Why culture matters for the formation of consumer trust? A conceptual study of barriers for realizing real global exchange in Hong Kong

Bessie Chong

( received January 2003; accepted March 2003 )

The initial expectation that e-commerce technology would enable people to transact globally has not yet been fully realized. Lack of trust is one of the most frequently cited reasons for consumers not transacting online. Previous researches have addressed how culture affects the antecedents of consumer trust in e-commerce, but they do not take account of its impacts on interaction, communication, information processing and feedback system that substantially affect the expectation, reliability and trustworthiness of information on products and sellers which are exceptionally critical for bidders who base on those information to make decision. The purpose of this paper is to build up a conceptual framework for investigating the influences of culture on the formation of consumer trust, and the cultural impacts on the interaction between bidders and listers and the expectation on the role of intermediary in trust building process, which will eventually sway the purchase intention.

Keywords: Consumer Trust; Online Auction; Culture; Online Purchase Intention; E-Commerce

1. Introduction

Use of Internet in facilitating commerce should enhance the process of globalization on trade. But conducting business across international boundaries requires interaction with people who are nurtured in different cultural environments [31]. An experiential survey of US-based online surfers done by Jarvenpaa & Todd [29] found that shoppers were fascinated by international shopping opportunities on the web, but they were skeptical about actual purchasing from overseas sites. Apparently, the researcher also notices that in the global auction sites, some sellers prefer to limit their bids to certain geographical regions instead of opening to international bidders; and the local bidders in Hong Kong prefer to transact physically with the sellers or through the human agents in the service centers. These kinds of practices violate the virtue of the Internet that brings sellers and buyers from all over

1Department of Economics and Finance, Faculty of Business, City University of Hong Kong, Tat Chee Ave., Kowloon, Hong Kong; Fax: +852-2358-9935; e-mail: fbbchong@cityu.edu.hk

1In Hong Kong, 60% of winning bidders in red-dots, the largest local auction site in Hong Kong, use its customer service centers for transaction (Source from the interview by the researcher with red-dots).
the world to transact globally.

This phenomenon reveals the concern on perceived risk involved in online auction caused by bewildering mass of information transmissions and virtual communications in which players from different countries have different interpretations on the content and style, trade practices and regulations. Information asymmetry and non-simultaneous exchange\textsuperscript{2} between buyers and sellers in C2C online auction create credibility and expectation gap. Further, to some cultures, trust is particularly hard to be built between buyers and sellers under online auction mechanism. As different markets and cultures will cause to the difference in trust perceptions and determinants [30, 37, 46], the trust system built-in pure-plays “hands-off” model of eBay\textsuperscript{3} might not work well in Hong Kong’s culture.

2. Conceptual Framework

This paper attempts to propose a conceptual model to investigate the influence of cultural factors on the formation of the trust attributes and the trust building constructs (Information and Enforcement Mechanism) via its influence on information presentation, exchange and processing, feedback system, communication, interaction of players and role of intermediary, which will interpose the purchase intention in online auction. This study will examine the impacts of national culture characteristics on the negative and positive trustworthiness attributes on trust in seller in the online auction context. The conceptual model is depicted in Figure 1.

Elaborating from the model, the researcher tries to detect the barriers erected in implementing the global exchange in Hong Kong.

The key research questions are:

- How culture affects the interrelationship between trust, information, enforcement mechanism and purchase intention;
- Is there an asymmetrical impact of trust and distrust on information, enforcement mechanism and online purchase intention in the way that the absolute magnitude of the influence of negative and positive attributes of trust on the mediating factors would be different across cultural groups; and

\textsuperscript{2} Bidders are required to pay first. When the listers receive the payment, they will release the items. There are only a few cases that the listers are willing to send the items simultaneously without getting paid first [16].

