# The Importance of Transparency and Trust in Internet E-Commerce

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## Abstract

*Companies that are not open with their customers are viewed very critically and not trusted. One of the many pieces that help to build trust is how transparent, or open, people or groups are with each other. The transparency that is expected from a company is that it will be up-front and honest about pricing and their products, and that anything they communicate to the customers is written in such a way that the customers can understand it. At first glance, a company can make their e-commerce website seem trustworthy using specific content and design guidelines. In order to make themselves totally trustworthy, they must "practice what they preach" and behave the same way online as they do offline, reinforcing the customer's perception of them.*

## 1.    Introduction

With the rise of the Information Age, and the amount of data that is shared across the Internet, consumers are getting more and more suspicious of companies that are not open and honest. Because of their suspicion, they are less willing to put their trust in those companies. Before the age of the Internet, company's only talked "at" their customers, and now that it is a two-way conversation, they need to change the way they communicate with their customers. By changing the company's values to embrace more transparent, open, and honest values, they will win over their customers trust again.

## 2.      Definition of Trust

Because trust is an intangible aspect of human life, it is very difficult to define.  In fact, in the scholarly world, a universally accepted definition does not exist (Grabner-Kraeuter).  Most sources agree that it is part of a relationship or a connection with someone or something, and that many different behaviors can affect it (Rule).  People who put their trust in something are willing "to be vulnerable despite risks," including financial risks (i.e. the potential loss or waste of money), social risks (i.e. other people wouldn't approve of their behavior), psychological risks (i.e. going against one's own beliefs), technological risks (i.e. the threat that technology may not allow one to be in control), and physical risks (i.e. the concern that their behavior might cause injury or be unhealthy) (Pennanen).  Once someone exposes themselves to these risks and has a positive outcome, it will positively affect their perception of the behavior that they put their trust in.  As one puts their trust in a company, the greater the reputation of that company grows in their mind, increasing their trust exponentially.  However, if their trust was ever betrayed by a high-reputation company, that company would lose their trust almost immediately (McCole).  Several elements contribute to building trust, including, but not limited to, ease of use, proficiency, consistency, personalization, fairness, honesty, loyalty, transparency, potential, and receptivity (McCole).


## 3.      Definition of Transparency

As the use of the Internet grows and expands, many companies have been struggling with one particular element of trust: transparency.  Transparency refers to how open a company is with their customers.  Since the 1980s, transparency has become more and more important to information technology (Meiger).  Currently, the attitude of the average customer is to believe

that a company that isn't transparent is "biased, incompetent, or corrupt until proven otherwise" (Meiger). They expect a company to be willing to expose themselves to their customers; if they do not, they believe that the company is guilty until proven innocent. Many people want everything that a company does, especially if there is any relation to them, to be out in the open, but in an easy-to-understand way (Welch). Convoluted language and hidden documents makes the customer feel as if the company is not cooperating with them, and that they must have something to hide. Because the companies are under such scrutiny, it "creates the need for businesses to live up to their ethical standards" that they have been living under and branding themselves as for quite some time now (Klopper).

## 4. Relationship between Trust and Transparency

### 4.1 Pre-Internet Business

Before the rise of the Internet as a vehicle for business, companies were more in control of peoples' perceptions of them. As more and more companies moved away from the "mom 'n pop shops" and expanded, they became less personal and more opaque. The conversation between the company and the customers was more or less one-way, using broadcast media, such as the television or radio (Holtz). In the marketing department, not even twenty years ago, what truly "mattered was how well you crammed your idea into a sixty-second commercial" (Godin). Within the companies that were now very opaque, it became unacceptable "to reveal mistakes, problems, or failures," as they believed that it would be viewed as a weakness in the company, and therefore an advantage to their competitors (Holtz). Before the Industrial Revolution, most, if not all, companies and businesses were mom 'n pop shops where everyone knew everyone else and the ins-and-

outs of a company were just a conversation away. After the Industrial Revolution, the companies were very impersonal and the details of what the company was up to was all behind closed doors; the only information that a customer would see is what was given to him.

