TRUST, ANTECEDENT AND CONSEQUENCE IN ONLINE SHOPPING CONTEXT: TESTING THE ROLE OF E-WOM AS MODERATING EFFECT

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Abstract: This study tried to investigate the important variables that affect trust and the impact of trust on consumer purchase intentions in the context of online shopping. This study also examined the role of word of mouth communication as a moderating variable in the relationship between trust and consumer purchase intentions. Data was collected through a survey with a sample of 210 respondents and used purposive sampling method. By using regression analysis, it was found that corporate image significantly influence online trust. Second, the financial and social relationship marketing significantly effect on consumer online trust, while structural relationship marketing has no effect on consumer online trust. Furthermore, online trust significantly influence on online consumer purchase intention. The role of negative e-wom as moderating variable is weaken the relationship between online trust and purchase intention, but positive word of mouth communication does not strengthen the relationship between online trust and repurchase intention.

Keyword: corporate image, relationship marketing, online trust, purchase intention, wom

I. INTRODUCTION

Rapid technological development impacts significantly on advances in communications media. Nowadays, marketers get used to employ internet to market their products. The use of internet marketing caused a competition among companies become more rigorous and challenging (Lin & Lu, 2010). Not only large and small companies, even the home industry is doing the same thing. Within the past ten years, social media has been converted into one of the effective marketing channel that led to the term online shop or a virtual shop.

In online marketing, consumers do not face to face with the seller, often not even know anything about the seller. Only with trust that consumer is willing to buy products online. Therefore buildings trust becomes very important in online marketing (Turban et al., 2000). The success of online marketing is also supported by the company's image. The marketers are trying to build good corporate images from the consumer side to gain trust. Consumers will feel more secure when dealing with a company that has a good image. To retain existing customers and create loyalty required strong relationship marketing. When the relationship between consumer and seller is good, it is expected that the loyalty will increased (Ellyawati, 2014).

In online marketing, consumers rely on the information provided by the online shop. The online marketers also put comments or reviews from previous customers on the online shop. Positive comments are perceived by marketers as a good image, and as a promotional tool as well. Therefore, word of mouth communication, directly or indirectly, is an important part in the online business. WOM is being very important in the internet era like today, because consumers could spread WOM throughout the world rapidly (Kotler & Keller, 2012).

This study tried to investigate the influence of corporate image and relationship marketing towards trust. Further more, this study want to know the influence of trust toward consumer purchase intentions in the context of online shopping. This study also examined the role of word of mouth communication as a moderating variable in the relationship between trust and consumer purchase intentions.

II. CONCEPTUAL DEVELOPMENT AND HYPOTHESES

Corporate Image

Corporate image is a description or a perception that given by consumer to a company that reflects values that belong to the company. According to Nguyen and Le Blanc (Flavian et al, 2005), the corporate image is the result of a set of processes which consumers compare the various attributes of the company. As stated by Walters & Paul that consumers will make a subjective perception of that company and all its activities (Chiu & Hsu, 2010).

Relationship marketing

Relationship marketing is critical to the success of a business, especially the relationship between companies and consumers. Relationship marketing is defined by Berry (Morgan & Hunt, 1994) is the process of attracting, retaining and improving relationships with customers. According to Ben-Rechav (2000), relationship marketing is not just about long-term relationships with customers, but also with potential partners in the marketing process as suppliers, alliance, competitors, distributors and employees. According to Berry and Parasuraman (Lin & Lu, 2010) relationship marketing is classified into three main parts:

a. Financial Bond: Financial bond attract consumers to buy more products by using a pricing strategy.

b. Social Bond: Social Bond offer services to consumers through social activities to build long term relationship.

c. Structural Bond: interaction between companies and consumers to facilitate the service offerings and different values to consumers.

Trust

In today competitive business, trust plays very important roles, especially in maintaining a relationship with customers. Trust defined by Lin and Lu (2010) as the relationship between company and consumer, and it is indicated by trust in the ability to reflect the products and services offered by the company in a professional manner. In online transactions, customers who have trust to online shop will accept the lack of online shop.

Repurchase Intention

Repurchase intention is the actual behavior of consumers to buy the same product or service on more than one chance (Curtis et al., 2011). Consumer purchase intention represents the commitment of consumers to buy more products or services and also promote positive recommendations through word of mouth communication (Khan et al., 2012). According Olaru and Purchase (2008), consumer intention to repurchase has a positive relationship with satisfaction and the value obtained from the previous contact with the seller.

