

Price Sensitivity on the Internet: the Role of Trust in the Retailer

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This paper tests the hypothesis that in electronic transactions via the Internet, when the perceived risk is high (low), trust becomes more (less) salient, making price attributes less (more) salient. This hypothesis was tested through a 2x2 full factorial experimental design in which two dimensions of risk (financial and convenience) were manipulated. Then preference ratings were obtained for sixteen descriptions of electronic retailers. Descriptions were designed using an orthogonal, main effects only, fractional factorial using five attributes: price of a book and four trust-related attributes (privacy policy, return policy, navigability, and on-time delivery). Utilities of each attribute were obtained for each individual and relative importance of each attribute was then calculated. MANOVA was ran using importance attributes as dependent variables and the two manipulated dimensions of risk as fixed factors. Results supported partially the hypothesis: price importance decreased when perceived financial risk increased; however, this effect was not observed when perceived convenience risk increased. Contrary to expectations, it was not found any main-effects for the four trust-related attributes importance when the convenience risk varied. Limitations of the study are pointed out and directions for future research are suggested.

Introduction

The rapid development of the Internet as a distribution channel has aroused a great interest in investigating the behavior of consumers shopping online. In this respect, some authors have suggested that consumers tend to be more price sensitive when shopping on the Internet, which could be explained by the reduction of search costs and the increased price competition on the Internet.

There is not an agreement, however, in which situations this increased price sensitivity would likely to be observed. Previous studies that investigated the subject used product characteristics, such as differentiation degree or number of sensory attributes, to explain the phenomenon.

Despite these prognostics, Smith & Brynjolfsson (1999) have found that price dispersion on the Internet was larger than that verified in conventional markets. Further, the hypothesis that electronic markets are quasi-perfect should be rejected due to the large differences of market shares verified in the Internet.

Based on previous studies that demonstrated that trust is one of the main barriers to the development of electronic commerce (e.g., Jarvenpaa & Todd, 1997), this paper suggests that price sensitivity could best be explained by trust in the electronic retailer. By transacting with trustworthy retailers, consumers would be able to circumvent fears of security and privacy. However, since not all instances of shopping are necessarily risky, it is likely that trust in the retailer becomes more salient in some situations than in others.

This study tests the hypothesis that in conditions of high perceived risk, trust becomes more salient in the consumer decision process, decreasing the saliency of price; in conditions of low perceived risk, trust is less salient, making price attributes more salient.

It is also argued that price sensitivity must be seen and interpreted as an individual phenomenon rather than a collective phenomenon; in order to explain price sensitivity on the Internet, researchers should look for the answer in each individual consumer taking decisions

of purchase instead of looking at certain product characteristics. To our knowledge, this is the first paper that relates trust in the retailer to price sensitivity on the Internet.

The paper is structured in five sections. The first section reviews literature regarding previous findings about the increased price sensitivity on the Internet, the importance of trust for the development of the electronic commerce, and the relationship between trust and perceived risk; the second section describes the methodology used to test the hypothesis relating perceived risk, trust, and price sensitivity; the third section presents the results of the study; the fourth section discusses these results; and the fifth section points out limitations and directions for future research.

1. Literature Revision

Price Sensitivity on the Internet: hype or reality?

The development of the electronic commerce via the Internet has aroused in the academia a great interest in comparing the consumer behavior of online and offline shoppers. In this research stream, one of the most controversial themes is whether consumers buying on the Internet would become more price sensitive than when buying on brick-and-mortar stores (e.g., Alba et al, 1997; Brynjolfsson & Smith, 2000; Degeratu et al, 2000; Lynch & Ariely, 2000; Lal & Sarvary, 1999; Smith & Brynjolfsson, 1999).

Two pieces of evidence have been brought together to explain the supposedly increased price sensitivity of online consumers: the reduction of search costs and the increased price competition on the Internet.

The first evidence argues that Internet allows consumers to gather a large amount of information about both price and non-price attributes and classify them in some convenient way much faster than would be possible by using traditional search methods such as visiting stores, talking to salespeople, and reading Consumer Reports, to name a few. By reducing search costs, Internet would make it easier to find the lowest prices, increasing consumer price sensitivity.