## 4.2    Current Internet Business

Since the dawn of the Information Age, the demand for more transparent business practices has grown louder. The Internet has changed the way that companies can communicate with their customers; before, they were limited to broadcast-media, but the Internet allows for multidirectional conversation (Holtz). The number of people that can publish content now encompasses anyone with an Internet connection; before, it was expensive to get something published, but anyone can publish something online (Holtz). Because now customers can publish their own content, the communication channels have broadened and deepened. With the rise of blogs, social networking, forums, and product/service reviews, customers have a much louder voice than ever before. Because of this, companies are held accountable for the promises that they make and the ethical standards that they claim that they exist by. Now, customers view the relationship between themselves and "businesses as a partnership," no longer one dominating the other (Holtz). Although many companies have taken steps toward gaining their customers' trust and being transparent, customers surveyed claimed that their concern about engaging in an e-commerce transaction was high, which "suggests that e-tailers need to be more proactive in their efforts to establish trust" (Kolsaker). Businesses have made a journey from completely transparent, prior to the Industrial Revolution, to fairly

opaque, after the Industrial Revolution, to more or less translucent during the Information Age. Currently, there is still more demand for companies to have a more transparent web-presence, but many have been making this effort.

## 4.3    The Effect Transparency Has on Trust

When a person puts their trust in someone or something, they are taking a leap of faith, making themselves vulnerable in hopes that the someone that they put their trust in will follow through in what they've promised to do, and be honest with them. Many times, people are too insecure in how they feel about a company, and therefore do not feel comfortable putting their trust in them. That insecurity in turn is "partly is caused by the lack of transparency" that the company has offered to them (Grabner-Kraeuter). By increasing their transparency, a company can reduce their customers' uncertainty and allow society to make what it feels is a rational decision (Meiger). When a company becomes more transparent, they are making themselves vulnerable, just as a customer is when they are putting their trust in the company (Mercuri). As a company becomes more transparent and prove to their customers that they are living out the story that they have been telling, the more their customers are going to believe and trust them (Godin). Once transparency is increased, trust will increase over time as well. If a company is willing to "be honest, authentic, and willing to engage in conversations – even conversations about things that are not exactly flattering," they will gain more respect (Holtz).

## 5.    How to become more Transparent

In becoming more transparent, many companies believe that if they just give themselves a nice website, they will be seen as trustworthy.  This is not the case.  While the company's web presence does have a large influence over how willing their customers are to trust them, what the company does offline has an equally important influence (Holtz).  If the company has a disconnect between their web presence and their offline presence, the customer will notice and will be less willing to trust in a company that has a split personality.  Described below are both the online and offline behaviors that a company can utilize to become more transparent, but one shouldn't be used without the other – the online and offline behaviors affect and complement each other.

## 5.1    Online Behaviors

There are two major parts for an e-commerce site to become more transparent online: how the site is presented, and how communication occurs on the site.  Presentation includes elements like the design of the site and the content, whereas communication is how the company confers with their customers.

### 5.1.1  Presentation

Probably the easiest part of the becoming-transparent process, writing and developing content on the company's website, is an important part.  The overall design of the site needs to look professional, and should take into account which browser and platform the customer is using so that it appears the way that it was intended (8, 10).  Additionally, many companies believe that "flashy websites" will attract more customers when in fact, "goal-oriented customers are more