Word of Mouth Communication (WOM)

Word of mouth communication is an informal transmission of ideas, comments, opinions and other information between two people, neither one of whom is a marketer (Blackwell *et al*., 2007: 383). Nowadays, online word of mouth communication is much more powerful than the conventional ones because consumer could spread it and will affect many people in a short time. According to Silverman, word of mouth communication does not involve the seller, so that WOM communication called independent communication because only between consumers and third parties through non-marketing channels (Lin & Lu, 2010). WOM communication can lead to positive and negative effects.

The effect of corporate image on trust

According to Lehu (Flavian *et al*., 2005) corporate image is one of the basic elements that greatly influence on the level of consumer trust and form a "shield of trust", which means that the corporate image becomes an important part in developing trust. Burke and Stets stated that an image can be formed into trust through the mechanism of "self-verification" or personal evidence (Lin & Lu, 2010). Trust is formed from the consumer evaluation process at the company. Past study held by Flavian *et al*., (2005) observed that the image of the company is a significant factor affecting the consumer trust. This previous research leads to the following hypothesis:

H1: Corporate image influences positively on trust

In a business environment, maintaining customer relationships become very important. Relationship marketing can effectively improve the consumer perception and commitment (Garbarino & Johnson, 1999). In financial industry, relationship marketing which consists of financial bonds, the social bond and structural bond has a positive impact on trust (Lin & Lu, 2010). Consumers build relationships with retailers to reduce their perceived risk in evaluating the product or service. Study conducted by Lin and Lu (2010) found that in hospitality industry, only structural bonds and financial bonds affect positively on consumer trust. Based on previous study, we propose hypothesis:

H2: Relationship marketing influence positively on trust

H2a: Financial relationship marketing influence positively on trust

Trust in the service quality influenced by the attitude towards his/her experience during served (Garbarino & Johnson, 1999). In B2B context, the relationship between companies and suppliers, social structure can stimulate trust. When the company plays a role in a positive atmosphere then trust will increased (Claro et al., 2005). Thus the argument leads to the following hypothesis:

H2b: Social relationship marketing influences on trust positively.

To become a flexible, innovative and responsive company, it is required a structure for a better relationship between company and consumer (Ben-Rechav, 2000). Sheth and Parvatiyar stated that high involvement in a purchase transaction would cause consumers to reduce their choices and continue to use the same provider (Ben-Rechav, 2000). In the hospitality industry, Lin and Lu (2010) stated that the structural relationship marketing affect positively on trust. The availability of customization services and centralized to meet the consumer needs could be a way to build consumer trust. Based on previous research studies, it is proposed hypothesis: H2C: Structural relationship marketing has a positive impact on trust.

Lin and Lu (2010) stated that trust can help improve the consumer's purchase intention. Trust is a key variable in online transactions. Online consumer purchase intentions is influenced by the evaluation and interpretation of trust on the retailer website (Harris & Goode, 2008). Gefen (Ling *et al*., 2010) asserts that the existence of trust will increase consumer believe that the retailer will not engage in opportunistic behavior or take advantage of it. This indicates that trust will be able to increase consumer purchase intention. Conversely, a lack of confidence cause consumers reluctant to shop online. It can be stated that the higher the level of consumer confidence, the higher the level of purchase intention

(Jarvenpa & Tractinsky 1999; in Ling *et al*., 2010). Based on previous studies, the hypothesis is as follows:

H3: Trust influences repurchase intention positively.

Through word of mouth communication, consumers can establish a positive perception to the company. This can decrease the perception of risk and uncertainty as well as help increase the willingness of consumers to shop online (Broutsou & Fitsilis, 2012). Because interpersonal sources are generally more reliable than commercial sources, consumers often rely on informal word of mouth communication when they are looking for information before purchase (Kamtarin, 2012). In the process of purchasing decision making, word of mouth communication can increase or decrease re-purchase intention, therefore word of mouth communication serves as moderating variable that moderate the effect of trust on purchase intention. Based on previous studies, we propose hypothesis as follow:

H4: E-WOM as a moderating variable on the relationship between trust and repurchase intention.

