easily by potential customers. The more positive the review is, the greater the trust will become. However, the negative reviews will impact the potential customers' perception on the online enterprise, and therefore projects that there will potentially be negative consequences should the online transaction be done. This will increase the customers' perceived risk (Kim, et al., 2003).

*Hypotheses 1a: e-Servicescape will be positively related to customer trust.*

*Hypotheses 1b: e-Servicescape will be negatively related to perceived risk.*

*Hypotheses 1c: e-Servicescape will be positively related to purchase intention.*

### 2.6. Trust and Perceived Risk

Perceived risk is perception of the potential result of consumers' assessment of an online transaction, whether it is successful or not (Kathryn & Mary, 2002). Potential means that there are possibilities of both negative and positive consequences of the online transaction. Thus, customers lose their ability to properly judge the safety of the transactions as there are too many variables to be considered such as hackers, technology, and hostile vendors. In this kind of situation, trust plays a significant role in reassuring that there will not be any problem with the transaction (Ratnasingam, 1998).

Meyer (1995) explained that customers' perception of an enterprise's ability, benevolence,

and integrity will shape their level of trust towards the enterprise. The higher the score of the trust variables, the lower risk they perceive and vice versa. Therefore, it can be said that customer trust will impact customers' perceived risk negatively.

*Hypotheses 2a: Customer trust will be negatively related to perceived risk.*

## 2.7. Trust and Purchase Intention

Previous researchers (Sultan & Mooraj, 2001, Fusaro, et al., 2002, Grewal, et al., 2003) stated that there is strong correlation between trust and purchase intention, both in online and offline business. It is further elaborated that in the context of online business, trust is vital. In this online model, customers possess no ability to make physical contact with the product offered or create comparisons between one product to another, and therefore limiting their ability to judge the product quality offered by online sellers.

The service provided by the online platform operator will be judged. When it is considered to be trustworthy, customers will deem that the service provided is safe. Therefore, they will initiate the buying process. This is indicated by the emergence of the purchase intention. Furthermore, McKnight & Chevany (2002) stated that trust affects customers' decision to purchase a product especially in the online environment as it is the vital subject addressed prior to making any buying decisions. Thus, it can be concluded that trust will impact purchase intention positively.

*Hypotheses 2b: Customer trust will be positively correlated with purchase intention.*

## 2.8. Perceived Risk and Purchase Intention

Perceived risk is the major hindrance of online buying, as this will be the main consideration between doing online or offline buying (Zhang, et al., 2012). Offline buying enables the customers to interact with the product they desire, and conduct product usage testing prior to purchasing the product. This will decrease the perceived risk of doing transactions.

Different from offline buying, online buying requires customers to provide the online platform provider with their personal details as well as credit card details. Then, the process of waiting for the product to be delivered commences. This will create a bigger perceived risk compared to offline buying and later influences whether the customer will initiate the buying process or not (Kim, et al., 2003).

*Hypotheses 3: Perceived risk will be negatively correlated with purchase intention.*

## 3. RESEARCH METHODOLOGY

### 3.1. Sampling Procedure and Data Collection

Initially, we distributed 120 questionnaires to our respondents as suggested by Ferdinand (2006) that causal research design should have at least 100-200 samples where the number of population is unknown. This data is collected with the help of 5 surveyors which were briefed prior to the data collection period regarding our research variables. Should the respondent fail to understand some of

the questions, the surveyor will be able to explain them directly. We also communicated intensely using social media platform to anticipate the unplanned questions addressed to our surveyors.

We follow Podsakoff, et al. (2003)'s procedure of reducing common method bias, which is to ensure the anonymity of our respondents. Directly after filling the entire questionnaires, they were asked to put these questionnaires inside an enveloped provided by the surveyors and seal them.

The criteria we used in selecting our respondents are their age, which has to be above 18 years old. At this age, the respondents are deemed mature and able to fill the questionnaires with sufficient knowledge. Next, the respondents were required to have an online purchase experience within the past 3 months to ensure that they remembered exactly what had happened during their online buying experience.