\textsuperscript{3} eBay, the largest world's online marketplace, established in US in 1995. On any given day, there are more than 12 million items listed on eBay across 18,000 categories. In 2002, eBay members reached 62 million and transacted $14.87 billion in annualized gross merchandise sales.
• What is the expectation on the role of intermediary from different cultural groups in facilitating online auction transactions

**Influences of Culture**
- Language Encoding and Decoding System
- Value System and Social Norms
- National Culture Characteristics
  - Individualism / Collectivism
  - High / Low Uncertainty
  - Long / Short-term Orientation
  - Masculinity / Femininity
  - Universalism / Particularism

**Information**
- Information Sharing & Exchange and Communication between Players
- Information Processing and Mutual Understanding
- Information Presentation
- Feedback System

**Enforcement Mechanism**
- Propensity to Trust
- Attitude, Perception and Preference on Risk
- Legal Bonds
- Role of Intermediary

**Control Variables**
- (Personality, Age, Income, Education & Sub-culture)

**Customer Trust in Seller**
- (Perceived Integrity, Benevolence & Competence of Seller)

**Online Purchase Intention**

Figure 1 Conceptual Framework of the Influences of Culture on Formation of Consumer Trust and Trust Building Constructs in Online Auction

### 3. Role of Trust in Online Auction Mechanism

Individuals only engage in transactions if their level of trust exceeds their personal threshold [51]. There are different interpretations on the notion of trust; and here the researcher, followed Lee and Turban [37], adopts the
perspectives of social psychologist that trust is characterized in terms of the expectation and willingness of the trusting party engaging in a transaction, the risks associated with and acting on such expectations, and the contextual factors that serve to either enhance or inhibit the development and maintenance of that trust. Consumer trust in seller is a belief of expectation that the word or promise by the seller can be relied upon and the seller will not take advantage of the consumer’s vulnerability [19].

There are different determinants in forming consumer trust and basically they can be classified into two major sources of attributes: 1) Internal Factors, such as perception on seller’s ability, creditability, integrity, similarity, honesty, likability, reliability, commitment, consistency, competence and goodwill, preference on risk and social disposition; and 2) Environmental Factors, such as observation, communication, interaction, information, size, institutionalization, signal and reputation. Cultures of the buyers influence the way how they perceive the sellers and trust antecedents, and also the way how they process and rationalize the external influences in mediating trust building process.

 Needless to say, when actors engage in e-business, they confront a higher degree of uncertainty compared to traditional setting [34]. Bidding online is quite a different experience from conventional bidding and shopping or even net-shopping while numerous limitations imposed on auctioning in the Internet hide the valuable information about the performance, behavior and eventually trustworthiness of participants that increases transaction risk and likelihood of opportunistic behavior. Under C2C online auction mechanism, factor of trust is more critical in buyer-seller relationship but hard to build because information validation, institutional protection and reputation effect for online auction are even weaker than net shopping. Particular to the bidders, they always incur higher risk than sellers do as sellers have private information on the items that cannot be observed or estimated precisely by the buyers at the time of trade [53]. The problem of “lemon” caused by asymmetric information [2] is always addressed while transacts online [6, 16, 34, 51], and this problem is magnified under online auction mechanism.

Obviously, all bids are made under asymmetric information either on the product condition or the behavior of trading partners, such as whether the sellers will release the items on time or even will release the items after they get paid and in the condition as described.\footnote{According to a Harris Interactive survey (http://nclnet.org/shoppingonline/onlineauctions.htm) commissioned by National Consumers League on January 31, 2001, four in ten buyers have encountered problems in online auction, such late delivery, receiving items that are different than promised, items arriving in damaged condition and never getting the items at all.} In usual, bidders will base on
comment at the feedback forum and the product description listed by the sellers to make decision. Bidders cannot use traditional ways such as touching, examining, trying and feeling the products or services, face-to-face communication or past trading experiences to verify the products and the behavior of sellers. They need to trust sellers not only with respect to their performance of a particular action, but also with respect to certain information they provided. However, the product category, bidding pattern and branding effect put additional constraints on the ability to verify information and eventually increase the risk of opportunistic behavior.

In terms of product category, to a large extent, listers are selling second hand (even “non-used”), used or discontinuous items, which quality and condition can hardly be assessed prior to purchase, rather than “standard” goods. That means unless the buyers experience the items after bidding, they can hardly know whether their functions or conditions are as good as what they are being told. Thus, it incurs a risk of functional loss.