However, the authors that hypothesized this increased price sensitivity on the Internet have not agreed about the situations in which this phenomenon is more likely to occur. For example, Alba et al (1997) predicted that possessing more information on price attributes would increase consumer price sensitivity only for undifferentiated products sold anywhere and for retailers carrying nationally branded products with limited service; Degeratu et al (2000) suggested that the increased price sensitivity would be observed only for products that lack sensory attributes; Lal & Sarvary (1999) proposed that it should be seen more price competition for products with more digital attributes and increased brand loyalty for products with more non-digital attributes; Gupta & Chatterjee (1997) argued that only shoppers with the skills and resources necessary to navigate the Internet more efficiently would be able to decrease search costs.

Nagle & Holden (2002) dispute these propositions by enumerating four arguments against this hypothesized increased price sensitivity on the Internet: 1. Consumers are less certain about product characteristics, making them less willing to pay lower prices for unknown alternatives; 2. Consumers are less certain regarding the retailer legitimacy, making them more willing to pay a premium to deal with reputable merchants; 3. Internet shoppers are still more affluent, a trait generally associated with less price sensitive consumers; 4. Previous research has demonstrated that shoppers go to Internet in search of convenience and not of lower prices.

In fact, by reviewing several papers on the subject, Smith & Brynjolfsson (1999) have concluded that although previous results provided support for the hypothesis that the Internet channel is more efficient than conventional channels in terms of price levels and menu costs, prices are more dispersed in electronic markets than in conventional markets. The authors suggested that retailer heterogeneity, specially different levels of awareness and trust, could help explaining both the price dispersion and the large differences in market shares across electronic retailers.

From the quotations above, it can be concluded that despite the clamors that Internet would increase price sensitivity, research to date has not been able to demonstrate it. The next section reviews evidence that trust is one of the main barriers for the development of electronic commerce based on the Internet and suggests that it is possible to hypothesize that it can influence price sensitivity.

How Important is Trust for Electronic Transactions?

Perhaps one of the key differentials between the electronic market based on the Internet and the conventional brick-and-mortar market is the unlimited dimension of time and space that the Internet provides. Transactions in conventional markets occur in a time and space defined, and, in general, are taken in effect by two people meeting face-to-face. In this retailing model, both parties move together, reducing the risk of fraudulent transactions and contributing for building mutual trust. Even when the parties do not move at the same time, they rely on established mechanisms to enforce the other party to keep its promises (Kollock, 1999).

By the other side, in electronic markets based on the Internet, time and space put the parties apart. The party that moves first is in disadvantage and needs to trust the party that moves second, or at least needs some legal guarantees that the other party will also move. Both parties are aware that if neither of them moves at all, the transaction will not be consummated and neither of them will be better off. However, building trust in the electronic environment is more difficult than in the conventional environment. Factors so far considered important such as live interactions and identity disclosure vanished in the Internet.

In fact, there are plenty of empirical evidence suggesting that one of the main barriers to the development of the electronic commerce based on the Internet is the lack of trust existing between electronic retailers and consumers (Gupta & Chatterjee, 1997; Hoffman et al., 1998; Jarvenpaa & Todd, 1997). For this reason, it has been suggested that trust is among the most important components of an effective marketing program for the Internet (e.g., Urban et al, 2000; Hoffman et al, 1998).

By transacting with trustworthy retailers, consumers would be able to circumvent fears of security and privacy. Since not all instances of shopping are necessarily risky, it is likely that trust in the retailer becomes more salient in some situations than in others.

Based on Anderson's Information Integration Theory (Anderson, 1981), it is possible to hypothesize that for those situations in which trust in the retailer becomes more salient in the consumer decision process, price attributes become less salient, and vice-versa. By choosing trustworthy electronic retailers, online consumers would care less about price attributes, which could help to explain the larger price dispersion found in electronic markets when compared to conventional markets as well as the differences in market shares across electronic retailers.

By explaining price sensitivity on the Internet by means of trust in the retailer, this paper argues that the phenomenon must be seen as an individual phenomenon rather than as a

collective phenomenon; researchers should look for the explanation in each individual consumer taking decisions of purchase instead of looking at product characteristics.

