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THE SOCIAL FUNCTION OF TRUST AND IMPLICATIONS FOR e-COMMERCE

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This paper draws on sociological theories of trust to examine the role of trust within modern society. Having conceptualized the main function of trust within modernity as one of reducing complexity and the management of risk, the paper applies this understanding to the role of trust within marketing, particularly in relation to e-commerce. Empirical support is given to the conceptual analysis by the presentation of findings from a longitudinal panel study of people's attitudes towards new technology and the place of new technology in their lives - futura.com. The paper points to the vital role of abstract or systems trust within modernity, and raises questions concerning the particular difficulties that e-commerce faces in establishing trust in the internet as a system.

INTRODUCTION

Within marketing, the word trust has come to occupy a heightened status of attention, but yet one often finds little analytical rigour in the conceptualisation of trust. Possibly because it is a word that features strongly in our everyday lexicon of usage it is felt unnecessary to apply careful attention to its meaning - we feel that we know what we mean when we use the word. And of course we do in an everyday sense, but our understanding of the term is not sufficient if we wish the word to work for us in attributing to it properties in the performance of markets.

TRUST AND FAITH IN MODERNITY

To begin let us state that trust is not faith, although it shares similar properties – such as the belief that something will perform in line with expectations. Faith, in its most ancient application is reserved for reference to a deity, but in everyday conversation is often used in the same sense as trust. This interchangeability of the terms serves to underscore the lack of analytical rigour in talking about trust. Faith describes situations where a person does not consider alternatives, whereas trust, as we will show, refers to situations where one course of action is selected in preference to another on the grounds of having the greatest chance of optimising satisfaction and limiting disappointment (Misztal, 1996)¹. To trust someone or something involves a rational decision making process. It also involves taking a risk. Trust, in other words is not ‘blind faith’, but is a calculative action, and being calculative always involves an element of risk. Indeed, risk and trust are inseparable components in decision making. However, in talking of trust and risk, we are referring to peculiarly modern phenomenon (Giddens, 1991).

¹ The conceptual framework of the paper and the general discussion of trust both historically and analytically has been formed by Barbara Misztal's superbly authoritative coverage of the writings on trust and the role of trust in modernity (Misztal, 1996).

A world that fragments upon modernity - the parts moving with increasing speed and transformation of themselves - does not offer fixed points with which to anchor the individual. There has been, used in the religious sense of the word, a disenchantment with the world. No longer can one distil, not just a central purpose to existence, but any coherent understanding of how the world works in the manner offered by the cosmologising of religion. There is no room for faith of practically any description. no longer can one trust in the sense of suspending knowledge to give belief that everything is in order - a central characteristic of faith. Things are manifestly not in order when everything is in a state of continual change.

If we therefore take trust as different from faith then, whereas faith may have been a key component in the support and continuation of systems in the past, trust is now the basis of social cohesion and guarantee of system continuation. In the possession of faith, performance is not measured against the empirical. One does not have faith in the Prime Minister, Tony Blair, to ensure ones well-being. In deciding to vote for Blair what one is doing, among other things, is to trust that what he says he will do, he will do, or at least trust that he will fulfil promises made with some reasonable approximation to ones expectations. In future elections voters measure performance against promises made, and decide whether or not to trust his stewardship further. In other words, trust is learnt in the course of an empirical engagement with the world. However, the world can never be learnt in entirety. Epistemological reasons apart, life is too short.

Trust may be empirically grounded, but this presents a conundrum: what comes first, performance and then trust, or trust that then allows performance? The fact of the matter is that without trust, there can be no performance. Ultimately, the origin of trust becomes a philosophical question, but operationally we can be content with the thought that although rational co-operation with others may be hazardous, there is no rational superior alternative to it (Dunn, 1983:134). Indeed, beginning a relationship based on mistrust is not a viable option since to do so would block the possibility of movement, either in our emotional dealings with others, or in our commercial dealings with others. Thus, as Niklas Luhmann says, in the absence of evidence to the contrary, there is 'a strong incentive to begin a relationship with trust' (Luhmann, 1979: 72). In other words, we have to trust, because without trust human association at the social or economic level, is impossible. What we wish to do, therefore, is not so much look at the origins of trust, but examine how it functions (Misztal 1996). Following this exercise we will apply the understanding of trust to aspects of advertising, especially the role of brands, and finally examine the changing nature of commerce brought by changes in the nature of electronic communications and the importance of trust in sustaining both individual exchange via the internet, and its role in the maintenance of the system of the internet as a whole.

THE FUNCTION OF TRUST

It is our position that trust and risk as properties of modernity will increase in functional importance within heightened modernity, especially with the development of internet communications, and e-commerce. We wish to state, quite categorically, that the main function of trust is to reduce uncertainty. Trust makes risk manageable. It also reduces anxiety about the operation of the world.

At the most fundamental level, trust functions, to use a term from Giddens, to reduce ontological insecurity (Giddens, 1990). It reduces fear about the world by providing certainty

and thus assists in the anthropological task of reality maintenance by providing the individual with a non-questioning everyday assurance that everything is 'in order'. Without this 'taken for granted' certainty about the world the individual is cast adrift to find meaning within chaos, the effort of which threatens to overwhelm the self to the point of psychological collapse. At the level of the individual then trust ensures 'health' by instilling confidence through the predictability of exchange with his or her environment. At the general societal level trust serves to integrate and lubricate economic exchange through the instilling of confidence in the continuation of a system of performance - any withdrawal of that confidence through absence of trust threatens financial and economic collapse.