In terms of bidding pattern, it is found that most of the transactions tends to be one-off [4]. Resnick and Zeckhauser [45] reported that during their five month eBay data collection period, 89% of all seller–buyer pairs conducted just one transaction and 98.9% conducted no more than four. Long term buyer-seller relationship is hard to find. Applying the game theory, there will be a strong inclination of the sellers to misbehave or play “cheat and leave” in spot transactions because the cheaters do not need to pay for any reputational consequences in such non-repeated game environment [6]. Therefore, it subjects to a risk of financial loss.

Branding effect in online auction might not work as good as online shopping whereas the bidders face millions of listers. Most of them are neither commercial entity like those renowned Internet retailers, i.e. Amazon, nor hybrid store in B2C environment. Bidders normally do not have any idea of whom they are trading with because the identities are pseudonymous and can change from time to time without paying any fee. In addition, most of the transactions tend to be one-off so bidders cannot base on past experience to justify the behavior of sellers prior to place an order. Social institutions like written contracts, warranties or external third-party enforcement mechanisms which reduce uncertainty are often not available in online auction [34] where buyers and sellers technically do not subject to obligate any explicit contracts but comply with the trading rules (norms) set by the auction site. Therefore the probability of bidder being cheated will be high\(^5\) because the

\(^5\) According to the Internet Fraud Watch, operated by the National Consumers League, Internet Fraud and money lose are rising. Losses overall in 2001 are $4,371,724, up from $3,387,530
penalty of being a cheater is lenient or/and the benefit of being honest might not be highly rewarded, in particular when there is no well-established feedback system.

As bidding or not bidding is just a rational choice of consumer, given a set of opportunities and choices, an individual interacts in a manner to maximize its rewards and minimize its costs. Therefore, risk and trust appear to influence web shoppers’ decisions significantly [18], that trust becomes the catalyst in most buyer-seller transactions [42] which reduces the cost of verifying information and the perceived risk associated with opportunistic behavior of both parties and increases their confidence.

H1: Higher consumer trust in seller will induce online purchase intention.

4. Influences of Culture on the Formation of Consumer Trust

Fukuyama [17] viewed trust as the expectation of regular, honest, and cooperative behavior based on commonly shared norms and values. Cultural traits shared by groups or subgroups influence the development of trust [40].

Definition of Culture

National culture has been defined in hundreds of ways while the researcher adopts the definition of Hofstede that culture is defined as the collective programming of the mind which distinguishes the members of one human group from another, which is represented by the five cultural dimensions, i.e. uncertainty avoidance, power distance, masculinity/femininity, individualism/collectivism, and long/short term orientation on life. Culture can transmit and create content and patterns of values, ideas and other symbolic-meaningful systems as factors in the shaping of human behavior and artifacts produced through behavior [36].

Drawing from Hofstede’s research [24], North American countries are characterized as Individualistic, Low Power Distance, Low Uncertainty Avoidance and Short-term Orientation Nature; versus East Asian countries are characterized as Collectivistic, High Power Distance, High Uncertainty Avoidance (except Hong Kong) and Long-term Orientation Nature. The researcher perceives that such national characters have a profound impact on the way consumers perceived and behaved, which influence the formation of trust in online auction mechanism.

in 2000. Among all, online auction fraud has increased to an alarming 78% of the total Intent fraud reported in 2001.
Table 1  Influences of National Characters on Formation of Consumer Trust

<table>
<thead>
<tr>
<th>National Characters</th>
<th>Determinants of the Formation of Consumer Trust</th>
<th>Internal Factors</th>
<th>External (Mediating) Factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individualistic Masculinity</td>
<td>Low Power Distance</td>
<td>Low Uncertainty Avoidance</td>
<td>Short-term Orientation</td>
</tr>
<tr>
<td>Perception on Risk</td>
<td>Risk taking</td>
<td>Risk averse</td>
<td></td>
</tr>
<tr>
<td>Propensity to Trust (Social Disposition)</td>
<td>Willing to trust someone from out-group</td>
<td>Less willing to trust someone from out-group</td>
<td></td>
</tr>
<tr>
<td>Personal Interactions and Experiences</td>
<td>Relative easy to build new relationship with outsiders</td>
<td>More prone to long-term relationship with in-group</td>
<td></td>
</tr>
<tr>
<td>Information</td>
<td>Willing to share information with public</td>
<td>More likely to share information with in-group</td>
<td></td>
</tr>
<tr>
<td>Feedback / Spreading of Reputation</td>
<td>More likely to voice out if dissatisfaction is found</td>
<td>More likely to share bad experience with in-group</td>
<td></td>
</tr>
<tr>
<td>Communication</td>
<td>Expressive and explicit</td>
<td>Less expressive and implicit</td>
<td></td>
</tr>
<tr>
<td>Control</td>
<td>Adopt “do it yourself” protection mechanism</td>
<td>Require more institutional protection</td>
<td></td>
</tr>
<tr>
<td>Commitment and Fulfillment</td>
<td>Rule-based governance</td>
<td>Relation-based governance</td>
<td></td>
</tr>
</tbody>
</table>