The next section defines formally the concept of trust and explores the relationship between trust and perceived risk. The section finishes by hypothesizing about the relationship among the concepts of trust, perceived risk, and price sensitivity.

Integrating Trust, Perceived Risk, and Price Sensitivity on the Internet

Another subject that has arisen a great interest of both practitioners and academics in the last few years is the concept of trust (e.g., Grazioli & Jarvenpaa, 2000; see also special edition about trust in Communications of the ACM, vol. 43, n. 12).

In the marketing literature, two definitions of trust have been found more frequently. The first belongs to Giffin (1967), according to whom a trusting behavior occurs when a person “1. relies on another; 2. risks something of value; and 3. attempts to achieve a desired goal” (p. 15); the second is given by Rotter (1967), who defined trust as “a generalized expectancy held by an individual or group that the word, promise, verbal or written statement of either an individual or group can be relied upon” (p. 651).

More recently, Morgan and Hunt (1994) affirmed that trust exists “when one party has confidence in an exchange partner’s reliability and integrity” (p. 23), which parallels the definition of Moorman et al. (1993): “trust is defined as a willingness to rely on an exchange partner in whom one has confidence” (p. 82). As noted by Morgan and Hunt (1994), both definitions draw on Rotter’s (1967) classical definition.

Moorman et al. (1993) stress the role of the vulnerability and uncertainty on the part of the trustor. According to them, “without vulnerability, trust is unnecessary because outcomes are inconsequential for the trustor” (p. 82), i.e., if the trusting party is not vulnerable and does not face the risk of negative outcomes, trust is not in dispute.

The corollary of these definitions is that trust is involved only when uncertainty and vulnerability are present; if this condition is not satisfied, trust is unnecessary since the outcomes do not pose any serious threat to the trustor; without risk, trust is not in dispute.

It is relatively easy to understand how trust operates during a purchasing situation. Suppose that a consumer needs to buy a book and decides to buy it on the first bookstore that she finds on her way. It is very unlikely that this consumer will perceive the situation as risky, since she will locate the book, inspect it, pay and leave the store carrying the book. There is a small chance that the retailer holds her credit card number or collect information about her for other purposes. And, after all, the consumer can avoid any risk by paying with cash. In this situation, the consumer did not rely on her trust to decide which bookstore to buy from and it is more likely that the price of the book or the bookstore location, the book availability and the service provided by the bookstore had more influence on her decision. In this situation, trust was not salient.

However, it is likely that the same situation would be perceived as riskier if this hypothetical consumer had decided to buy the book on the Internet. There are several risks embedded in this transaction such as the risk that the retailer sends the wrong book, send it too late or does not send it at all; there is also the risk of buying from a fly-by-night operation or being intercepted by a hacker. The risk could be minimum, depending on several aspects (price of the book, urgency, network security etc); yet, the risk is somewhat higher than

buying from a conventional bookstore. Facing this situation, it is more likely that the consumer would tend to rely more on trust when deciding by an electronic retailer, decreasing the salience of price attributes in her decision process.

It is not meant that trust is unnecessary in transactions occurring in conventional markets. However, it cannot be disputed that transacting on the Internet is riskier than transacting in conventional markets. To the risk of business practices, common to conventional markets, it must be added the risk associated with the privacy protection and the risk associated with the transaction security, two instances of risk not commonly referred in conventional markets.

The previous discussion leads to the following hypothesis:

H1: In electronic transactions via the Internet, when the perceived risk is high (low), trust becomes more (less) salient, making price attributes less (more) salient;

2. Method

The hypothesis described previously was tested by means of a laboratory experiment. This section describes the subject sample, the experimental design, and the experimental task.

Subjects

Two hundred fifty-seven undergraduate students (59% women) from a mid-Atlantic U.S. business school were asked to complete a questionnaire. The average age of the subjects was 21.6 years, 69% were employed (95% were working part-time), 89.6% had already bought at least one product on the Internet and, on average, they were used to spend 7 hours and 10 minutes browsing the Internet during a regular week.

