

Trust: A Precursor to Electronic purchase of Hotel Rooms

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Abstract

This section should summarize the content of the The rise in electronic commerce has spread in all consumer goods. It is not just limited to procuring physical products online, but has also spread to purchase on services. Owing to the nature of services, it is more challenging to transact services on the digital platform. Owing to intangibility, perishability, homogeneity and variability of services, they are difficult to sell remotely. Before purchase they cannot be sampled. In case of the travel product, the same holds true. In such a case, one of the key essentials that helps overcome the challenge is the trust of the customer. Once trust is established, hotel product can be successfully sold over the electronic platform. To study the importance of trust and explore ways to achieve, the authors used a survey with a questionnaire as the research instrument. The questionnaire comprised of a five point Likert-type scale ranging from strongly agree to strongly disagree tested a sample size amounts to 683 respondents from Pune city based on judgement type of sampling method. As the outcome of this study it was found that trust, and in case of electronic commerce, electronic trust is most important precursor to purchase decision and actualisation. It also helps in loyalty, reducing costs and time of inspection and purchase.

Keywords: "Trust", "Electronic Trust", "Online Hotel Reservations", "Electronic Commerce".

1. Introduction

The paper must be divided into various sections In case of the electronic medium, creating and retaining trust is the single most important factor in actualizing the buying decision. This is because trust reduces the perceived risk of the website or the company in general. People like to deal with who they know. Websites are not known, not a source of comfort or known ground, till such a time that the confidence and trust is established. Customers in this digital era, will increasingly expect smooth integration and amalgamation of both physical as well as virtual

channels (Rowan, 2002: 65). Owing to this, it can be understood that consumers will trust companies who accomplish this thereby succeed in meeting their expectations. It is also important to understand the nature and power of trust, or in case of e-commerce, the new concept that trust has evolved into, called e-trust. So, trust like is known is a positive expectation that stems on the partner or party that is involved in the transaction. It is the positive, expert, reliability, affective, emotive response towards the other party partner / dealer. On the other side, it also embodies the behaviour associated a risk-taking on the part of the customer. It is the act that involves the customers to be willing and engage in activities in good faith. Also, the basis of any relationship, including that between the customer and vendor is trust. Without trust it is not possible to develop, nourish or sustain any relationship. Right to transparency in the booking process is what the consumers deserve. They do not have to spend time playing detective, investing a lot of time and effort trying to inspect the genuinely. As much as safety is desired, and calls for alertness on part of the customers, there should be checks and counter checks and a more fool-proof process with strict laws to control fake websites. Keeping this in mind, hotel official websites are by far considered and are the safest and most secure medium of making room bookings. Booking of room for a dream holiday should be one, and not change into any kind of nightmare.

2. Scope

The geographical scope of the current study is defined by existing five and four star hotels located in Pune city. The survey is carried out based on the profile of respondents who use hotels. Analytical scope of studying the collected data has been undertaken by means of excel and SPSS software. Contribution scope includes useful findings and suggestions to the hotel industry.

3. Review of Literature

Pavlou, (2003), studied the virtual retail market. He found that trust is one of the important precursors in the considerations of usage of commercial websites. On the digital platforms, it is the chief function of marketers to ensure that the visitors to their websites feel comfortable. The sense of certainty is needed to be established and is an important underlying pre-requisite (Rowan, 2002: 65). The pace of innovation in technology is also very fast. In no time have we moved from personal computers to laptops to smart-phones and tablets. The websites similarly have also improved, advanced and become more user friendly. The only slight and temporary hurdle is that users get used to a particular format, and no sooner do they get used to it, when the layout changes it affects them a bit. (Rowan, 2002: 75), mentioned that it is important for companies to make the browser visits on their websites an engaging affair. In order to create and maintain a consensual and healthy marketing partnership, trust plays a very important role. Also inherent nature of service industry is risky (Berry and Parasuraman, 1991: 144). They advocated that strategies of services marketing be applied to the travel product as well.