**Culture and Trust Building**

With such national characters, the trust building mechanism will be quite different. Culture has been argued to affect the relative strength of the sources of trust. Those cultures exhibiting high degree of individualism and lower power distance (North American) will determine trust by analytical means (i.e. calculative and capability processes). In contrast, the Asian culture influence (collectivism and high power distance) will indicate that trust is built more on intentionality and transference [13].

However, the online auction mechanism seems to be in disfavor for building trust through intentionality and transference. First, the intentionality
process of building trust over time will not happen, as most of the transactions in online auction tend to be one-off. Building trust through transference method by using the third parties’ proof sources as reference is quite fragile because the generalist auction sites do not prove the real identity of the sellers and authentication of the items. Bidders can only count on the information gathered from feedback system and online community but their effectiveness is likely affected by national characters too (It will be discussed in later session). In contrast, calculative and capability process requests the trustors (bidders) to have information to assess the cost and benefits and capability of the sellers. Apparently, individualistic cultures promote information sharing that fosters the likelihood to build online community, i.e. eBay’s community, for exchange information, which nurtures the development of “Community Trust”.

Influence of Individualism/Collectivism on Building New Relationship

Yamagishi & Yamagishi [57] suggested a different effect on trust and risk from individualism-collectivism. Individualism in culture implies loose ties; everyone is expected to look after his own or immediate family but no one else which promotes a trusting stance; while in collectivist cultures, individuals belong to one or more in-groups from which they cannot detach themselves. Members of collectivist cultures are less likely to trust someone who is not part of their in-groups. Therefore Chinese buyers have the strongest desire for social bonding and the United States buyers have the weakest desire [56]. Thus, it’s difficult for Chinese to handle the affairs without considering whom he is dealing with [55]. Collectivists are more risk averse and less innovative. They would commit to their existing relationships and refrain from new relationships, despite outsiders’ good reputations, to minimize the unperceived risk. Exchange relationships with out-group members will only happen in the presence of strong institutional safeguards i.e. strong culture norms and legal sanctions [57], but it is not quite possible to be found in online auction. In contrast, people from the individualistic cultures have a high propensity to trust in general and they are more likely to seek out others who have good reputations. It supports the finding of Abrahamson and Ai [1] that Chinese buyers need more relational transactions and long term relationships versus the short-term transaction needs of North America buyers. This kind of build-in perception would influence the purchase intention as people from different cultures show different perceptions on transacting with new seller even with the same person who has good reputation.

H2: Consumers from individualistic cultures are more likely to exhibit trust in new seller.
H3: Consumers from short-term orientation cultures are less resistant to trust new seller.

H4: Consumers from collectivistic cultures perceive the risk of trading with new seller as high.

Figure 2 Cultural Impacts on Degree of Need for Enforcement Mechanism

Uncertainty Avoidance and Risk Preference

Individualism/Collectivism might affect the intention of starting a new business relationship that affects the likelihood of auctioning online. On the other hand, the likelihood of a buyer engaging into online auction also depends on how he evaluates the utility of the consequences of the opportunistic behavior, gain from trade and assured outcome. Using the modification of the classical prisoner’s dilemma game [34], it can infer that the higher the likelihood of the bidder will stay away from online auction, if he places the importance (damage) of negative consequences (defection) relative to the utility of positive consequences (cooperation) is higher, or places the high value of having assertive outcome. Then he is more likely to turn to other alternative (not auction).

\[ P \times u(\text{Cooperation}) + (1-P) \times u(\text{Defection}) < u(\text{Certain Alternative}) \]

P= Probabilities of possible outcomes (auction)
U= Utility of particular outcomes
How the bidder (trustor) evaluates the damage of being cheated, perception and evaluation on risk and the utility of certainty will be determined by some situational conditions outside the factor of trust, which is out of our scope. But to certain extent, it is directly correlated with Hofstede’s uncertainty avoidance dimension.