The surveyors visited premium malls, restaurants, or cafes to gather the data. We believed that Indonesian online shoppers use either credit card or debit card to make the payment instead of using third party companies such as PayPal. Thus, the respondents must possess credit cards and certain knowledge to operate online transaction platforms. Therefore, we decided that customers with this kind of profile will more likely spend their free time hanging out in a premium location such as malls, cafes, and restaurants.

Out of the initial 120 questionnaires distributed, 5 respondents did not fill the entire demographic profile questions. Thus, we eliminated the data gathered from these respondents. Another 4 questionnaires were incomplete in the variables section and therefore had to be eliminated as well, resulting in 111 usable questionnaires (92.5% response rate).

### 3.2. Measures

#### *E-Servicescape*

We measure e-servicescape by studying the measures used in previous researches (Szymanski & Hise, 2000, Lynch, et al., 2001, Kim, et al., 2003) then build our own measures. The validity and reliability tests are presented in the results section of our research. The respondents will be asked on their perception of aesthetic appeal, layout and functionality, and financial security of the online platforms they use in doing online purchase from 1 = strongly disagree to 5 = strongly agree. Sample questions are "The platform has good design" and "The platform guarantees the safety of transactions".

#### *Customer trust*

This variable is measured using modification of Yen & Gwinner (2003)'s scale. We modified the scale to fit into Indonesian context and Indonesian shopping behavior. The questions are based on respondents' perception on their trust in the online shopping brand they use for online purchase from 1 = strongly disagree to 5 = strongly agree. Sample questions are "I believe that doing online purchase will save my time" and "I believe that the quality of the products I purchased is the same as what is written on the platform".

*Perceived Risk*

Our measure of perceived risk is built on the definitions provided by Kim, et al. (2003) and Zhang et al. (2012). The measure is aimed to ask the respondents regarding their perception of the risk they face when they decided to do online purchase using certain platforms. The scale ranges from 1 = strongly disagree to 5 = strongly agree. Sample questions are “The price listed on the platform might have hidden costs that I have to pay later” and “There is risk that the product quality will not be the same as the descriptions in the platform”

*Purchase intention*

Purchase intention is measured on the respondents’ willingness to browse and willingness to buy, derived from the scale used by Kim, et al. (2003).

The scale ranges from 1 = strongly disagree to 5 = strongly agree. Sample questions are “I am willing to search for information regarding a product I want in a platform” and “I am willing to do routine online purchase from the platform I use”.

**4. RESULTS**

*Validity and reliability*

We conducted validity and reliability test before proceeding to test our hypotheses. Both of the tests are done using SmartPLS 2.0 software, comprising of the convergent and discriminant validity test as well as the composite reliability test. The result of the convergent validity test is as follows:

**Table 1.** Loading Factor

<i>Indicators</i>	<i>CustomerTrust</i>	<i>PerceivedRisk</i>	<i>PurchaseIntention</i>	<i>e-Servicescape</i>
x1	0	0	0	<b>0.6387</b>
x2	0	0	0	<b>0.9183</b>
x3	0	0	0	<b>0.8669</b>
y11	0	<b>0.5424</b>	0	0
y12	0	<b>0.8183</b>	0	0
y13	0	<b>0.8284</b>	0	0
y21	<b>0.5185</b>	0	0	0
y22	<b>0.8992</b>	0	0	0
y23	<b>0.9198</b>	0	0	0
y31	0	0	0	0
y32	0	0	<b>0.9266</b>	0

As it is shown on the table 1, the value of each indicator is greater than 0.5. And based on the table 2, the AVE values are greater than 0.5.

Thus, it can be concluded that this model possesses good convergent validity.