Essawy, (2013), said that a growing number of hotels ensure that they publish all information in the most open manner in order to create a transparency in dealing. This is one factor that ensures trust. Apart from this, safety of information, especially financial and personal is also a non-negotiable desirable.

Wang and Emurian, (2005), further reinforced that trust for a particular brand is established when “consumers developed confidence in a product or service that carries a particular or well-known brand name”.

Adding another dimension to the customer behaviour, is as Hsieh, et. al., (2005), claimed that the principal motive to do so is that trust reduces the costs of inspection, transaction, monitoring and promotes commitment on part of the customers, also including costs both for buyers and sellers alike.

Ang, et. al., (2001), suggested that in the internet environment perceived trust has three dimensions. These are – ability of the e-retailer to deliver the product as promised, their willingness and ability to resolve problems and the presence and adherence of statement of privacy. They deduced that most importantly, the lack of electronic trust in the minds of customers is regarded as the principal hurdle to usage of electronic commerce activities. It has also been studied that few large scale empirical studies have been made to systematically study the relationship that exists between hotel website and eTrust.

Cognitive trust is to do with “a customer’s confidence or willingness to rely a service provider’s competence and reliability” while the affective one is “the confidence one places in a partner on the basis

of feelings generated by the level of care and concern the partner demonstrates” (Gefen, 2002: 501). Both aspects concerning trust that is integrity and benevolence signify intentions of the trustees to do the good towards the trustors.

Reich and Schefter, (2000), argued that consumer trust is influential in nurturing the relations between customer and vendor and also helps in sustaining the market share. Bai, et. al., (2006), supported this and said that these way hotels are successfully able to cultivate and sustain business relationships leading to loyalty of customers. However, the amount of research studies to examine the efforts of hotel websites in relationship building is limited.

According to the American Hotel & Lodging Association, when there are fraudulent activities on the websites, it breaches the trust that the online buyers bestow on the website in specific and online medium in general. Even one such experience by any unrelated website is sufficient for the customer to lose faith in the medium completely, and his mistrust extends to all vendors and not only to the particular site that cheated him.

4. Objectives

1. To explore the scope of trust in electronic commerce.
2. To understand the effect of trust on online bookings of star hotels.
3. To study the relationship between satisfaction and trust in online bookings of star hotels.

5. Hypotheses

H₁: Consumer trust significantly affects online bookings of star hotels.

H₂: There is positive correlation between consumer satisfaction and consumer trust with respect to online bookings of star hotels.

6. Limitations of the study

The primary study is purely on the basis of their response. Also, the geographical study is limited to a particular city. For a broader and generalised understanding it has to be studied across multiple cities. Satisfaction and trust may be studied more in depth.

7. Research Methodology

The primary data required for the research was collected using the following technique:

- Data collection tool: Questionnaire
- Research Design: Descriptive
- Sample Type: Non Probability Judgment Sampling
- Sample size: 683

Apart from the above mentioned tools the relevant

secondary data for the research was collected from journals, books & internet sources.

8. Data Analysis and Interpretation

Table 1: Trust digital platform for commercial transactions

SN	Scale	f	%	Cumulative %	
1	Strongly Agree	5	437	64	64
2	Agree	4	142	21	85
3	Undecided	3	30	4	89
4	Disagree	2	30	4	94
5	Strongly Disagree	1	44	6	100
Total		683	100		

Trust is one of the key essentials of intent to shop online. It is the underlying factor that readies and prepares the customer for purchase. Absence of trust will never culminate into an actualisation of booking. It is perhaps for this reason that it is observed that though customers might source and compare information through the online channel, and select the product to buy. However, they might actually buy the product in the traditional shop or market as against to online. There are many aspects of trust in e-commerce – these are safety of financial dealings, safety of financial and personal information, trust in product “what you see and what you get”, being the key reasons for trust. 64% strongly agreed and additional 21% also agreed that trust plays an important role in carrying commercial transactions online. This means that trust is paramount in electronic business and hence, companies should ensure that trust is made, maintained and sustained throughout. Any slight oversight or error will prove to be very damaging.