Uncertainty avoidance does not equal risk avoidance, but it refers to how comfortable people feel toward uncertain or unknown situation. When uncertainty is expressed as risk, it ceases to be a source of anxiety and becomes a source of fear [26]. Individual differs in terms of their experience with and openness toward people, values and artifacts of other culture [32]. Some cultures promote well-being by emphasizing the minimization of unpleasant emotions for example by avoiding risks. Like, some Asian philosophies teach detachment to reduce the consequences of negative life-events, while modern western culture appears to promote well-being by emphasizing the maximization of pleasure [48]. It infers that cultures with high uncertainty avoidance index (UAI) will place high value on assertive outcome whilst cultures with low UAI will place high value of possible positive outcome. As high uncertainty avoidance cultures shun ambiguous situation and value more on security, they resist in changes because all new things and changes are dangerous, and prefer formal rules, organizations, institutions and relationships which makes event clearly interpretable and predictable. Therefore, UAI is negatively correlated with the likelihood to purchase second-hand goods [26], which the quality is uncertain. It infers that cultures with high UAI might also be less likely to participate online auction due to the unknown quality of goods and services. In addition, it might also address the difference of national culture characteristics on the negative and positive trustworthiness attributes on trust in seller. It means people in culture with high uncertainty avoidance might have a stronger reaction on negative trustworthiness attributes when they make purchase decision.

H5: Consumers from strong uncertainty avoidance cultures perceive the uncertainty on auction online as high and are more likely to avoid it.

5. Constructs of Building Trust

Trust is not just a subjectivity measurement influenced by culture, but a function of rich and complex mental attitude influenced by the trustor’s perceived characteristics of a trustee from his observations and information collected on the trustee under a specific enforcement mechanism and other contextual factors influencing the trustee’s behavior. Therefore, two factors – Information and Enforcement Mechanism are introduced to the trust building process as it is believed that perfect, complete and mutually understood in-
formation can improve the trustworthiness of the information, minimize the expectation gap between buyers and sellers and increase the predictability, in return enhance sellers’ trustworthiness. Online auction mechanism requires more trust between two parties or more control (i.e. escrow services), while institutionalization should be able to reduce opportunistic behavior.

H6: Improved the information on products and sellers will foster trust building and induce purchase intention.

H7: Enhanced the transaction enforcement mechanism will foster trust building and induce purchase intention.

a. Influence of Culture on Information

One of the greatest impacts of culture is how information is used to make decisions [52]. Culture influences how information can be gathered and, more important, how information is being processed and presented that affects the reliability of the information.

Searching and Sharing Information

“Higher individualistic cultures, more commonly express their personal opinions than those with low individualistic cultures”. It seems reasonable to expect a positive relationship between a culture’s degree of individualism and the extent to which consumers exhibit information search and exchange behavior [11]. Collectivistic cultures like Germans have a high degree of privacy and share just a low percentage with public while Individualistic cultures like American’s have a small degree of privacy and share these public sectors (e.g. clubs) very easily and freely with members of these areas [23] that fosters the formation of online community where people interact with multiple agents and share information among community members. People may not know other members, but as members of the same organization, they share a common set of interests and affiliations, which nurture the interactivity, sense of belonging, community trust and site stickiness.

Hofstede [26] found that people in high individualistic countries seemed to rely more on media and less on their social networks for information; and are more likely to accept and try new things. Similarly, it is also found that UAI is negatively correlated with the adoption of new media, i.e. use of Internet, as countries with low UAI have a more open-minded mentality in searching for information and in accessibility to innovation.