FORMS OF TRUST

So far we have simply referred to trust as trust, but it is necessary to make a distinction between two basic forms of trust, namely, personal trust and abstract trust. Personal trust is trust in known or close individuals and is based on the expectation that the individual will perform in line with one's legitimate aspirations of the relationship or contract entered into. Abstract trust, also known as systems trust, is trust in social systems, which include organisations, markets, and state systems - it is trust that operates across time and space.

Abstract trust is essential for social solidarity, or social cohesion. Without abstract trust then complex social organisation could not exist. Indeed, without abstract trust modernity as we know it would be impossible. Personal trust allows only for very primitive association, including very restricted commercial exchange. As Luhmann states: 'Without trust only very simple forms of human co-operation which can be transacted on the spot are possible, and even individual action is much too sensitive to disruption to be capable of being planned, without trust, beyond the assured moment' (Luhmann, 1979:88). Without trust then even though the transaction may have been conducted in the co-presence of those parties to an agreement, the fulfillment of the transaction is impossible if it is to be later carried out in the non-copresence of those making the agreement. In the absence of surveillance, trust is necessary. Without abstract trust, if we draw an example from commerce, only a barter system of exchange is possible - money involves trust in what the money represents, that is, that the value of the money will be honoured. Without entering the complex arena of the history of banking, to trust in money is to trust an economic system and to trust that the performances that give that system its particular structure will be conducted in an agreed manner and with sufficient success for trust to hold solid. Figuratively, the absence of trust in the value of a currency, its exchange value, leads to systems failure in the sense of non-agreement over the representational value of money, and is manifested in the most immediate physical form by the closure of banks. It is right in such a case to talk of a systems failure brought about by a lack of systems trust. For Max Weber, then a pre-condition for the transformation from feudalism to capitalism was the transition from personal trust to impersonal or abstract trust (Weber, 1968).

Trust can be considered at both the micro and macro level. In her discussion of trust at the micro level Misztal explains the formation of trust by concentrating on the 'trusting personality'. That is, of how child rearing practices and support within the primary institution of the family create feelings of self-worth that promote a readiness to risk attachments to others. (Misztal, 1996: 160) At the macro level, she explains the formation of trust by focussing on how systems themselves promote the confidence to trust - of how trust is formed, sustained and distributed among and between whole populations. The central thesis

here, drawing on Banfield's work (1958) and others, is that in the absence of general structural performance of the state or political administrations such as local government and so on, then there is a low development of abstract trust and a high dependence for the protection of well-being on a more personalised or localised trust. The poor economic performance historically of Southern Italy, along with some other Mediterranean regions, is accounted for in terms of a lack of development of abstract trust as a consequence of poor state performance in the protection of well-being. This lack of abstract trust is claimed to manifest itself in a lack of civic involvement - collective expression of interests - in Southern Italy, and for the genesis of the Mafia as a localised response to the absence of wider protection of interests. (Gambetta, 1993) The lack of development of outward trust (abstract trust) produces an over-reliance on personal trust to be found in kinship association represented by families. The economic management of risk, although primitive and often brutish in application given the intense loyalty forged by personal trust, limits the development of complex organisations so essentially characteristic of modern economies. It is this type of analysis of trust that has been used to accurate effect in predicting the emergence of a 'Mafia' in the former Soviet Union following the collapse of State 'protection'. (Miszta, 1996:195) It is not, in other words, the existence of a Soviet Mafia that threatens Russia's economic performance, at both a political and commercial level, but that the poor performance of the State collapses trust to a local level that then gives rise to other forms of 'protection'. One can see how difficult it is, in the absence of abstract trust, to modernize such economies. One cannot simply impose the type of commercial exchange characteristic of Western economies on the former Soviet Union to create a modern capitalist economy, and in addition Western companies wishing to penetrate such markets have to face the difficulties arising out of the low level of abstract trust.

THE ROLE OF TRUST IN THE DEVELOPMENT OF CAPITALISM

For modern capitalism to develop then, as referenced by Weber, trust was essential. To collapse a very complicated story, it was not just an elective affinity between a burgeoning form of enterprise and the spiritual values of Calvinism that saw the emergence of capitalism in Northern Europe, but trust in the type of people who represented Calvinism that afforded confidence (Weber, 1958).

Whether from a functionalist or conflict perspective of social analysis, the history of capital formation has not been smooth. Systems maintenance, however, does not mean perfect functioning, but for survival a system must function over time at a level sufficient to maintain trust that expectations of performance underwritten by the systems will not be disappointed. Trust, as stated, is based on empirical examination of known facts, but the real function of trust is to fill in for the gaps in our knowledge to lend confidence in the decision made and thus assist in the management of risk. Consequently, all systems need periodic trust input to provide continued confidence for decision making. A key element in establishing and maintaining systems trust is that others also trust.

