



# THE VALUE OF SELLER TRUSTWORTHINESS IN C2C ONLINE MARKETS

Trust has value in online markets, and individual and company actions can improve or impair how trustworthy they are perceived in these markets.

IF YOU WANT TO BUY A BARRY BONDS BASEBALL CARD, what are your options? In the past you would probably go to a specialty sports card shop or a card show at a shopping mall to buy from a dealer. And you would probably pay full retail price. You now have the option to use the Internet to buy directly from another collector through USENET sports trading card newsgroups or an online auction site such as eBay ([www.ebay.com](http://www.ebay.com)), Amazon.com Auctions ([www.amazon.com](http://www.amazon.com)), or Yahoo! Auctions ([www.yahoo.com](http://www.yahoo.com)).

Often, you can buy the item from another collector at a lower price than you would pay a dealer, and the seller can get a higher price than they would have received if they sold to a dealer. In consumer-to-consumer (C2C) e-commerce, these markets are dramatically affecting the distribution of profits in collectible industries—like sports trading cards—as well as a wide range of other industries such as books, electronics, and event tickets where individuals wish to buy, sell, or trade directly. So, is this an online Utopia?

According to industry experts, C2C e-commerce is likely to experience close to triple-digit growth in the next few years. Jupiter Communications estimates that C2C auctions will grow to \$15 billion in 2004 [9]. Increasing market size, however, may come at a price as observers have noted increasing incidences of negative features such as scamming and fraudulent business transactions. For example, in the sports memorabilia market, even though many items sold online come with a certificate of authenticity, these can be easily forged and are only as good as the names backing them up. In other words, the trustworthiness of the seller becomes an important factor influencing whether the seller is chosen or not by potential buyers. However, trustworthiness may come with a price, that is, the buyer may have to pay a higher price for the same product if bought through a trustworthy seller as compared to buying from a seller that is unknown.

Previous business-to-consumer (B2C) e-commerce research has highlighted the importance of trust between businesses and consumers [2–4]. Another

study examined trust issues related to location-independent individual communication, individual-to-individual (i2i) e-commerce, in two main scenarios: global teams inside organizations and advisor/advisee interactions from one organization to another or from an agent to a customer [6]. Given an individual's lack of knowledge about others selling online, as well as the fact a significant amount of money may be involved in a transaction, the lack of trust in the seller is likely to be a more important barrier in the C2C market for obvious reasons.

This study addressed trust-related issues that arise in C2C e-commerce by identifying the importance of trust vis-à-vis price in transactions between consumers, the antecedents to consumer trust of a seller, and the additional price consumers are willing to pay when buying from a trusted seller.

The primary benefits offered by online transactions include convenience, lower prices, and lower search costs [8]. However, these are offset by costs associated with risk and loss of privacy. In particular, the eco-

conomic risk arising from potential monetary loss could be significant. Buyers run the risk the seller may not reliably deliver goods and services of the quality expected. Mechanisms such as escrow services have been developed to reduce the risk to buyers. However, escrow services add to the cost and consumers are unwilling to pay for the service. Statistics show that less than 5% of consumers use this service in the C2C market. According to Jarvenpaa [4], part of the risk can be linked to the fact it is easier for sellers to enter and exit the e-marketplace.

One way to counter this risk is to increase perceptions of seller trustworthiness among potential buyers. Quelch and Klein [7] note that “Trust is a critical factor in stimulating purchases over the Internet, especially at this early stage of commercial development.” Trust is important in any relationship in which the buyer has limited control over the seller, the economic risks are high, and the environment is uncertain [4]. These relationship conditions are present to a much greater degree in C2C e-commerce as compared to traditional markets.

What contributes to seller trustworthiness? According to Lewis and Weigert [5], “we cognitively choose whom we will trust in which respects and under which circumstances, and we base the choice on what we take to be ‘good reasons,’ constituting evidence of trustworthiness.” In the context of the present study, good reasons could include the reputation of the seller, prior interaction and satisfactory dealings with the seller, the size of the seller, and the seller’s location, longevity, and responsiveness to the buyer’s information requirements. Although we do not know which of these factors engender trust in the seller and to what extent, previous research has pointed to their potential importance, particularly in the B2C context. One objective of the empirical part of this study is to examine the relative importance of these factors in creating trust perceptions among buyers.