Experimental Design

It was used in this study a 2x2 full factorial experimental design. The first, a between subjects factor, manipulated the financial dimension of risk by varying the price of the book. Two levels of price were selected: US\$ 80.00 (a regular price for an academic book) and US\$ 25.00 (a reasonably bargain price for an academic book). The second, also a between subjects factor, manipulated the convenience dimension of risk by varying the period between the purchase and the need for the book (10 days and 6 weeks). It was thought that manipulating two dimensions of risk would provide a stronger test for the hypothesis; the objective was also to avoid a possible confounding effect of measuring price sensitivity by varying the price levels.

Considering that electronic retailers usually promise to deliver a book in 3 to 5 days in most of US cities, the shorter period of time was selected to represent a serious risk: were real the situation, students that decided to buy this book on the Internet would still have approximately 5 to 7 days before the exam; however, should something go wrong, the buyer would face a serious risk of not receiving the book before the exam. In the alternative of 6 weeks for the exam, the risk of not receiving the book on time is minimum.

There were several reasons to select the book category as stimulus for this experiment. First, undergraduate students buy several books during their course-life, making the experimental simulation very realistic; second, undergraduate students are more price sensitive than consumers in general, which required choosing a product category that did not represent a large expense; a book has all the hypothesized characteristics that lead to more price sensitivity, i.e., books are undifferentiated, books do not have salient sensory attributes, and books can be easily described in digital terms (finding less price sensitivity for this product category would provide a stronger support for the hypothesis being tested); fourth, the

category selected should not have a high degree of involvement (like shoes or clothes), making perceived risk a more personal issue, complicating the manipulation..

Experimental Task

Subjects read a scenario description asking them to imagine that they would have to buy a book to study for an exam scheduled for a certain date (10 days or 6 weeks) from the survey date. The scenario also informed the price of the book (US\$ 25.00 or US\$ 80.00).

After reading the scenario, perceived risk with the purchase was assessed using a scale commonly found in the literature (Murray and Schlacter, 1990) with some modifications to adequate it to the experiment. Specifically, subjects rated the probability that the purchase of this book on the Internet would lead to any of two losses (financial and convenience) as well as the importance of each loss. The “improbable/probable” and “unimportant/important” judgments were both assessed on seven-point, differential semantic scales (for example, one of the statements read as follows: “I think that it is 1 2 3 4 5 6 7 (improbable/probable) that the purchase of this book on the Internet would lead to a FINANCIAL LOSS for me based on the amount of money that I will pay for it. As far as I am concerned this FINANCIAL LOSS would be 1 2 3 4 5 6 7 (unimportant/important)”). As it is usual when using this type of scale (Cox, 1963), a score was obtained by multiplying the probability by the importance of each loss.

Next subjects were asked to indicate the probability that they would buy this book on the Internet using a likert-type scale of seven points (1=very low; 7 = very high).

Then, subjects were presented with the descriptions of sixteen electronic book retailers varying on a number of attributes. It was explained that this list was very similar to a list obtained from an Internet search engine and their task was to look over the descriptions and rate each one using a preference scale of 0 –100, in which the higher the rating, the higher the preference.

Finally, subjects answered some questions about habits of shopping on the Internet and provided a few demographic information.

The descriptions of the electronic book retailers were designed using an orthogonal, main-effects only, fractional factorial of a 2x2x2x3x3 complete factorial (Addelman, 1962; basic plan 3, p. 36). The first four attributes of the descriptions were related to trust in the retailer (publishes privacy policy at two levels – yes or no; publishes return policy at two levels – yes or no; Website navigability at two levels – easy or difficult; and ability to deliver on-time at three levels – 100% on-time, 75% on-time, and 50% on-time). The fifth attribute was the price asked by the retailer for the book, varied at three levels (p –10%; p; and p+10%, where “p” refers to the price level of the experimental condition)

The five attributes were described as follows:

- ← some electronic retailers publish their privacy policy, while others do not (privacy policy refers to how the e-tailer treats information obtained from consumers);
- ← some electronic retailers publish their return policy, while others do not (return policy specifies when and how clients can return merchandise);
- ← some Websites are easy to navigate, while others are difficult to navigate;
- ← some electronic retailers deliver at least 100% of products on-time, others deliver at least 75% of products on-time, while some others deliver only 50% of products on-time;
- ← each electronic retailer is asking different prices for this book.