TRUSTING IN TRUST

Systems trust, or abstract trust, is trust that includes reflexivity and a conscious approach to arrangements. (Luhmann, 1979:66-9) By reflexivity, something that Giddens (1992) considers is a key characteristic of postmodern societies, or, as he more accurately prefers to refer to,

heightened modernity, we mean the constant monitoring by the individual of self-performance. The actor acts then reads the consequences of that act which is then fed back into a reflective understanding of what is going on, which is then internalised and influences further acts on the part of the individual. The process is one of constant re-appraisal of self performance and the performance of others: the world is constantly being shaped and reshaped by the unfolding acts of self-aware individuals. Both the individual and the system benefits by the ability of trust to limit uncertainty as a product of social complexity to assist the need to feel that everything is 'in order', this increases our 'trust in trust' (Luhmann, 1979:69) At a mundane practical level what this means is that although the mechanics by which trust in abstract systems is formulated is by way of a social construction, it nevertheless forms 'a durable basis for the continuation of contracts as long as everyone observes the rules of the game and works together, in trust, to maintain the representation'. (Luhmann, 1979:67)

Without going back over old ground what we can say is that without the existence of abstract trust only very simple forms of association are possible, and it is thus in the interests of those living in complex societies and within complex sets of social arrangements to ensure that trust is maintained - that we trust in trust.

RISK AND TRUST IN MODERN SOCIETY

If trust is a mark of modernity, then risk is also a modern phenomenon (Beck, 1992). Although traditional societies may have been marked by danger, they were not risk societies. Communities ordered by time honoured ways of behaving, the cementing of the whole by norms, values and shared beliefs so that the world looks organic, provided a certainty within traditional societies absent today. The inscribed rights and duties, and knowing the 'other', de-centered the role of trust in pre-modern societies. Risk accompanies uncertainty, and uncertainty is a dominant part of modern society. The dynamic released by capital accumulation opened a world where change is structured into the very system of existence creating a pressure for the individual to constantly keep 'on top of the moment' - movement does not proceed along lines of time honoured patterns of exchange. The complexity of modern society, the speed with which things happen, the inability to have complete information about the situation within which decisions must be made, the influence of events on our operations, not just out of sight but in distant places, makes modern society a risk society (Beck, 1992). A central function of trust is therefore the management of risk. Indeed, in a world without trust risk is unmanageable and would mean collapse at the individual level of psychological maintenance, and collapse at the societal level of interaction.

THE MANAGEMENT OF COMPLEXITY

Luhmann considers that the modern world presents itself to us as one of 'unmanageable complexity' because of the 'increasing diversification and particularisation of familiarities' (Luhmann, 1988:105). This increase in complexity requires a risk taking rationality, which by extension requires trust. For Luhmann, despite the varieties historically, trust always performs the same function: 'it reduces complexity by going beyond available information and generalising expectations of behavior in that it replaces missing information with an internally guaranteed security' (Luhmann, 1979:93). In other words, trust 'fills in' for the gaps in our knowledge, and in doing this allows the processing and handling of information that we cannot possibly test against first hand knowledge. It operates as low level induction (Misztal, 1996: 141) in making sense of the world to provide the basis of confidence

by which to make decisions and act. Trust serves a double function: it reduces complexity, and thus allows for increased complexity of social organisation and arrangement. It does this, in part, by increasing the tolerance to uncertainty.

Trust does not obviate risk totally, but in judging the totality of the situation, and the alternative courses of action on offer, it assists in selecting an option considered to have the highest probability of limiting disappointment. Thus, as stated, trust is a rational decision making process, but, because we are never in possession of the full facts of any situation we have to trust. To always wait, even if presumed possible, for full information, would lead to inaction - one would never do anything. This is as true of both close personal relations when committing to another, as it would be in deciding whether or not to invest in some bond or share. Trust, as discussed here, can never be based on ignorance. Trust is based on some knowledge of that which is to be trusted and a choice is made, not on full knowledge, but on limited knowledge.

BRANDS AS TRUST

If we now take Luhmann’s conceptualisation of the main function of trust and apply it to the world of marketing, one can see how brands function, and by considering how they function, what they do. If trust functions to make information manageable and to give confidence over action in the absence of full knowledge, then brands function in the same way as trust. Brands, in other words, simplifying decision making by acting as ‘summarised knowledge’. Viewed this way a brand reduces the need of the consumer to undertake the time consuming activity of ‘researching’ products. The brand, especially in one-off purchases of expensive or technical items, ‘stands in’ for missing knowledge. In doing so the brand reduces risk, or more precisely, assists in the management of risk. In a sense, one trusts the brand to perform rather than trusting in ones own competence to judge the promise of performance. Trusting in a brand gives the confidence to act through reducing anxiety and by limiting the possibility of disappointment. It also, in the same way as trust, economises performance through simplifying decision making - the brand cuts down on the information load through narrowing the range of alternatives; thus, in a sense, the brand truncates the decision making process by making the decision for us. Table 1 shows that 61% of the futura.com panel trust in brands.

Table 1 - Percentage of futura.com panel agreeing/disagreeing with the statement: 'You can trust long established brands'

Agree	No view either way	Disagree
61%	26%	11%

Source: January 1997, futura.com study, Institute of Communications Studies, Leeds University.
 Unweighted Base: All respondents = 7207.
 Note: 'not stated' responses not included.