We cannot assume, however, the trust issue will be of equal importance to all buyers. For buyers who are risk averse, trust in seller is likely to be important. For buyers who do not fit this profile, however, price may be more of a determinant in their choice of a seller. They may not hesitate to deal with an unknown supplier, particularly one who can provide them with a price advantage. The biggest benefit of a C2C market is that it eliminates the intermediary who otherwise pockets a certain percentage of the selling price as profitability. Obviously, consumers would like to maximize the savings in price that is feasible through use of the online medium. What is not known yet in online consumer research is the degree to which buyers consider price and trust as important in their choice of a seller.

An additional question posed in this study is if buy-

ers would be willing to pay a price premium for dealing with a trustworthy seller. Previous research has indicated that high levels of trust by buyers stimulate favorable attitudes and behaviors [1]. In the context of an Internet store, Jarvenpaa [4] studied trust consequences such as attitude toward a store and willingness to buy from that store. However, support for higher prices paid as a consequence of trust comes primarily from the brand identity literature. For example, Upshaw [11] suggests that creat-

**Table 1. The level of importance for factors affecting online seller choice.**

Rank	Description	Mean	Category
1	Price	39.0	Important***
2	Trustworthiness of the seller	38.9	
3	Seller is well-known	16.5	Minimally Important***
4	Seller's size—big or small	5.6	

Notes: The mean indicates the results when individuals were asked to allocate 100 points to the four factors according to how important they feel they are in the final choice of a seller. Three stars (\*\*\*) indicates the categories are significantly different at the one percent level.

Rank	Description	Mean	Category
1	Reputation of the seller	4.40	Highly Important***
2	Quality of previous dealings with the seller	4.31	
3	Number of previous dealings with the seller	3.58	Important***
4	Response speed of seller to your email	3.40	
5	Seller type—individual versus company	2.18	Minimally Important***
6	How long the seller has been in business	2.17	
7	Seller has a Web site	1.48	Not at all Important***
8	How close the seller is to where you live	1.33	

Notes: Scale is 5=very important, 1=not at all important. Three stars (\*\*\*) indicates that each category is significantly different at the one percent level.

ing an enduring trust between buyers and a brand is a prerequisite for the brand’s profitability.

The rationale for this expectation

is that a brand with stronger equity or trust can command a price premium over a brand with lower equity or trust. We expect the price premium to have a positive association for those buyers who value trust in the seller over price and a negative association for buyers who value price over trust.

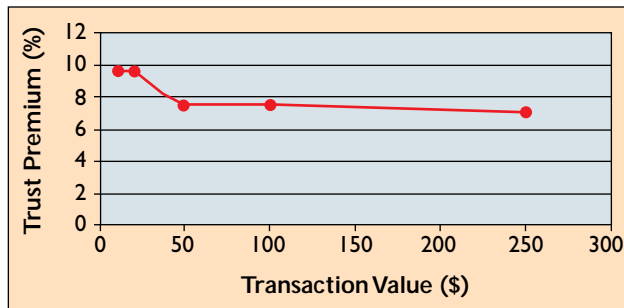
**Table 2. The level of importance for trust factors affecting online seller choice.**

## C2C Online Market for Sports Trading Cards

Our study involved individuals interested in buying, selling, and/or trading sports trading cards online using systems such as USENET or online auction sites. The sports trading card industry was chosen because collectibles are some of the most commonly traded items online, they have been traded online for a number of years, and they are not purely commodity products. The non-commodity nature of sports trading cards,

that the condition of the cards affects their value, increases the importance of trust in these markets. The five separate USENET discussion groups studied support buying and selling baseball, basketball, football, and hockey cards and miscellaneous items. For example, baseball items are advertised through the newsgroup rec.collecting.sport.baseball.