**Table 2.** AVE Values

<i>Construct</i>	<i>AVE</i>	<i>Cut-off</i>
e-Servicescape	0.6411	0.5
PerceivedRisk	0.55	0.5
CustomerTrust	0.8553	0.5
PurchaseIntention	0.6676	0.5

Next, we conducted the discriminant validity testing comprising of the cross loading test as well as the square root of AVE test. Below are the results of these tests:

**Table 3.** Cross Loading

<i>Indicators</i>	<i>Customer Trust</i>	<i>Perceived Risk</i>	<i>PurchaseIntention</i>	<i>e-Service scape</i>
x1	0.408	0.0769	0.3812	<b>0.6387</b>
x2	0.3732	0.1915	0.3915	<b>0.9183</b>
x3	0.4166	0.0742	0.4442	<b>0.8669</b>
y11	0.2964	<b>0.5424</b>	0.2561	0.0835
y12	0.4101	<b>0.8183</b>	0.4186	0.2088
y13	0.3973	<b>0.8284</b>	0.4173	0.1934
y21	<b>0.5185</b>	0.2044	0.3557	0.1807
y22	<b>0.8992</b>	0.4963	0.0923	0.4791
y23	<b>0.9198</b>	0.4312	0.1926	0.4494
y31	0.2899	0.4963	<b>0.923</b>	0.4791
y32	0.2919	0.4312	<b>0.9266</b>	0.4494

The result of the cross loading test indicates that the indicators are suitable to be used to measure their respective variables. This is shown by

the loading factor values which are greater than when these indicators are used to measure other variables.

**Table 4.** Square root of AVE

<i>Construct</i>	<i>SQRT(AVE)</i>	<i>e-Servicescape</i>	<i>PerceivedRisk</i>	<i>CustomerTrust</i>	<i>PurchaseIntention</i>
e-Servicescape	0.800687205	1	0	0	0
PerceivedRisk	<b>0.741619849</b>	0.4988	1	0	0
CustomerTrust	0.924824308	<b>0.6835</b>	0.501	1	0
PurchaseIntention	0.817067929	0.4944	0.628	0.5018	1

We compared the value of square root of AVE for each variable with the value of latent variables correlation. As it can be seen on the table above, the SQRT(AVE) values are greater than the latent variable correlation values. Therefore, based on both the cross loading tests as well as the SQRT(AVE) test, it can be concluded that the model possess good discriminant validity.

Next, we conducted the reliability analysis based on the composite reliability value generated from SmartPLS 2.0.

**Table 5.** Composite reliability

<i>Construct</i>	<i>Composite Reliability</i>	<i>Cut-off</i>
e-Servicescape	0.8354	0.7
PerceivedRisk	0.7802	0.7
CustomerTrust	0.922	0.7
PurchaseIntention	0.8549	0.7

The composite reliability values for each variable used in this model is greater than 0.7. Thus, it is concluded that the model’s internal reliability is good.

Based on both the validity and reliability tests, it is safe to say that our model can be used to conduct the research. Therefore, we proceeded using this model to test our hypotheses.

**4.1. Result of the Hypotheses Test**

Prior to conducting the hypotheses testing, we conducted descriptive statistics procedures to map our respondents’ demographic profile as well as their general thoughts regarding each variable used in this research. Out of 111 respondents, 53% are

females and 47% are males. Most of them are 27-35 years old (64.4%) who have their own businesses (40.3%). They are bachelor graduates (50.7%) with the monthly income IDR 6.500.000 and above.

**Table 6.** Mean Analysis

<i>Variables</i>	<i>Mean</i>	<i>Category</i>
e-Servicescape	3.89	Good
Perceived Risk	3.57	High
Trust	4.05	High
Purchase Intention	4.22	Very High

Next, we conducted mean analysis to find out about our respondents’ perception regarding e-servicescape, perceived risk, trust, and purchase intention. Table 6 shows that the respondents agree that the online platforms’ e-Servicescape can be considered good. This shows that customers perceive that the aesthetic appeal, layout and functionality, and financial security aspect of online platforms are good. However, they also feel that doing online buying possess higher risk. This is shown by the perceived risk score which falls into “high” category.

Surprisingly, these customers possess high trust towards the online platforms as well, proven by the score of trust falls into “high” category as well. This indicates that trust does not have any impact towards risk. Finally, their online purchase intention is very high. Thus, this indicates that customers have little doubt in online purchasing although the perceived risk is high.