As we have discussed, modern society is complex and, at least in terms of commerce, is characterised by extensive choice and constant change. The modern day consumer can not avoid having to make a choice when purchasing a product or service. Results from our study show that consumers do find shopping a less than easy process: as shown in Table 2, 44% of our panel have difficulty choosing from the range of products on offer. Furthermore, as shown in Table 3, half of the panel would like to reduce the amount of time they spend shopping. Thus, one can see how brands functioning as trust shorten what in effect would otherwise be longer time spent shopping, and therefore fulfil an important condition of consumer desire.

Table 2 - Percentage of futura.com panel agreeing/disagreeing with the statement: 'There are so many new products that I find it difficult to choose which to buy'

Agree	No view either way	Disagree
44%	29%	26%

Source: January 1997, futura.com study, Institute of Communications Studies, Leeds University.
 Unweighted Base: All respondents = 7207.
 Note: 'not stated' responses not included.

Table 4 illustrates how habit can be formed through identification with brands. For example, the entry into the market of so many new products rather than create confusion caused by information overload, is resolved by reliance on existing brands to manage uncertainty - brands functioning as trust. Thus from Table 4 we can see the basis of the formation of habit, the most robust form of trust.

Table 3 - Percentage of futura.com panel agreeing/disagreeing with the statement: 'I'd prefer to spend less time shopping'

Agree	No view either way	Disagree
50%	31%	17%

Source: January 1997, futura.com study, Institute of Communications Studies, Leeds University.
 Unweighted Base: All respondents = 7207.
 Note: 'not stated' responses not included.

HABIT AS TRUST

When consumers trust in brands and use brands to simplify the decision making process on a repeat basis then the trust they place into that brand is transformed into habit. Habit is routinised behaviour. At the most fundamental level habits assist in the furnishing of security through knowledge that what has happened before will happen again, and thus help to cement the certainty of existence - ontological security. Habit, also however, when applied to purchasing, functions in the manner of trust through facilitating the management of choice. Habit, as Young (1988: 85) states, 'is a memory unconsciously edited for action'. By simplifying social complexity through the dependence on familiar practices habit offers itself as the most effective manager of risk by removing conscious awareness of uncertainty. Habit is trust working at its most effective. Table 4 demonstrates how purchasing well known brands is a habit of 63% of the futura.com panel.

Table 4 - Percentage of futura.com panel agreeing/disagreeing with the statement 'With so many new products around, I tend to go for brands I know'.

Agree	No view either way	Disagree
64%	21%	13%

Source: January 1997, futura.com study, Institute of Communications Studies, Leeds University.
 Unweighted Base: All respondents = 7207.
 Note: 'not stated' responses not included.

Francis Fukuyama (1999) provides a concrete historical example of how branding was used as a deliberate commercial strategy as early as the end of the nineteenth century in America to overcome the problem of distrust created by the non-personal nature of distribution channels. According to Fukuyama, manufacturers with recognised and trusted brand names set course on a policy of buying the numerous independent distribution companies that marketed their products to create a branded distribution network of their own. What we witness is manufacturers manufacturing of trust by extending the penetration of a brand to give increased control in the management of assurance. This branding, according to Fukuyama "conveyed assurance of quality and established trust between buyers and sellers who had no other means of communicating with each other". Trusting in a particular brand is, by extension, systems trust since, in effect, one is really trusting in an abstract system to produce the expected end result.

TRUST IN THE ON-LINE ENVIRONMENT.

As we have discussed, modernity, configured on communications, has enforced the development of abstract trust. Ateologically, then in terms of commerce abstract trust presents itself as a cementing attribute with developments in both transport and communications allowing goods to be sold in markets where buyer and seller were distanced by time and space. Giddens, in discussing modernity, refers to this distanciation and the phenomena, especially with increases in communicative possibility, to the disembedding of the individual from local contexts to be recombined across indefinite time/space distances. (Giddens, 1991) This raises abstract trust to centre place in the functioning of modernity.

The increase in communicative possibilities in the twenty-first century - specifically the internet - increases the need even further for widespread abstract trust. This requirement results not simply from the increase in interaction with unknown others at a distance, but from the sheer immediacy of such interactions allowed for by the swiftness in exchange as a consequence of developments in communications.

Although in a sense the internet offers nothing new in terms of its basic communicative properties to that of the telegraph, telephone, fax, or even the post, new elements enter in for the establishing of trust in that the grammar of communications has altered. One of the new aspects about the internet is that establishing trust in it entails a different set of semiotics to that witnessed in the past, or perhaps more accurately, requires new literary skills in managing risk through the formation of trust. Indeed, as we will discuss later, a new set of interpretative skills are required to fully understand the virtual environment of the internet.

The internet quintessentially captures modernity in its extension of communicative possibilities, but it nevertheless offers itself as a challenge to modernity by presenting particular problems for the establishment of abstract trust. In the absence of the development of systems or abstract trust in the internet, then the future faced is one of increased social complexity. Without the development of abstract trust then the sheer amount of information offered by the internet presents a problem in the management of risk, the individual is overwhelmed by unmanageable information.