Cruising cyberspace has become a key part of sports-card collecting, whether you're searching for that elusive prize or connecting with hobbyists around the world [10]. E-markets have the potential for a major impact in the sports trading card industry because there are a large number of buyers and sellers, and there is a widespread and accepted standard for describing the products. It also involves transaction values comparable to a



**The value of trust as a percentage of the transaction value.**

wide range of industries. From the survey, consumers reported completing deals in first quarter 2000 ranging in price from a low of 33 cents for a self-addressed stamped envelope, to a high of \$13,200. The average deal value was \$19.70.

A survey was sent electronically to 560 randomly selected active participants in the USENET sports trading card e-market. Participants were selected by gathering email addresses from posted buy, sell, or trade ads. Approximately 140 participants were selected from each of the baseball, basketball, football, and hockey newsgroups. The population surveyed included adults who had purchased sports trading cards through an e-market in early 2000. Of the surveys sent, 83 were completed and returned for a response rate of 15%. As expected, the sample was comprised primarily of males between 18–60. On average the respondents were experienced and knowledgeable about the sports trading card industry and the Internet given they had actively collected sports cards for 12.2 years, had actively used the Internet for 4.5 years, and had actively participated in sports card e-markets for 3.6 years.

**Factors affecting online seller choice.** Consumers were asked to allocate 100 points to four factors according to the level of importance of each in the final choice of an online seller. The factors included how well-

known the seller is, the price charged by the seller, the seller's perceived size, and the trustworthiness of the seller. The results are shown in Table 1.

Price and trustworthiness were the two most important factors. Between the two, price was considered more important than trust by 36 individuals (43.3%), trust was considered more important than price by 33 individuals (39.8%) and the two were considered equally important by the remaining 14 individuals (16.9%) of the sample. Overall, it appears the sample is comprised of both price-sensitive and trust-sensitive individuals.

**Factors affecting consumer perceptions of online seller trustworthiness.** Based on previous research, eight factors were identified as potential antecedents to seller trustworthiness. Consumers were asked to directly evaluate the extent to which each of the eight factors was important in influencing their perceptions of trustworthiness of online sellers. The eight factors and the results are shown in Table 2.

The factors found to be highly important for affecting consumer's perception of seller trustworthiness are reputation of the seller and quality of previous dealings with the seller. Reputation speaks for the seller's record of honesty and concern for meeting needs of buyers. A good reputation is a signal the seller has not previously engaged in opportunistic behaviors harmful to buyers. Beyond reputation, it appears that a seller's trustworthiness could also be directly evaluated by the quality of dealings with the seller. The next group included the number of previous dealings with the seller and the seller's speed of response to consumer's email messages. Consumers' expectations of responsiveness have increased in recent years particularly when they use the online medium. The more responsive a seller, the more they signal their concern for the buyer's requirements, and thus the greater the trust that they engender.

The final four factors are of minimal or no importance in influencing consumers' evaluation of trustworthiness of a seller. Of minimal importance is the seller type, whether they are a business or an individual, and how many years they have been in business. This indicates potential for continued growth in C2C e-commerce because it is not necessary for a seller to be a business to be perceived as trustworthy. An individual can be viewed as trustworthy just as easily. Finally, the factors not at all important are whether the seller has a Web site and how close the seller is to where the consumer lives. This also indicates potential for continued growth in C2C e-commerce because individual sellers do not have to have a Web site and do not have to live near the people to whom they are selling.

**The value of trust.** Given that trustworthiness is important for seller choice, and several factors affect

consumer's perception of seller trustworthiness, the final question to consider is how much consumers are willing to pay to buy from a trusted seller. Consumers were asked to consider two sellers—a familiar and trustworthy seller A and an unfamiliar seller B. They were asked to indicate the extra price they would be willing to pay seller A (when compared with seller B) for a sports card they are in the market for in price levels of \$10, \$20, \$50, \$100, or \$250. The results are shown in the figure here.