The four trust-related attributes were chosen based on the results of a previous study that revealed that trust in electronic retailers was strongly associated with the publication of privacy and return policies in their Websites, navigability of the Website, and ability to deliver merchandise on-time. Therefore, it is assumed that by manipulating these attributes, one is in fact manipulating the electronic retailer trustworthiness.

Following Louviere et al (2000), in order to increase the task realism and reduce response bias that might be caused by the repetition of price levels produced by factorial arrays, the prices for each description were varied systematically up and below the price levels. For example, for the experimental situation in which the price of the book was US\$ 80.00, descriptions included the following prices for the first level (US\$ 72.00): US\$ 70.00, US\$ 71.00, US\$ 73.00, and US\$ 74.00. Appendix A contains an example of the stimulus material.

To avoid the order effect, the descriptions were arranged in four different sets by varying descriptions' position in the set. Since there were four different experimental situations, sixteen different questionnaires were used.

3. Results

All the analyses described in this section were based on two hundred thirty-seven cases; eight cases were discarded due to non-response to the main task of the experiment (the preferences rating) and twelve cases were discarded due to non-response to some of the variables used in the analysis.

Manipulation Check

It was expected that by increasing the price of the book, the perceived financial risk would also increase. Confirming the manipulation success, it was found that the perceived financial risk was higher when the book cost \$ 80.00 ($x_{80}=14.7$) than when it cost \$ 25.00 ($x_{25}=10.8$) and the difference was significant ($F_{1,237} = 12.223$, $p<0.001$).

It was also expected that by decreasing the allotted time to buy the book, the perceived convenience risk would increase. Confirming our expectations, it was found that the perceived convenience risk was lower when the allotted time was 6 weeks ($x_{6weeks} = 14.86$) than when the allotted time was 10 days ($x_{10days} = 15.44$). However, the difference was not significant ($F_{1,237} = 0.115$; n.s.), although the results were in the expected direction.

Interestingly, however, it was found that the purchase intention decreased when the allotted time decreased ($x_{6weeks} = 4.43$; $x_{10days} = 3.93$; $F_{1,237} = 4.67$; $p<0.05$). As it is hypothesized in the discussion section, it is likely that this pattern of results reveals that the perceived risk for the 6-weeks condition was lower than the perceived risk for the 10-days condition, although the scale used was not able to capture this effect.

Conjoint Analysis and Comparative Testing

The statistical method best suited for examining preference measures is the conjoint analysis (cf. Green and Srinivasan, 1990). From a consumer's global evaluation of a set of alternatives (the electronic retailer descriptions), conjoint analysis allows the estimation of the utilities associated to each attribute (price and trust-related attributes).

In this particular case, the utility associated to the price attribute can be seen as a proxy of price sensitivity: while price sensitivity refers to the responsiveness of the quantity demanded to a change in the price, the utility calculated here refers to the responsiveness of the preference for an electronic retailer to a change in the price asked by the electronic retailer. Similarly, the utilities associated with the other four trust-related attributes can also

be understood as the responsiveness of the preference for a particular electronic retailer to changes in these attributes.

Ordinary least squares regressions were run to obtain the individual utilities of the five attributes. A total of two hundred forty-nine regressions were run, one per respondent. Each regression was based on sixteen data points, corresponding to sixteen descriptions; the preference ratings were used as dependent variable. Five dummy-coded predictors represented the levels of the trust-related attributes – one dummy-coded for the attributes privacy policy, return policy, and navigability and two dummy-coded for the attribute on-time delivery. Data corresponding to the price attribute were used in its original scale, i.e., dollar value.

Based on the utilities obtained by the regressions, individual importance weights were calculated for each attribute. Next, a multivariate analysis of variance (MANOVA) was performed using these importance weights as dependent variables and the two dummy-coded factors, price and convenience, as independent variables (table 1).

Price Attribute

Results show a significant main-effects for the price factor ($F_{1,235} = 20.671$, $p < 0.001$) but not for the convenience factor ($F_{1,235} = 0.009$, n.s.). These results confirmed partially our hypothesis that price was more salient in determining the preference ratings when the perceived risk was high compared to the situation in which the perceived risk was low.