Positive word of mouth communication becomes crucial technique for marketers to build and maintain relationships with consumer (Kamtarin, 2012). A transparent and updates communication can reduce consumer anxiety and fear (Moorman et al., 1993). In the financial industry such as banks, consumers who believe to that company will speak positively and recommend this company to his/her family or other people (Deb & Chavali, 2010). Thus the argument leads to the following hypothesis:

H4a: Positive word of mouth communication will strengthen the relationship between trust and repurchase intention Negative word of mouth communication can decrease consumer trust in advertising, product selection and purchase intentions (Smith and Vogt, 1995). Hsiao *et al.* stated that trust in product recommendations by members of an online shop web site is an important factor affecting consumer intention to purchase a product from the web site (Hsu *et al*., 2013). If consumers believe that such advice is credible, then they will be more willing to accept and use online word of mouth communications for his purchase decision (Hsu *et al*., 2013; Fan & Miao, 2012). When consumers read product information, reviews and recommendations, they have to be smart and get involved in determining the credibility of online word of mouth communication (Fan & Miao, 2012). Therefore, the argument leads to the following hypothesis:

H4b: Negative word of mouth communication will weaken the relationship between trust and repurchase intention

Methodology

Object

Fashion products selected in this study is based on Indonesia Netizen MarkPlus Insight Survey 2013 (www.the-marketers.com). The results of the survey stated that there are three types of items most often bought by consumers both online and conventional, namely clothing, shoes and handbags. The study was conducted in Yogyakarta Special Region, between April-May, 2014.

Sample

Data were collected based on cross-sectional surveys through a set of closed questionnaires. Respondents were selected based on criteria that he/she has experience buying fashion in online fashion shop.

Procedure

Pre survey of 30 respondents was held to test the validity and reliability of the research instruments. To test validity of the research instruments, we employ Pearson Correlation analysis. Pearson Correlation value for each item must be more than 0.135 (N = 210). Based on the criteria, all of the instruments of observed variables are valid. To test reliability of the research instruments, we used Cronbach alpha. The study found that Cronbach alpha coefficient of each variable is more than 0.60. It means that all variables of this study are reliable.

Questionnaires were distributed to 220 respondents. Non-probability sampling method with purposive sampling technique were use to determine sample. Response rate was 95.45%. A total of 210 questionnaires were returned, 10 respondents had to be eliminated, because 6 questionnaires ware not returned and 4 questionnaires were incomplete.

Measure

Each of the variables was measured with multi item scales using 5-point Likert scale. The scale were developed to measure: corporate image (Flavian et al., 2005); Gurses and Kılıç (2013); and Huang et al., (2014), relationship marketing (Ben-Rechav, 2000), trust (Crosby et al., 1990; Garbarino & Johnson, 1999; Lin & Lu (2010), purchase intention (Dodds, 1991; Harris & Goode, 2010) and word of mouth communication (Lin & Lu, 2010).

III. RESULT

Descriptive

Among the 210 respondents, most of them were women (61%) and aged under 25 years old (90.5%). Moreover, most of the respondents were high school graduates (75.7%). For online shopping frequency, generally their online purchase around 1-6 times in 6 months (23.8%). Most of the personal expenses of the respondents within a month is around Rp 1.000.000 to Rp 3.000.000 (62.9%) and they spend their money for online shopping for less than Rp 500,000 (83.3%). (Note: exchange rate of 1 USD= ±Rp. 13.000)

IV. HYPOTHESIS TESTING

The regression model was used to verify the hypotheses. Data were processed with SPSS version 16. To test moderating effect, this study used steps conducted by Baron & Kenny (1986).

The Influence of Corporate Image on Trust

Based on simple regression analysis, corporate image affect on trust significantly in positive direction (β=+0.472, $p<0.05$, R=0.219). Level of relationship between corporate image and trust can be explained by 21.9%. It can be said that the better an online shop image, then the increased consumers trust will be. Thus, the result of this study support the hypothesis H1.

The Influence of Relationship Marketing on Trust

The finding confirm that the financial relationship marketing affect on trust significantly on positive direction (β=+0.264, $p<0.05$, R=0.065). Social relationship was verified affect on trust significantly on positive direction (β=+0.368, $p<0.05$, R=0.131). The finding support H2a and H2b. Therefore, it can be interpreted that when financial relationship marketing and social relationship marketing increased then trust will increased as well. In contrast, structural relationship marketing did not affect on trust (β=+0.115, $p>0.05$, R=0.096). Thus, the result of this study did not support hipothesis H2c.