Table 2: Security of personal information

SN	Scale	f	%	Cumulative %	
1	Strongly Agree	5	393	58	58
2	Agree	4	135	20	77
3	Undecided	3	60	9	86
4	Disagree	2	48	7	93
5	Strongly Disagree	1	47	7	100
Total		683	100		

Customers – both actual and potential need to share personal and financial information online. This adds to the database of companies, which is managed to as part of marketing research and strategies. It is seen that 77% customers agree that companies should safeguard this information, not share and not carry any fraud or malpractice with this information. It is therefore the responsibility of the company to ensure safety and safekeeping of this information and access should be barred to unauthorised person.

Table 3: Online privacy and security leads to trust and purchase

SN	Scale	f	%	Cumulative %	
1	Strongly Agree	5	452	66	66
2	Agree	4	115	17	83
3	Undecided	3	56	8	91
4	Disagree	2	19	3	94
5	Strongly Disagree	1	41	6	100
Total		683	100		

83% respondents agreed that trust is a precursor to actual purchase. In the absence of trust, even a bit doubt towards it in the minds of customers will lead to sale not made on the digital medium. Trust is made when the customer feels assured and confident that his dealing is secure and will not attract any fraudulent behaviour. For this reason companies not only practise safety of online customer data, but also invest in preventing any outside party access to the same in order to safeguard the information.

Table 4: Trust minimizes costs of inspection and monitoring

SN	Scale	f	%	Cumulative %	
1	Strongly Agree	5	457	67	67
2	Agree	4	113	17	83
3	Undecided	3	43	6	90
4	Disagree	2	33	5	95
5	Strongly Disagree	1	37	5	100
Total		683	100		

It was noted that 83% customers agree that when trust exists the costs and time involved in inspection and monitoring reduces. This leads to decisions taken fast and promotes repeat purchases and loyalty. It is also seen that trust as a factor precedes a few factors. For example a customer might consider paying an incremental amount if he trusts one side more than others. Reduced time in deliberation and

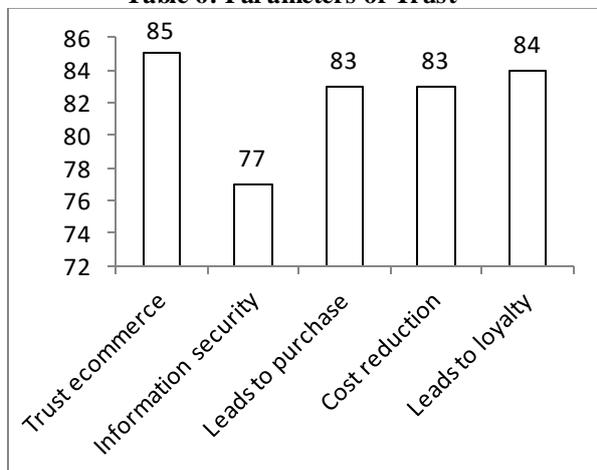
decision making promotes sale and also encourage repeated purchase.

Table 5: Trust promotes commitment and loyalty

S N	Scale	f	%	Cumulative %
1	Strongly Agree	5	443	65
2	Agree	4	129	19
3	Undecided	3	55	8
4	Disagree	2	20	3
5	Strongly Disagree	1	36	5
Total		683	100	

Trust is the underlying belief in the product and company. It is a relationship which is based on the foundation of honesty. It is not letting expectations down, and ensuring promises are met. It is the faith that one has in the product and business transactions are based on this trust. Owing to this reason, as many as 84% of the respondents not surprisingly agree that 84% agree to the same.

Table 6: Parameters of Trust



It is seen that trust plays a very crucial role in all businesses, especially in e-commerce. In electronic dealings, transactions of buying and selling are based on trust. If trust is shaken or reduced, business will not be undertaken. Owing to perceived high risk associated with online commerce and purchase of service online, the role of trust increases all the more. Customers' personal and financial data's security is also the responsibility of the e retailer. They must safeguard the information from any fraud or malpractice. Trust also reduces costs and time in monitoring and inspection and thereby increasing

business. This in turn also leads to repeated purchase and loyalty.