FACTORS IN THE ESTABLISHMENT OF TRUST

Before discussing the barriers to establishing trust in the internet as a system it is essential to consider the key elements in the process of establishing trust. Trust, as stated, is not and cannot be based on ignorance, but neither is it based on complete knowledge. If the latter was the case, then one would have no need for trust. Schematically we can identify various components of the trust building process:

Reputation

The reputation of an individual or company assists in reducing the complexity of the social world by providing a summary statement of the likelihood to disappoint our expectations in advance of actual contact with a company or person. Reputation is, in this sense, to use a term from Bourdieu (1984), cultural capital. Reputation confers on the holder a willingness by others to trust them as an individual or an organisation in the absence of actual knowledge concerning their capacity not to disappoint expectations. Hence, reputation is often jealously guarded and protected by formal rules of performance such as the codes of conduct established by professional bodies. The presence of reputation functions as trust by standing in for information that could only be collected once a contract has been made, and performance tested against agreed promises. In this sense a brand is reputation. However, reputation has a certain fragility to it in that people know that it can be manufactured through presentations that do not reflect true ability. Indeed, the often manufactured nature of reputations is one of the reasons for the public distrust of 'spin doctors', and also of advertising.

Familiarity/Closeness

Giddens (1992) points out that although modernity is characterised by abstract trust, such trust fails to give emotional comfort, and hence personal or close trust still plays an important role in the decision making. In interacting with a system, which requires abstract or systems trust, what we actually interact with at the interface of the system is often a human representative of the system, and judgement is made about his or her competence. Thus, the management of risk through the establishment of trust is often personal. This is recognised by organisations in terms of recruitment of types of personnel, in training given, and in the development of instruments for the surveillance of its personnel. This aspect of personal exchange creates a feeling of knowing the other that assists the humanizing of abstract systems which is absent in transactions on the internet where interaction with the system never involves interaction with a person.

When it comes to predicting the behaviour of others, Hardin (1993) states that we tend to be better at doing so when the 'other' is similar to ourselves, and thus the stranger, for this very reason, is given little opportunity to demonstrate their trustworthiness. We are therefore reluctant to even test for trustworthiness if someone is 'strange' or dissimilar to ourselves'

(Hardin, 1993: 512). This observation of not trusting strangers can easily be carried over to 'strange' forms of communicative transactions, namely, exchange through the internet.

Performance

As discussed earlier, trust is based on empirical engagement with the world. The actual cementing of trust in its most solid form comes from performance over time to the point where performance becomes habit. Habit is the most reassuring and robust form of trust in that performance is so expected that it ceases to be inspected.

Accountability

In the management of risk by trust it ought to be noted that trust can be considerably increased when an individual's right to expect a claimed level of performance is underwritten by the possibility of appeal to a third party to ensure enforcement of performance or offer redress in the event of non-performance - for example, professional bodies, trade associations, crediting agencies and consumer laws. Default in performance can be insured against, which, along with litigiousness appeal to compensation or enforcement of performance, provides a protective canopy for the continuation and durability of trust. We might refer to these as 'trusted third parties' who, by the maintenance of standards of performance through the formalising of reputation ensure that consumers have the confidence to trust. This confidence in reputation is especially important in the absence of specialised knowledge which would make one capable of judging adequate performance, one can think here of medicine as a prime example. Indeed, one of the features of modernity, as part of its complexity, is the rise of specialised knowledge that makes the mechanical working of the world opaque, and hence one has to trust in the division of understanding.

CHARACTERISTICS OF THE WIRED WORLD

Having laid out what trust is, how it functions, and to some degree how it is established, what we now wish to consider is the place of trust in an online environment. Although we have argued that the internet in many ways is no different from preceding communicative modes, and should not therefore offer a variant case in the operation of trust, there are nevertheless elements to the internet that require special attention. Our position is that the internet creates peculiarities if not problems for the establishment of trust.

Lack of accountability

With the laying of the transatlantic cable by the USS Niagara and the HMS Agamemnon successfully completed in 1858, we can rightfully talk about a 'wired world', but, unlike the wired world of the internet, the cabled world was a controlled world. The internet presents itself as a vast global resource, and is, for all intents and purposes, unregulated. It is reasonable to assume, therefore, that dealings via the internet in terms of individual agreement of exchange for services and goods, as well as in terms of the system in general, present special difficulties in the establishing of trust. To be successful e-commerce demands the free disclosure of personal information such as bank and credit card details. However, as our study shows (see Table 5), the public are, as yet, far from persuaded that the idea of giving such information via the internet is wise. This sentiment is presumably based on the grounds that the information given will not be protected from misuse.

Table 5 - Percentage of futura.com panel agreeing with the statement: 'I wouldn't give my credit card/bank details on the internet/WWW'.

	Users of Internet/WWW	Non-users of Internet/WWW
1998	66% (Unweighted base: 368)	N/a
1999	53% (Unweighted base: 430)	69% (Unweighted base: 1583)

Source: August 1998 and August 1999, futura.com study, Institute of Communications Studies, Leeds University.