The trust premium (extra amount willing to pay divided by the transaction value) was found to vary from 9.7% for the \$10 item to 7.0% for the \$250 item. Although the trust premium decreases as the transaction value increases it is still a significant amount of money that consumers are willing to pay to a trusted seller. This indicates that sellers have an incentive to be trustworthy, and trusted sellers may receive higher profit margins that may be the difference between success and failure in highly competitive online markets.

### Implications for Online Sellers

The factors that affect consumer's trust perception of an online seller point to a number of implications for individuals and businesses that sell online.

The reputation of the seller (4.40, where 5 = very important and 1 = not at all important) and the quality of previous dealings with the seller (4.31) are highly important. Sellers must be aware their customer interactions dramatically affect their future sales because it is easy for consumers to communicate with other consumers in online markets. For example, eBay provides the seller's name, rating, and comments for each auction. This information provides a measure of seller reputation and quality of previous dealings. Given the competitive nature of most online markets, sellers have one chance with each customer to make a good impression through providing information or completing a transaction.

The number of previous dealings with the seller (3.58) and response speed of seller to the customer's email (3.40) are important. Sellers must also be aware that customers trust sellers with whom they have had multiple relationships. The first deal may be the most important, but each subsequent deal must also be completed successfully. Also, customers desire quick response to their questions and orders sent through email. Slow response to email messages may be sufficient reason for consumers to move on to the next seller in a highly competitive online market.

The seller type (2.18) and how long the seller has been in business (2.17) are only minimally important. In markets where products are available from small businesses or other individuals, online businesses

should not rely on the fact they are a business since consumers do not consider this information as relevant. As discussed earlier, consumers place more importance on their own interactions with a seller when determining whether a seller is trustworthy, and thus a seller they will consider when buying a product.

Whether or not a Web site and being in close proximity to customers are not important to online consumers when judging the trustworthiness of an online seller. This implies there is a low barrier to entry, thus increasing the level of competition, for many online product markets because an individual can sell online without a Web site and from anywhere in the world. Competition drives prices down, but as found in this study, trusted sellers can still receive a higher price which may be the difference between success and failure.

Generating trustworthiness could be beneficial. There was clear evidence that buyers reward sellers they can trust with price premiums (from 7%–10%). Given that buyers cannot see the seller or verify the product physically before buying, conducting online transactions always come with an element of risk. It appears that buyers may be willing to pay a premium if this risk can be minimized by reliable and reputable actions of the seller. However, our study pointed out the beneficial impact may be limited to those that consider trustworthiness to be important. Buyers who were price sensitive are not willing to accord this price premium. In the long term, however, as more transactions are conducted using the online medium, the premium for trustworthiness can be expected to increase.

### Conclusion

So if you want to buy a Barry Bonds baseball card through the Internet, what can you learn from the findings of this study? First, C2C e-commerce will continue to grow because online markets provide individual buyers and sellers with an efficient mechanism for information search in the market that enables them to bypass intermediaries. You can probably find someone in the world who has the item you are looking for. Second, there are economic incentives for these buyers and sellers to participate because they can share the money typically paid to the intermediaries. You will probably be able to find the item at a reasonable price. Third, for sellers to be successful in the long-term they must be trustworthy, particularly in their first deal with a buyer. If you have been buying online for some time you probably know where to find a seller that you trust and are willing to pay a little more for the item.

Competing on price alone in online markets eventually leads to one lowest-cost seller surviving, while competing by being a trusted seller in the market may result in receiving higher prices than other sellers and



thus more profit and long-term success. And these findings affect everyone because Internet and Web access allows anyone to sell virtually any product to any other individual anywhere in the world. In the sports trading card market this means the decline of specialty sports card shops and shopping mall card shows because the service they provide to consumers can often be replaced by online markets.

Finally, we must recognize that the generalization of these findings is limited given the focus on one industry—sports cards—the relatively small survey sample size. Moreover, participants were asked what they would do in hypothetical situations rather than reporting actual purchase behavior. But this does not detract from the importance of the issues addressed. Additional studies are needed related to factors affecting online trust as well as strategies for improving trustworthiness.

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