H8: Consumers from individualistic cultures are more likely to share information and interact in online community that fosters trust building.
Meaning of Words

Undeniably, electronic communication can increase the amount of information accessible for its users but it cannot eliminate cultural differences because it cannot increase their capacity to absorb the information or change their preexisting value systems. In the interaction process, communication has an important and positive effect on the development of trust [34]. But communication does not automatically breed mutual understanding because common standard and values, which influence what information is processed and found credible [25], cannot be built simply by information exchanged. Thus, the more one party understand behaviors, goals, and policies of its counterpart, the more likely it can better adapt its knowledge presentations to its counterpart and the more likely it can request appropriate knowledge from its counterpart [7].

Communication is the process of transmitting information and meaning and it becomes increasingly complex in a global environment where symbols, words, pictures and objects carry often complex meanings recognized as such only by those who share the culture [26]. Communication barriers intensify as people of different cultures perceive things differently, in which language barriers make communication more difficult. The skill of expressing oneself in more than one language is very unevenly distributed across countries [26]. Lack of fluency in the partner’s language often leads to the impression that a partner is unwilling to make an effort to communicate [27]. People may not trust each other and may get emotional as they get frustrated communicating with foreigners. When someone constructs a message, he encodes it with his own baggage (i.e. values, culture, language, upbringing, education, technical, knowledge, etc.); and when the other person interprets the words, he decodes it based on his own baggage. This process goes on and on and might create some noise factors that disturb and confuse the receivers. The more dissimilar the individuals, the more likely misinterpretations and misunderstandings will occur [15]. As the same word might mean different things to different people, information may be filtered intentionally and unintentionally by the sellers that will have substantial impact on the trustworthiness.

H9: Improved in language proficiency and comprehensiveness will improve the mutual understanding between buyers and sellers that foster trust building.

H10: Higher consumer trust will be found towards sellers from the same ethnical background.
**Presenting Information**

Further, culture also affects how information is presented. Sheth 1976 defined communication in buyer-seller interactions as having two dimensions (content and style); each is affected differently by national culture. The style, tone and content of this initial communication will likely shape the first impressions of either or both parties and affect the likelihood of further negotiation and bidding decision. Western culture would be characterized by a high level of importance attributed to the content orientation while Asian culture would place a high level of importance on the style dimension [31]. Nevertheless, if communication style and content are incompatible between the buyer and seller, no transaction will take place and there could even have negative consequences [49].

In the online auction negotiation/communication, bidders basically concern more on the content of information/communication. In terms of communication content, Hall [20] introduced distinction of cultures on the basis of their ways of communicating - high and low-context communication. High-context communication implies that little has to be said or written because most of the information is either in the physical environment or internalized in the person; only a small part is in the coded, explicit part of the message. In contrast, low-context communication implies that mass of information is made explicit. High-context communication fits the collectivist societies while low-context communication is typical for individualist cultures which might be more apt to present information for auction which details and specifications are required to list out explicitly. Details, like item’s description, condition, payment method, shipping arrangement, warrantee and refund policy (if any) have to be mutually accepted and understood. Internalization of information with its own value system would distort the credibility and create expectation gap between both parties.

**H11:** *Difference of communication style and content of information presentation between individualists and collectivists will affect the quality of information in trust building process.*

**Feedback System**

As buyer-seller relationship is hardly formed from spot transaction in online auction, the feedback system is established in order to provide tertiary sources of information on the transaction history of the sellers. Bidders can base on the comment of other bidders left on the feedback forum to justify the creditability and capability of the sellers and make the bidding decision. But this raises another issue – the reliability of the comment. To be specific, to what extent the comment can reflect the truth as the truthfulness can be
Bessie Chong

Unsatisfactory transaction might not necessarily cause by the “faking good” behavior of the sellers. Besides the “intention” of the senders, the “perception” of the receivers will also affect the accuracy of the information. Sometimes, bidders make a wrong choice based on the information they “perceived” so that the result does not turn out as the way they thought it should be. The sender has no intention to send the receiver the “wrong” message but because the receiver has different interpretations on or misinterprets what the sender said, so that the expectation of the receiver cannot be fulfilled. Case of “Unintentional Untruth” is commonly found in the cross-culture communication because no one can ever be assured that the receiver understands the message in the same way as the sender does [28]. But in the case of intentional untruth, the sender does have intention to give the receiver the “wrong” message in order to make the receiver believe something that is not going to be. However, it is hard to tell whether the “out of expectation” outcome (i.e. imperfect products) is caused by deliberate misrepresentation or cultural differences.