Our study is not alone in this finding. For instance, a survey by a Washington DC based company revealed that 64% of internet users are 'very concerned' about the security of their credit card information and transactions online (SWR Worldwide, 2000). Indeed, consumers concerns would appear reasonable based on the findings of research by PricewaterhouseCoopers that up to "half of the annual total fraud in the U.S" is attributed to e-commerce (McIntosh, 1999). Individuals apart, confidence in the security of online transactions amongst the business world is equally lacking. In 1998 the Department of Trade and Industry found that 69% of British companies were hesitant to conduct business over the internet because they felt it was not secure (BBC Online Network, 1998).

It would seem, looking at Table 5, that familiarity with the internet provides confidence in it as a system. By familiarity we mean in terms of non users awareness of the system, and for users practical familiarity. Even so, the suspicion towards providing such sensitive information is still very high amongst internet users, who are the very group expected to drive the growth and success of e-commerce. Having said that, the increase in trust over a one year period, based on our respondents is strong.

The situation of mistrust is not helped by the current confusion surrounding what recompense consumers might seek should agreements failed to be honoured, or if services provided do not match expectations. Products and services bought in the UK are clearly covered by UK consumer protection laws, in particular the Consumer Credit Act of 1974². Under the Act consumers are covered up to the value of £30,000 if goods bought from UK companies online are faulty or fail to be delivered. However, when goods are purchased from a company on the internet outside the UK the grounds for recompense become less certain. Both the Department of Trade and Industry and the Office of Fair Trading consider that transactions made with companies abroad are covered by the Act; however, a spokeswoman from Visa International casts doubt on the remit of the Act. Commenting in November 1999 she said "the Government has just ruled that section 75 of the Consumer Credit Act could apply to purchases abroad, but it is down to each bank to base decisions on each individual case". She continued by saying that Visa International's advice to customers is that "the law in each country stands" (Sunday Telegraph, 28 November 1999). In other words, redress has to be sought in the courts of the country where a breach in trust occurs. For the ordinary consumer enacting litigation in their own country can be a minefield of confusion, worry and expense, never mind entering the uncertain legal waters of another country. At best one can say that what recourse the individual has remains, and will remain unclear in the immediate future since to date no case

² Consumer protection laws are:- the Sale of Goods Act 1979; the Supply of Goods and Services Act 1982; the Consumer Credit Act 1974; the Trade Descriptions Act 1968; the Unfair Contract Terms Act 1977 and the 1994 Regulations; and the Consumer Protection Act 1987.

has been brought under United Kingdom law. No rulings exist that might form a precedent. This means that ‘third party trust’ is weak.

Lack of Performance & Familiarity

This perceived absence in certainty of performance of the internet should not be underestimated in considering the future growth of e-commerce. Table 6 for example shows that, if trust was in place, the expansive possibilities for e-commerce are large. If people's statements can be taken as an accurate reflection of likely future behaviour, then there is a reserve of consumers waiting to be tapped. However, even if systems trust in the internet can be established and maintained, the growth of e-commerce is further dependent on it offering substantial benefits to the consumer over and above those currently existing in traditional communicative exchange.

Table 6 - Percentage of futura.com panel agreeing with the statement: ‘I would be more inclined to buy things on the Internet/WWW if I was sure my money was safe’.

	Users of Internet/WWW	Non-users of Internet/WWW
1997	39% (Unweighted base: 234)	N/a
1998	70% (Unweighted base: 368)	N/a
1999	73% (Unweighted base: 430)	41% (Unweighted base: 1583)

Source: November 1997, August 1998 and August 1999, futura.com study, Institute of Communications Studies, Leeds University.

What is not understood, is rarely appreciated, and the internet for many is not understood, indeed, it is not yet a widespread form of communication. We can see from Table 7 below that usage amongst our panel members rose from a low of 3% in summer 1996 incrementally to a high of 19% in summer 1999. Although this use may appear progressively strong, it still remains the case that in mid-1999 less than 20% of our population use the internet/WWW.

Table 7: Percentage of adults using the internet/WWW

June 1996	January 1997	November 1997	August 1998	August 1999
3%	3.7%	5.3%	9.6%	18.8%
Unweighted base: 5750	Unweighted base: 7207	Unweighted base: 3630	Unweighted base: 3185	Unweighted base: 2013

Source: futura.com - all waves, Institute of Communications Studies, Leeds University.

Furthermore, it is also worth noting that Fletcher Research's UK Internet monitor has shown that of those who use the internet, less than one third have actually purchased a product or service on-line (Fletcher Research, 1999). These patterns are common across Europe with only 18% of European homes having internet access, and less than 10% of homes ever having bought anything online (Forrester Research, 2000).

In time the internet may come to occupy the universal position often ascribed by futurologists. However, what ought not to be overlooked, is that the internet is in competition with other tried and trusted forms of exchange that offer similar services to that afforded by it. Indeed,

we can talk of the internet as we can of any other product in the sense of having to 'break into a market', in this case the communicative market. Trust, as we have stressed throughout stands in for missing knowledge. Thus, the problem the internet faces, due to unfamiliarity, is that there may well be too much missing knowledge for trust to function as a bridge to action. By extension, lack of use restricts the accumulation of knowledge to then allow the formation of firm empirical judgement of performance, and, as stated, trust, in part, is based on, whilst not full knowledge, a degree of knowledge by which to calculate, among the choices on offer, the course of action which has the least likelihood of disappointing expectations.