concerned about shopping efficiency" (Otim).  Overall, the site should look "technologically sophisticated" and have good functionality, including "user-friendly and effective navigation" (Grabner-Kraeuter).  In addition to the "look" of the site, many different kinds of content should be accounted for.  Taking into account the target audience and what they believe are reliable sources is important when providing the potential customers with information (Grabner-Kraeuter).  Additionally, the use of certification authorities can help the company "signal trustworthiness," along with involving trusted third-parties in the information policies, guarantee policies and reputation policies (Grabner-Kraeuter).  One of the most frustrating things for customers that is likely to break their trust is when costs are hidden or unusually high or low; it is very important to present the costs up front (Egger).  When companies hide costs or trick their customers, they "are following a short-term mindset that will be detrimental to their long-term viability" (Otim).  In order to make a human connection with a potential customer, a company could "show that there are real people behind the company" (Egger).  However, the use of a photo to show the people behind the company may or may not be a good idea; a study was done that showed that when a seemingly untrustworthy vender used a photo on their site, it increased the feeling of trust, and when a seemingly trustworthy vender used a photo, it decreased the feeling of trust (Riegelsberger).  All of the above are techniques that can be used to increase the feeling of transparency upon quick glance, but cannot stand alone.

## 5.1.2  Communication

The most important part to increasing transparency and trust with a company's web-presence is to truly connect with their customers. Currently, a huge number of different venues exist connecting. Such venues include, but are not limited to, Social Media/Networking, blogging, and instant-messaging. The use of social media "strengthens a leader's influence and fosters transparency, subsequently encouraging honesty and authenticity" (Klopper). By creating a blog and having employees of the company post on it, or participate in instant-messaging conversations with customers, companies can promote their honest communications (Godin). No matter what the venue is, it is important to create a virtual community that cares about the company's product; that community acts similarly to word-of-mouth communication and the customers feel connected, both to the company and to each other (Grabner-Kraeuter). Although all companies wish to see is positive communication, sometimes the interactions may not be – they may be "nasty or rushed or even selfish. But when they're genuine, they have an impact" (Godin). Overall, the most important aspect of a company's web-presence is that they are open, trustworthy, and are building relationships with their customers; that's "more important than trying to make a one-time sale" (Otim).

## 5.2    Offline Behaviors

Although, for an e-commerce business, the online portion of their behavior seems to be the most important aspect, it is actually more important that they have a strong foundation in their behavior offline. If a company is willing to put themselves out there,

having conversations that may or may not be flattering, but are honest, becoming more personable by appointing employees as company spokespeople, and are willing to look at themselves critically, asking themselves if they are "walking the walk" and not just "talking the talk," their behavior offline is a good foundation to build an online presence on (3, 16). "Transparency succeeds when it is embedded into the culture of a company" (Holtz). If a company is disjointed – saying that they value one thing on their site, and then saying or acting like they don't offline – someone will expose it; the Internet connects a lot of people, and if someone is hiding bad news, it will eventually be exposed and spread across the world (Holtz). The movement of a company towards becoming more transparent requires that all functions of the company are integrated into the movement; if any function is left out, it will be scrutinized and questioned, and the company will lose credibility (Ingram). Achieving true transparency and authenticity is difficult, especially for companies that are already established, but if the movement forward to transparency is "attractive and compelling to commercially significant numbers of people, as well as being authentic," it is indeed possible (Ingram). A company can no longer control how people think of them, the only influence they can get is by connecting with them and gain their trust by becoming more transparent (Godin).

## 6.    Conclusion

When commerce began, it was a truly transparent marketplace; once the Industrial Revolution occurred, the connection between business and customer was lost; now, with the rise of the Information Age, the potential to connect again exists in the form of the Internet and e-commerce. Transparency is a key component of a trusting relationship, and in order to obtain a

relationship between a company and customer, the company must become more transparent and allow the customer to reach out with minimal perceived risk.  In order to become more transparent, the company simply has to make sure that it is giving the customer all of the information he needs up-front, and that they listen to the customer, not just talk at him.  The more transparent and seamless a company's "story" is, the more a customer would be willing to trust them.  "It really is about taking the opportunity to develop key messages, based on your core beliefs, and sticking to them" (Klopper).

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