Trust-Related Attributes

It was also expected that some of the trust-related attributes would become more salient by increasing the convenience perceived risk. However, contrary to our expectations, it was not verified any significant main-effects for the four attributes (table 1). These results are discussed in the following section.

Table 1
MANOVA Results

Tests of Between-Subjects Effects						
Source	Dependent Variable	Type III Sum of Squares	df	Mean Square	F	Sig.
Price	Privacy Policy	5.774E-02	1	5.774E-02	2.396	.123
	Return Policy	4.972E-03	1	4.972E-03	.323	.571
	Navigability	1.527E-06	1	1.527E-06	.000	.990
	On-Time Delivery	1.201E-03	1	1.201E-03	.051	.821
	Retailer Price	4.231E-02	1	4.231E-02	20.671	.000
Convenience	Privacy Policy	3.419E-04	1	3.419E-04	.014	.905
	Return Policy	5.693E-06	1	5.693E-06	.000	.985
	Navigability	5.902E-05	1	5.902E-05	.006	.937
	On-Time Delivery	1.788E-05	1	1.788E-05	.001	.978
	Retailer Price	1.793E-05	1	1.793E-05	.009	.926
Price * Convenience	Privacy Policy	1.486E-05	1	1.486E-05	.001	.980
	Return Policy	2.182E-04	1	2.182E-04	.014	.905
	Navigability	6.035E-04	1	6.035E-04	.064	.800
	On-Time Delivery	5.177E-03	1	5.177E-03	.222	.638
	Retailer Price	1.327E-03	1	1.327E-03	.648	.422

4. Discussion

Two aspects of the findings reported above deserve to be discussed more thoroughly: the decrease of purchase intention when the urgency increased but not when the price

increased; the magnitude of the weights associated to each attribute and their stability across the experimental conditions.

Perceived Risk and Purchase Intention

It was observed that the intention to purchase the book on the Internet decreased with the decrease of the allotted time to purchase the book from 3 weeks to 10 days. It is possible that this effect has been the result of an increase in the perceived risk, although the perceived risk scale used in the experiment was not able to capture this effect. Previous studies have found that in-store shopping was perceived as less risky than shopping in direct channels (e.g. Peterson et al, 1989; Festervand et al, 1986; Simpson and Lakner, 1993). Among the reasons for this perception were the inability to inspect physically the goods or to try them, uncertainty with the delivery, uncertainty with the quality of the product or with the return guarantees. Grazioli and Jarvenpaa (2000) have found similar results investigating purchase decisions on the Internet.

It seems that consumers decision to buy on the Internet depends on the perceived risk: if this risk is below an individual threshold of acceptable risk, consumers adopt the channel; if, for any reason, the perceived risk is above this acceptable limit, consumers adopt other channel options, independently of the price distribution. This idea is in line with the hypothesis of this paper that the best predictor of price sensitivity on the Internet is the perceived risk of the purchase.

Interestingly, the intention to purchase the book on the Internet did not decrease with the price increase. This result can be attributed to high knowledge of the Internet demonstrated by subjects when compared to the average population. There are plenty of evidence that expertise influences shopping habits (e.g., Alba & Hutchinson, 1987). In this case, it is possible to hypothesize that, despite the higher perceived risk due to the price increase, the intention to purchase on the Internet was somewhat positively influenced by the expertise with the medium. In fact, a measure of expertise in the Internet was able to explain 15% of the variance of purchase intention ($F_{1,243}=42.019$, $p<0.001$).

Relative importance of Attributes

It was somewhat surprising the resulting small saliency of price in determining the preference for an electronic retailer. Across the sample, the importance of price was only 2.8%, which can be compared with 22.4% for the importance of publishing a privacy policy; 24.3% for publishing a return policy, 16.1% for Website navigability, and 34.3% for On-Time Delivery.

These results suggest that price sensitivity on the Internet is more hype than reality. It seems that respondents practically ignored variations of up to 10% in prices and preferred electronic retailers that offered guarantees of privacy, return, on-time delivery, and were easier to navigate. In other words, these results mean that respondents considered the “price” of these features higher than the “discounts” offered by retailers.