Hypotheses Testing

H01: Consumer trust does not lead to actualization of online booking portal.

Test Used: Simple Regressions

Test Result: $p < 0.05$

Decision: Accept Alternate Hypothesis

Simple regression forced entry (Enter) method used to test the aforementioned hypothesis, in this method all predictors are forced into the model simultaneously. This method relies on good theoretical reasons for including the chosen predictors. The one independent variable was considered for force entry namely Consumer Trust. Following tables demonstrated the detail simple regression analysis.

Descriptive Statistics			
	Mean	Std. Deviation	N
Online Buying Behaviour	4.1261	.68897	683
Consumer Trust	4.1926	.81941	683

The above Descriptive table demonstrates the three important descriptive parameter including mean, standard deviation and number of sample. The Online Buying Behaviour mean is 4.1261 with the standard deviation 0.68897 and the Consumer Trust mean is 4.1926 with the standard deviation 0.81941.

Correlations			
		Online Buying Behaviour	Consumer Trust
Pearson Correlation	Online Buying Behaviour	1.000	.590
	Consumer Trust	.590	1.000
Sig. (1-tailed)	Online Buying Behaviour	.	.000
	Consumer Trust	.000	.
N	Online Buying Behaviour	683	683
	Consumer Trust	683	683

It has been notice that along the diagonal of the matrix the values for the correlation coefficients are all 1.00 (i.e. a perfect positive correlation). The reason for this is that these values represent the correlation of each variable with itself, so obviously the resulting values are 1. The correlation matrix is extremely useful for getting a rough idea of the relationships between predictors and the outcome, and for a preliminary look for multicollinearity. If there is no multicollinearity in the data then there should be no substantial correlations ($r > .9$) between predictors.

If we look only at the predictors then the correlation is between the Online Buying Behaviour and

Consumer Trust which is significant at a .05 level ($r = .590, p < .05$). We can see also that of all of the predictors the Consumer Trust correlates best with the outcome ($r = .590, p < .001$) and so it is likely that this variable will best predict to Online Buying Behaviour.

The model summary table is shown what the dependent variable (outcome) was and what the predictors were in each of the two models. In the column labelled R are the values of the multiple correlation coefficients between the predictors and the outcome. The Consumer Trust is used as a predictor; this is the correlation between Consumer Trust Online Buying Behaviour (0.590). The next column gives us a value of R², which we already know is a measure of how much of the variability in the outcome is accounted for by the predictors. For the present model its value is .348, which means that Consumer Trust accounts for 34.8% of the variation in Online Buying Behaviour.

ANOVAa					
Model		Sum of Squares	df	Mean Square	F
1	Regression	112.664	1	112.664	363.514
	Residual	211.063	681	.310	
	Total	323.727	682		
a. Dependent Variable: Online Buying Behaviour					
b. Predictors: (Constant), Consumer Trust					

ANOVA tests whether the model is significantly better at predicting the outcome. Specifically, the F-ratio represents the ratio of the improvement in prediction that results from fitting the model, relative to the inaccuracy that still exists in the model. The value of the sum of squares for the model represents the improvement in prediction resulting from fitting a regression line to the data rather than using the mean as an estimate of the outcome. The residual sum of squares represents the total difference between the model and the observed data. The 'df' is the degrees of freedom (df) for each term. In the case of the improvement due to the model, this value is equal to the number of predictors (1 for the model), and for SSR it is the number of observations (683) minus the number of coefficients in the regression model. Therefore, model has 681 degrees of freedom. The average sum of squares (MS) is then calculated for each term by dividing the SS by the df. The F-ratio is calculated by dividing the average improvement in prediction by the model (MSM) by the average difference between the model and the observed data (MSR). If the improvement due to fitting the regression model is much greater than the inaccuracy within the model then the value of F will be greater than 1, calculates the exact probability of obtaining the value of F by chance. For the model the F-ratio is 363.514, which is very unlikely to have

happened by chance ($p < .000$). We can interpret these results as meaning that the model significantly improved our ability to predict the outcome variable, which means Consumer Trust is quite able to predict the Online Buying Behaviour.