Next, we conducted the PLS algorithm as well as the bootstrapping procedure to do the hypotheses testing. The results are as follows:

**Table 7.** Hypotheses testing

<i>Hypotheses</i>	<i>Original Sample (O)</i>	<i>Sample Mean (M)</i>	<i>T Statistics ( O/STERR )</i>
e-Servicescape -> CustomerTrust	0.4944	0.5016	<b>7.7567</b>
e-Servicescape -> PerceivedRisk	-0.9019	-0.9016	<b>35.4236</b>
e-Servicescape -> PurchaseIntention	0.0441	0.0418	0.8269
CustomerTrust -> PerceivedRisk	-0.0529	-0.0528	1.1579
CustomerTrust -> PurchaseIntention	0.9747	0.9762	<b>100.3745</b>
PerceivedRisk -> PurchaseIntention	-0.0261	-0.0263	0.4667

Our result shows that e-Servicescape has a positive and significant relationship with customer trust. It also has a negative and significant relationship with perceived risk. Next, the relationship between e-Servicescape and purchase intention is positive, but not significant. Thus, our first hypothesis is supported partially, in which hypotheses 1c is not supported.

The second hypotheses proposed that customer trust should predict perceived risk negatively and purchase intention positively. Table 7

shows that the relationship is indeed negative, however, it is not significant. This also confirms our descriptive statistics result in which both variables scored as “high” from the customers’ perception. Hypotheses 2b is also supported. Table 7 shows that customer trust is significantly related with purchase intention positively.

Our third hypotheses was not supported. Although the relationship between perceived risk and purchase intention is indeed negative, it is not significant. Again, this confirms the findings of our

descriptive statistics. Both perceived risk and purchase intention were found to fall into "high" category.

#### 4.2. Discussion & Managerial Implications

Previous researchers (Szymanski & Hise, 2000) stated that e-Servicescape dimensions play significant role in predicting customer trust, which should be the center of online business (Yen & Gwimmer, 2003). Baker (2002) explained that these dimensions will interact with customers to create a unique experience. Should the experience be deemed exceeding expectations, it will build trust which is directed towards the online brand. Our findings support this statement, showing that e-Servicescape significantly related to customer trust.

An online platform with excellent e-Servicescape possesses good aesthetic appeal, layout and functionality, and safe to operate in terms of financial risk (Wolfenbarger & Gilly, 2001). The aesthetic appeal creates visual attractiveness, which leads to perception of good credibility (Harris & Goode, 2004). In short, a platform with great visual creates customer trust in the brand, visualizing professionalism and credibility. Managers need to pay attention to the design aspect of a platform as this is deemed important in shaping customer trust. Thus, the platform needs to be constantly tested and updated with better visuals to keep it attractive.

While the design is good, customers will not feel as confident in using the platform if it displays bad layout and functionality. Kim et al. (2003) stated that this is the most important aspect which will be judged by the customers. In other words, each icon, link, and payment method has to be placed accordingly so that it would be easier to use. Layout and functionality speak of good platform planning, again signifying credibility and trustworthiness.

From an online platform point of view, however, creating the best layout is not a simple matter. Some tactics need to be laid out and thrown into customers to find out their reactions of the layout and functionality. As the online platform industry is getting bigger, the need to add more feature to support the platform's functionality is increasing as well. Thus, strategies like AB testing and validated learning (Ries, 2011) are needed to keep said platform leading.

The feeling of assurance is a major importance as well (Szymanski & Hise, 2000). When a platform provides guarantee that the transaction process is done safely without the risk of losing money, the customer will build trust towards the brand because they will feel protected. Strengthening the security of financial transaction is vital. This is due to the fact that a breach in an online platform security will most likely be published in either offline or online media with the capability to reach millions of people. Using third party services like PayPal or custom online platform builder other than the generic builder are ways to improve the transaction security.

Besides strengthening the safety of the core platform, good communication is also needed. While managers are able to upgrade the security feature, it is the customers' perceptions that matter most. Communicating the safety procedure can be considered to be the only way to shape those

perceptions. To maximize the market grabbing potential, this has to be done outside the online media as well, using offline promotions and advertising because it has to be noted that the number of internet users in Indonesia, as many as they are at the moment, is still lower than 50% of the total population.