Further, the measurement bias might be found in the feedback rating system. Self-evaluations will be made relative to the standards that individuals believe to be applicable to them [21]. Cultural psychologists suggest national cultural differences influence consumer evaluations. According to Hofstede [24], individuals from societies where masculine values prevail more frequently evoke behaviors that are assertive judgmental and have less concern for feelings of others, which in turn should be reflected in their consumer satisfaction scores. On the other hand, people from societies of feminine cultures where there are more tenderness and sympathy for others and where assertiveness is not desirable characteristic should be overtly moderate as to the extent they are willing to provide criticism in their evaluation. The finding of Crotts and Erdmann [9] revealed a willingness of respondents from high masculine societies to report dissatisfaction more often than those from low to moderate masculine societies.

In addition, there are potential cultural differences in moderacy response style in which people from one culture are more likely to answer towards the center of a scale than people from another [8]. The process of “comprising”, whereby contradictions are averaged or reconciled to produce

---

6 The findings from Chen, Lee, and Stevenson [8] indicated that the Chinese and Japanese students were more likely than their North America counterpart to use the midpoints on the scales and the U.S. students were more likely than the other three cultural groups to use the extreme values. It is supported that individualism is positively associated with the use of extreme values and negatively associated with the use of the midpoint.
tolerance, occur among people of East Asian Cultures [43]. In fact, social desirably responding is not necessary a deliberate behavior but an unconscious inclination to create positive impression, to avoid criticism, to prevent revenge or to gain positive approval [10]; and the magnitude varies with cultures and personalities.

Watkins and Liu [54] also suggested that a customer’s behavioral response to post-purchase dissatisfaction was likely to be influenced by the individualism-collectivism dimension of their cultural identity. Customers in individualistic cultures are more likely to voice out their complaints, whilst customers in collectivist cultures are more likely to express private responses, e.g. word-of-mouth communication with friends and relatives [38, 39].

H12: Consumers from Individualist cultures are more likely to tell the true feeling on transaction satisfaction that affects the quality of information in trust building process.

H13: Consumers from masculine cultures are more likely to leave strong criticism on feedback forum if they dissatisfy with the transaction that affects the quality of information in trust building process.

Figure 3 Cultural Impacts on Quality and Quantity of Information
b. Enforcement Mechanism

Control mechanism designates procedures and protocols that monitor and control the successful performance of a transaction. The stronger the trust, the weaker the control can be [51]. Trust and control are used to complement each other. Apparently, legal mechanisms are not complete in the electronic market. Legal regulation and control have not yet caught up with the growth of electronic commerce and the extant laws in conventional commerce might not be strictly enforceable in e-commerce. Generalist auction sites do not and cannot guarantee product genuineness nor assure due and honesty of buyers and sellers [12]. Those sites simply function as an intermediary which provides some guidance by setting basic rules and trading norms. Auction sites do not subject to any loss of either side in the transaction as they can do nothing to control the expectation gap between buyers and sellers.

All transactions are settled based on the private arrangement between two parties. If there is any dispute, the legal proceedings will be complicated; and sometimes it is even not possible or not worthwhile. People in particularist cultures might not put any legal action since they are not familiar with nor used to using courts to settle disputes, in particular to those who do it for leisure and fun rather than doing business. Thus, to trade with someone with no bonding, particularists especially with high uncertainty avoidance will need a strong monitoring system for guiding the behavior of trading partners and establishing a protective environment to prevent any uncertainty and minimize the chance of having disputes. In contrast with countries with universalist cultures which are used to using rules instead of relationships to execute the terms of an agreement and courts to mediate conflicts, people from universalist cultures feel comfortable trading with strangers as long as the rules are laid and the partners honor the rules. If the dispute is found, they prepare to take a stronger action, i.e. legal action, to fight for their right.

H14: Consumers from particularist cultures are more likely to demand for strong enforcement mechanism in trust building process.