The b-values tell us about the relationship between Online Buying Behaviour and each predictor. If the value is positive we can tell that there is a positive relationship between the predictor and the outcome, whereas a negative coefficient represents a negative relationship. For these data all two predictors have positive b-values indicating positive relationships. So, in terms of the predictability the Consumer Trust predicts the Online Buying Behaviour. Finally with the regression analysis it is confirm that the Consumer Trust affect positively to the Online Buying Behaviour. For our current model the VIF values are all well below 10 and the tolerance statistics all well above 0.2; therefore, we can safely conclude that there is no Collinearity within our regression model.

On the basis of the multiple regression analysis we reject the null and conclude that the Consumer Trust positively affect the Online Buying Behaviour $F = 363.514, p < 0.000 (n = 683)$.

H02: There is no positive correlation between consumer satisfaction and consumer trust with respect to online bookings of star hotels.

Test Used: Pearson Correlation Coefficient

Test Result: $p < 0.05$

Decision: Accept Alternate Hypothesis

Correlations			
		Consumer Satisfaction	Consumer Trust
Consumer Satisfaction	Pearson Correlation	1	.366**
	Sig. (2-tailed)		.000
	N	683	683
Consumer Trust	Pearson Correlation	.366**	1
	Sig. (2-tailed)	.000	
	N	683	683
**. Correlation is significant at the 0.01 level (2-tailed).			

The above output provides a matrix of the correlation coefficients for the two variables. Underneath correlation coefficient both the significance value of the correlation and the sample size (N) on which it is based are displayed. Each variable is perfectly correlated with itself (obviously) and so $r = 1$ along the diagonal of the table. Consumer Satisfaction is positively related to Consumer Trust with a Pearson correlation coefficient of $r = .366$ and the significance value is less than .000 as indicated by the double asterisk after the coefficient. This significance value tells us that the probability of getting a correlation coefficient this big in a sample

of 683 respondents if the null hypothesis were true (there was no relationship between these variables) is very low (close to zero in fact). Hence, we can gain confidence that there is a genuine relationship between Consumer Satisfaction and Consumer Trust. The output also shows that Consumer Satisfaction is positively related to Consumer Trust, with a coefficient of $r = .366$ which is also significant at $p < .000$.

9. Findings

Trust leads to commitment which leads to loyalty of the customer. This is derived owing to the following factors:

- Customers trust the digital platform to undertake commercial transactions of purchase and sale.
- Privacy and safety of their personal and financial information. This leads to trust which in turn leads to purchase.
- Trust lowers the costs involved in inspection and monitoring and hence leads to repeated purchases.
- There exists positive correlation between trust and satisfaction.

10. Suggestions

- All vendors in electronic distribution of rooms must be on top of technological advancements so that the interface is pre-emptive and smooth. This will help build trust and close sale.
- It is important for electronic commerce sites to demonstrate fair online trade practices and ensure safety of customers' personal and financial data. Payments and refunds should be prompt and error-free. The website should invest in safeguarding itself from any fraudulent threats.
- Satisfaction is a pre-cursor to trust. All aspects of purchase and consumption should be satisfactory for trust to form.

11. Conclusion and Discussion

Without trust there is no satisfaction and without satisfaction there is no trust. The online product is sold remotely, with minimum to no human interaction at all. Hence it is important that the company invests in all activities that helps create trust that is essential to actualise a purchase. Trust is a pre-requisite of any online transaction, especially when it involves personal data and financial transactions. The online consumer is also growlingly aware, sensitive and cautious. If all these practises are diligently followed, this medium of booking the hotel product will continue growing multi-fold.

12. Scope for future research

Further study in the future may be undertaken for other categories of hotels as well. The study may include other cities. Other cognitive and attitudinal dimensions of consumers may also be studied. Furthermore, Satisfaction with respect to trust, and their relationship may also be explored

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