Even considering the strong support of these results for the hypothesis being tested, it must be reminded that the situation portrayed in the experiment was very particular. Students were asked to imagine that they had to buy a book for an exam. In the real world, although students have the option of postponing the purchase or not buying the book at all, these options are very unlikely to be adopted, making them less price sensitive to a situation that they cannot avoid.

Another possible explanation for this observed small saliency of the attribute price is that students' budget for buying books is flexible and can be adapted according to the necessity, making them less price sensitive when buying academic books.

It is also interesting to observe that the saliency of trust-related attributes did not increase significantly with the perceived risk increase. A possible explanation for this result is that there were four trust-related attributes and only one, relatively unimportant, price attribute.

Yet, analyzing more carefully the relative importance of each attribute (table 2), it can be seen that, despite not significant, the relative importance of two attributes (privacy policy and on-time delivery) increased from the lowest risk condition (book at US\$ 25.00 and 3 weeks from the exam) to the highest risk condition (book at US\$ 80.00 and 10 days from the exam).

Table 2

Importance Weights Associated with Each Factor Across Experimental Conditions

	Price of the Book	Urgency	Factor Importance	Price	Urgency	Factor Importance
Privacy Policy	US\$ 25.00	3 weeks	20.6%	US\$ 25.00	10 days	21.2%
	US\$ 80.00	3 weeks	23.8%	US\$ 80.00	10 days	24.2%
Return Policy	US\$ 25.00	3 weeks	24.9%	US\$ 25.00	10 days	25.0%
	US\$ 80.00	3 weeks	23.7%	US\$ 80.00	10 days	23.7%
Navigability	US\$ 25.00	3 weeks	16.2%	US\$ 25.00	10 days	16.4%
	US\$ 80.00	3 weeks	16.3%	US\$ 80.00	10 days	15.7%
On-Time Delivery	US\$ 25.00	3 weeks	34.2%	US\$ 25.00	10 days	33.1%
	US\$ 80.00	3 weeks	34.5%	US\$ 80.00	10 days	35.3%
Retailer Price	US\$ 25.00	3 weeks	4.0%	US\$ 25.00	10 days	4.3%
	US\$ 80.00	3 weeks	1.7%	US\$ 80.00	10 days	1.2%

5. Limitations and Directions for Future Research

This study has a few limitations that should be mentioned here. The first limitation of this study is its cross-sectional nature. Alternative methodologies should be employed in future research.

The second limitation refers to the sample used in the study. It is difficult to generalize results obtained here since this sample differs in substantive aspects from non-students. First, students tend to be more skilled in the use of computers, which could lead to lower price sensitivity when buying on the Internet (Gupta and Chatterjee, 1997); this sample, specifically, also showed a high degree of experience shopping on the Internet, accentuating this difference. Second, students tend to be more price sensitive due to budget restrictions, although apparently that is not the case when buying academic books. Future studies should consider using non-students as subjects.

The product category used as stimulus in this study possessed some interesting characteristics that justified its inclusion here. However, further studies should consider analyzing more product categories to validate the results found here.

It is also possible that the lower saliency of the price attribute was a result of the inclusion of many trust-related attributes in the descriptions of electronic retailer. Replications of this study should consider including at most two trust-related attributes, balancing better the descriptions around price attributes and non-price attributes.

Annex 1

Example of Electronic Retailers Descriptions (excerpt of the stimulus material)

Rate each e-tailer on a scale of 0 – 100, where 0 corresponds to the least preferred and 100 correspond to the most preferred.

<u>E-tailer 1</u>			
Privacy Policy	No		
Return Policy	No		
Navigability	Difficult	Rate	
On-Time Delivery	75%	[]	
Price	US\$		
21.70			
<u>E-tailer 2</u>			
Privacy Policy	Yes		
Return Policy	Yes		
Navigability	Easy	Rate	
On-Time Delivery	75%	[]	
Price	US\$		
26.70			
<u>E-tailer 3</u>			
Privacy Policy	Yes		
Return Policy	Yes		
Navigability	Difficult	Rate	
On-Time Delivery	50%	[]	
Price	US\$		
23.30			
<u>E-tailer 4</u>			
Privacy Policy	No		
Return Policy	Yes		
Navigability	Difficult	Rate	
On-Time Delivery	50%	[]	
Price	US\$		
28.30			

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