The influence of Trust on Repurchase Intention

Based on the finding it is said that trust influence repurchase intention significantly in positive direction (β=+0.641, $p<0.05$, R=0.408). It can be stated that there is relationship between trust and repurchase intention, which is explained by 40.8%. It means that when consumer trust increased, then consumers tend to increase repurchase intention in online shopping. Therefore, this study support hypothesis H3.

Moderating Effect

The moderating effect of positive WOM on the relationship between trust and repurchase intention showed value -0.495 ($p>>>0.05$). It means that positive WOM did not affect that relationship. While negative WOM moderated significantly on the relationship between trust and repurchase intention (β=-0.655, $p<0.05$). It means that negative WOM will weaken the effect of trust on repurchase intention significantly.

V. DISCUSSION AND CONCLUSION

Based on the finding, corporate image effects on trust in online shopping context. Thus, the study supports previous researches conducted by Lin and Lu (2010) and Flavian et al. (2005). The better corporate image is, the higher the level of trust. Ben-Rechav (2000) investigated the influence of three types of relationship marketing on trust. The result stated that financial relationship marketing, social relationship marketing and structural relationship marketing effect positively on trust. While study conducted by Lin and Lu (2010) in the tourism industry showed that only financial relationship marketing and relationship marketing structural significantly positive effect on trust. The influence of structural relationship marketing on trust is greater than the financial relationship marketing. Different facilities and added value can affect consumer trust. Not all of relationship marketing constructs in this study fully support to previous studies. The study proved that financial relationship marketing and structural relationship marketing effect on trust significantly, but structural relationship marketing did not support the two other study conducted by Ben-Rechav (2000), and Liu and Lu (2010). The study aligned with two others only in financial relationship marketing. Discount prices, shopping vouchers, and others that save in expenditure and provides benefits for consumers can strengthen trust in online shopping experience. Social relationship marketing supports the study conducted by Ben-Rechav (2000). Excellent service and attention to customer influence significantly to customer trust.

Based on the finding of previous studies conducted by Lin and Lu (2010) showed that trust effects on consumer repurchase intention. The higher the consumer trust to online store, the more consumers will repurchase. Study conducted by Ling et al. (2010) stated that trust influence positively on online purchase intention. The research finding indicated that, it is important to maintain a level of honesty, keeping promises and product quality guarantee to consumer. The study supports the previous studies. The higher level of consumer trust will increase the repurchase intention. Honesty, fulfillment of consumer expectation, product quality, commitment, and speed to find fit product needs in online store have a great impact on repurchase intention.

In their study, Lin and Lu (2010) stated that positive word of mouth communication can strengthen the relationship between trust and purchase intention. According to research by Wu and Lee (2012) on medicinal beauty industry that blog trustworthiness recommendations has no effect on the relationship of trust and purchase intention. Study conducted by Lo (2012) on tourism industry also showed that the positive word of mouth communication has no effect on consumer behavioral intentions when selecting a tourist location. Thus, the results of this study support the study by Wu and Lee (2012) and Lo (2012), but in opposite with the study by Lin and Lu (2010).

The study indicated negative word of mouth communication will weaken consumer trust relationships and repurchase intentions. The study aligned to research conducted by Smith and Vogt (1995). Their study in the hospitality and advertising industry showed that negative word of mouth communication can decreased consumer trustworthiness in advertising, brand selection and repurchase intention. Consumers are sensitive to negative issues. There is a tendency when issues arise, then it will be easily spread to friends, colleagues and others.

VI. MANAGERIAL IMPLICATION

Good image of an online store can increase consumer trust. Besides the corporate image, relationship marketing also effect on trust. Online shop needs to maintain a relationship with their customers continuously in terms of both financial and social. In addition, the online shop needs to be gracious and serve customers well. With good social relationship, the trust will increase. Furthermore, it will build long-term relationship with customers. On the other hand, negative word of mouth communication can be a threat to online shop because bad information would spread quickly to internet users. Thus, online stores should keep not lead to a negative issue.

VII. FUTURE RESEARCH AND LIMITATION

This study focuses only in the online shop that sells fashion products. Therefore the finding of the study will not relevant when it applied to an online shop that sells other products. In addition, for better research finding, it is suggested that more respondents are recruited withn different reaearch object.

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