The sheer volume of information presented by the internet increases complexity by 'overload' and thus trust is required to perform its basic function of reducing complexity. The problem arises, however, in determining the nature of the information provided. This requires the previously mentioned new set of skills by which to negotiate the internet in a manner that can lead to confident judgement. For example, 'internet literacy' would include the ability to assess the security measures in place on a site, or whether it is 'safe' to disclose personal information such as credit card details. To those who do not possess this literacy then the advice given by 'Which?' on how to assess the safeness of credit card use on a particular site is likely to be beyond their competence. To the uninitiated, the following guidelines would not be transparent: "you are safe to use your credit cards over the net given two provisos: the first being that you're connected to a secure site, with the closed padlock or https showing and, secondly, if you're using a site based in the UK so that, for example, the Sale of Goods Act and the Consumer Credit Act come into play." (McIntosh, 1999).

Lack of Closeness

The difficulty that e-communications faces as a saleable commodity - a space of exchange - is that the usual cues in establishing trust are not so readily available as with other modes of exchange. Always accepting that cues are learnt and therefore cues specific to e-exchange might develop over time, the establishment of trust favours existing knowledge. Without becoming locked into a philosophical discussion about the nature of reality, it is sufficient for our purposes to state that what is real is what is taken to be real, and what we take to be real is learnt over time through the communal acceptance of signs as faithful or true representations of what we consider the real to be. The mathematical workings of Penrose, the holder of the Ralph Bell Chair of Mathematics at Oxford, may be real to Hawkings, the occupier of the Lucasian Chair of Mathematics, but to the untutored unable to read the signs, and that is mostly everyone, the workings say nothing of any intelligibility whatsoever. Traditionally, schooled in the reading of everyday signs, the letterhead of a company for most people contains information - codes - that allow judgement to be made about reliability of the company or the person offering to trade. Or the 'talk' that might ensue via correspondence with a trader, or conversation by phone, can easily be 'read' for cues that might promote trust. Such traditional sites of exchange (often a human representative) and the 'reading' skills developed in the course of those exchanges cannot necessarily be carried over to function with the same degree of confidence when applied to internet sites.

We point to the above only as difficulties and not insurmountable problems. There are various third parties set up to endorse the legitimacy of sites in terms of the providing of confidence that privacy will be protected and that credit card transactions will be safe. For example, the non-profit organisation 'Trust-E' believes that 'an environment of mutual trust and openness will help make and keep the internet free, comfortable, and a richly diverse community for

everyone' (Trust-E, 2000). All sites that display the 'Trust-E' symbol must disclose their policy on the collection of personal information and do so in a simple and clear manner. Consequently, any site bearing their symbol must therefore disclose the following: what personal information they are gathering, how it will be used, who it will be shared with, the safeguards in place to protect the information from misuse or alteration and how inaccuracies can be updated. These principles are approved by the U.S. Department of Commerce, the Federal Trade Commission and other prominent industry represented organisations. It might be thought that such assurances are the basic minimum of information a consumer has the right to expect, but the fact is that such practices are not common. For example, one Australian study conducted earlier this year showed that despite 80% of companies claiming to follow a privacy protection code, only 12% of the sites surveyed had a privacy statement published on line (Freehill, Hollingdale & Page, 2000).

A further example of this third party endorsement, is provided by the well known and respected UK consumer association 'Which?'. The 'Which? Web Trader' code of practice dictates that web traders displaying their logo must follow guidelines on pricing, delivery and refund policies (should be clear, no hidden extras etc), ensure that advertising and promotions meet the Advertising Standards Authority code, meet all obligations under UK consumer laws, and adhere to the conditions of the Data Protection Act 1998. The 'Which?' stamp is more than an attempt to guarantee that the site visited is trustworthy, it also guarantees that should a credit card be misused following a visit to an accredited site, the first £50 of the bill will be reimbursed by them - the consumer's credit card company is then legally liable for any remaining sum. Furthermore, 'Which? Web Trader' carries out regular random checks to ensure that sites keep to the agreed code of practice over time.

Whilst 'policing', such as the above, will undoubtedly assist in the development of e-trust by limiting uncertainty through the regulating of reputation, regulation in a strong sense has and will prove extremely difficult. Yet, to emphasise regulation as a mechanism in the building of trust, is to overlook the central features of trust as documented in our paper. We would not deny that the formal regulating of performance can play a part in assisting the confidence to act, but, as with all social control, it is the internalising of values and norms of what is appropriate behaviour that assures systems continuation. The entry of law to ensure performance through punishment is, in some respects, systems failure. From a Durkheimian perspective the function of punishment is not necessarily to act as a punishment of the individual miscreant in the hope of instilling a lesson for future behaviour - punishment as reform - but to act as a promoter of social solidarity through boundary demarcation of standards of expected performance. Regulation therefore is not the key, in many ways, to the acceptance of a system. A system continues through belief in it, punishment occurring as a collective expression of those beliefs - punishment itself being part of the belief system.