While it is safe to say that good e-Servicescape creates high customer trust, our findings contradict previous research findings (Meyer, 1995, Ratnasingam, 1998) which stated that customer trust affects perceived risk negatively. Indeed, we found that the relationship between those two constructs is negative. However, it is not significant. This means that although the trust level is high, the risk in doing online transaction is still perceived to be high.

Our findings regarding the relationship between perceived risk and purchase intention can also be considered controversial. While previous researchers (Kim et al., 2008, Zhang et al., 2012) stated that perceived risk will impact purchase intention negatively, we found that although the relationship is negative, it is not significant. This means that although customers understand that doing online transaction is never safe, they do it anyway.

To explain the phenomena presented above, we have to conduct series of unstructured interviews towards 10 of our total samples. We found that each online buyer has a preference in determining which online platform to use. They choose the brand based on the recommendation of other users, whom usually are their friends or families. They tend to build their trust to the selected brands solely because of word of mouth. It has to be noted, however, that they have a certain limitation in terms of the amount of money they are willing to spend online. Most of them do not buy items more expensive than IDR 500.000. Should they need expensive products, they choose to buy those offline in traditional stores. 6 out of 10 respondents explained that by spending little online, they minimize the risk of losing money. In other words, they are willing to lose small amount of money because they perceive that online transactions are never safe. They explained further that the method of payment they prefer is not credit card, but bank transfer using either online banking or manual payment via ATMs. This is done to prevent information or identity theft which happens quite often, or at least that is what they have heard before.

Our interviews provide some enlightments regarding two of the phenomena. First, customers believe that some of the online platform are trustworthy. However, they also believe that online transactions are never safe. It is implied that the perceived risk is not built based on their trust towards the brand. It is built because of the understanding that online transaction is basically not safe. Thus, they fill the gap by buying inexpensive products to compensate the fear of losing money, using conventional method of transaction to minimize the risk of information theft. This explains the second phenomenon, that while the customers perceived the risk of online transactions as high, they still do online purchase anyway, because the value of money and product is deemed insignificant. However, it has to be noted

that this elaboration is from a group of people only. Thus, further research is required to find the general idea regarding this phenomenon.

While perceived risk has no significant relationship to purchase intention, trust does. This amplifies the findings of previous researchers (Sultan & Mooraj, 2001, Fusaro, et al., 2002, Grewal, et al., 2003, McKnight & Chevany, 2012) that are similar. This also supports Kim et al. (2003)'s statement that trust is the center of online transaction. Managers need to build their platform to maximize the customers' trust by creating great e-servicescape backed up by excellent customer service.

#### 4.3. Limitation and Future Research Directions

While we tried to explain the result as well as the phenomenon we encountered, our research has its own limitations. First of all, the data used for this research is cross-sectional in nature. Thus, determining the impact of a construct to other constructs is unable to be done. Second, the data is obtained with a survey in a single time period. Thus, common method bias problem arises. Future researchers interested in exploring these constructs should use longitudinal survey design.

The phenomenon we encountered regarding the mediation effect of perceived risk was explained by semi-structured interviews. This limits the quality of our qualitative data. Future researchers should conduct specific qualitative research to explain this, and quantitative research to find the generalization of the phenomenon. Finally, our sample consists of mostly people who use online shopping platform such as Lazada and Zalora for online purchase purposes. It is also interesting to understand the online purchase behavior of those who buy bulk products online as re-sellers or machinery using online platform such as Alibaba. Future researchers should delve into this as well.

#### 5. CONCLUSION

In Indonesian context, trust acts as the base of doing online purchase. This is affected by the e-servicescape of online platform which builds credibility for this platform, resulting in customer trust and perceived risk. However, as the customers perceive that there will always be a risk in doing online purchase no matter how good the platform is and how high the level of trust in a certain online platform, their perception of risk will not affect the willingness to do online purchase.

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