Having reminded ourselves of this fact then in discussing the performance of the internet as a form of exchange, one should be extremely careful in demanding assurances of performance through formal mechanisms of protection. Even so, the fact that the internet is not regulated gives rise to pessimism about the possibility of e-commerce developing to the extent that non-e-commerce has. The argument here is that without regulation it is seen as too risky for trust to develop to a point where risk is made manageable. However, it ought to be remembered that capitalism itself was never regulated in any strict meaningful sense. What ensures systems continuation is belief in the effectiveness of the system to provide. Clearly, structural supports can be erected to support the performance of a system, and to restrict detrimental aspects that

might flow from a totally unregulated system. The Factory Acts of the nineteenth century in England would be examples of this, but in the final analysis one cannot regulate for support of a system, that comes from its internal performance generating, in our terms, trust.

Brands As Reputation

It has been mentioned that what a brand does is simplify the decision making process by offering itself as a summary statement of performance. Although one might say that one trusts a brand, what, in effect, the brand is in terms of social process is trust in practice. One does not simply trust a particular brand in terms of a specific product, but trust that which it represents without understanding the mechanics of its production. This trust functions in much the same way that one trusts not just a particular monetary denomination, but trusts the currency itself without having knowledge of the mechanics upon which the currency is a statement of. Thus, brands that have established themselves in the market of traditional exchange are to be trusted in the market of cyber exchange, and indeed, those with a pre-existing and established reputation will have advantage over those attempting to create a reputation by virtue of internet presence alone.

Table 8 for example shows the importance of established reputation on willingness to trust in buying goods or services on the internet very clearly. Assurances (trust) created in the real world are carried over to the virtual world. Furthermore, the figures in Table 9 show that in terms of trusting information, accepted suppliers of information - those with a reputation which precedes them - are more likely to be trusted than an unaccredited source. With regard to information this finding is particularly important in that one of the key characteristics of the net compared to previous communicative sources is that a vast amount of information is provided by totally unaccredited sources. For example, at least a 'traditional' encyclopaedia has the authority behind it of the publishing source (most usually a known and respected publishing house), who, in compiling the work has in turn relied on established authoritative sources such as leading universities, which in turn have been accredited by the academic community and invariably the state itself.

Table 8 - Percentage of futura.com panel agreeing with the statement with reference to online shopping: 'I will/would only buy from companies I have heard of'

	Users of Internet/WWW	Non-users of Internet/WWW
1997	55% (Unweighted base: 234)	N/a
1998	60% (Unweighted base: 368)	N/a
1999	61% (Unweighted base: 430)	57% (Unweighted base: 1583)

Source: November 1997, August 1998 and August 1999, futura.com study, Institute of Communications Studies, Leeds University.

Table 9 - Percentage of futura.com agreeing with the statement with reference to the internet: 'I will/would only trust information from a source I have heard of'

	Users of Internet/WWW	Non-users of Internet/WWW

1998	52% (Unweighted base: 368)	N/a
1999	59% (Unweighted base: 430)	59% (Unweighted base: 1583)

Source: August 1998 and August 1999, futura.com study, Institute of Communications Studies, Leeds University.

Existence confers an invitation to trust. And a long existence gives strength to the presumption that one should trust. Indeed, the statements of a company's longevity on products or advertisements for services such as 'Established since 1868' act as presumptive of trust on the grounds that others have trusted with a regularity over time to the extent that the company is still in existence. The corollary of this of course is that the new entrant is at a disadvantage to the established organisation, especially if the same product or service is offered. For analytical purposes one might separate e-commerce from traditional commerce, but to do so gives non-synthetic understanding. What is true of traditional commerce is true of e-commerce: long existence on the internet will confer a presumption of trust. So, for example, 'Amazon.com', through failure to disappoint over time is now an established internet brand which performs all the functions we have discussed of trust.

As stated, e-commerce should not be seen as a hermetically sealed operation. Amazon established itself not simply by performing well in terms of deliverables, but by creating a reputation by courting and attracting favourable publicity in the traditional media. Also, new unheard of brands have established trust by associating themselves with existing well known brands which already hold a status of trust in either the world of traditional commerce, or e-commerce, or both. For example, 'Streets Online' (a online shopping site) displays the well known and trusted symbols of Visa & Mastercard, and also states that its 'partners' which include well known internet 'names' such as 'freeserve', 'Egg' 'Which?' etc, trust them. Such strategies assist in the creation of trust through creating the sense of the familiar. We can also see a process of brand endorsement at work in the creation of trust. The success of the internet bank 'Egg' - a division of 'The Prudential' launched to present itself as modern by distinct and separate branding from Prudential - borrowed the 'trust capital' of its parent company by clearly indicating in the media that 'Egg' was in fact funded by 'The Prudential'.

CONCLUSION

From the above it might be reasoned that we consider that the conditions for trust to develop at a general level in e-commerce are absent. This is not so. However, what we are saying is that as a medium of exchange the internet presents new challenges to the formation of trust. Central to our thinking is the theory that, without establishing trust, the risks presented by any exchange, be it commercial, emotional or otherwise, are unmanageable. And, most importantly in considering the future of e-commerce, what is not manageable is most usually avoided, especially when other options, not involving the same level of risk, exist. Those systems that are already trusted and offer psychological security in the management of risk will be engaged in preference to those that do not. Those systems that do not offer such security are at a competitive disadvantage to those systems that do. In this sense trust can be seen as a valuable commodity in its own right.

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