6. Barriers in Hong Kong

Hong Kong is characterized as Collectivist, Higher Power Distance, Particularistic, Long-term Orientation Nature but Low Uncertainty Avoidance

7 eBay clearly declares its position that it “has no control over the quality, safety or legality of the items advertised, the truth or accuracy of the listings” and excuses itself from the responsibility in its User Agreement: “Because user authentication on the Internet is difficult, eBay cannot and does not confirm each user’s purported identity” with the recognition of the difficulty of verifying user identity and guaranteeing product quality [5].
cultures. Thereupon, online community, where people share information and facilitate other online/offline interactions that enhance cohesiveness, reinforce trust and generate network effect on commerce, might hardly be built. People here prefer to base on personal and on-going relationship or some other more conventional ways to gather information and do transaction. Even though Hong Kong, like US, has weak uncertainty avoidance, there are still many situational conditions and other values influencing the utility of auctioning online that affect the overall value judgement on perceived risk and other economic incentives.

As personal trust between partners based on repeated dealing is less likely to be formed, the feedback system and online community play a key role in trust building process which provide a channel for bidders to gather the information on sellers and serve as a guardian of trader’s behavior. A well-established feedback system and online community, like those in eBay, make even spot transaction play in a manner of repeated game and thus the cost of non-compliance for good rating players become higher. But in the case of Hong Kong, feedback system is not that well-established and online community trust system is fragile. The cumulative feedback records of the local sellers are not as many as those “Power Sellers” in eBay, it means that the opportunity cost for creating a new identity is relatively small. As the “reputation” of sellers cannot transfer to other communities or trading platforms and “Trusted Third-Parties” are not commonly used, local sellers can enjoy less privilege, i.e. price premium, of having good record. Escrow services can offer certain protections on opportunistic behavior, but they are not widely used.

Therefore, proactive role of the intermediary is required by imposing stronger institutional control on the users’ behavior in order to make it more predictable and minimize the opportunistic behavior. In particular under the influence of the collectivism, people need to have strong institutional protection or control i.e. face-to-face transaction, just like the case in Hong Kong. However, it will limit the feasibility of global exchange and the business op-

---

8 Power sellers refer to the sellers whose sales volume reaching at least US$2000 per month. All power sellers must have 98% positive ratings of feedback from customers. So far, eBay has around 20,000-25000 power sellers.
9 According to the pilot survey done by the researcher, 88% of online auction users (HK) of the sample did not use escrow services. Kollock [35] found that vast majority of online transactions did not involve escrow services, and partly because these services are relatively new and the significant fees (2%-15% of the purchase price) they charged may only make sense for high value items.
10 Auction sites in Hong Kong provide customer services centers for players to settle the transactions.
opportunities to both sellers and intermediaries. Or potential buyers can simply not to participate, as it is the same old story of geographical difference between the US and Hong Kong. The US is a largely suburban society where people are geographically remote from shopping malls, while in Hong Kong, most people live right next to shopping complexes where offer variety of products, from antique to hottest items. Taken the convenience for granted, Hong Kong people are extremely sensitive to the utility and value generated from online auction (i.e. saving in both time and money) compared with the cost of risk. As the consumers’ perception of risk associated with the transaction will tend to predominate their decision to engage in a transaction over the Internet, if the perceived risk (potential loss of resources) are higher, consumers are likely to “delay” the transaction until some forms of institutional mechanism are in place to mitigate or reduce the associated risk or use different avenues that provide the desired level of protection [47], i.e. traditional shopping.

7. Business Implications

National culture characteristics suggest the existence of cultural biases in service quality perceptions and expectations [33, 50]. Auction sites should identify customers’ needs and expectation, and deliver services to match them. For example, some Western auction sellers allow refund/return if the bidders do not satisfy with the goods. But such policy is less likely to be offered by Asian sellers as they are not cultivated by this kind of practices. To minimize the expectation gap, local auction sites need to adopt a more pro-active role in enhancing consumer trust, reducing transaction risk and information asymmetry problems and creating the interactivity that creates site stickiness and generates commerce. Cultural factors that underlying the influences of consumers’ motives, attitudes toward choices, intentions and behaviors [22] have to be considered. Rather than just copying the pure-plays hands-off model of eBay, functionally equivalent control mechanism-procedures and protocols such as human agents and customer service centers should be imposed to monitor and control the performance of transaction, and leverage the notion of trust requested for buyers and suppliers and perceived risk.

8. Limitation

This research is based on the assumption that lack of trust is one of the major barriers of adoption of online auction and cultural factors have impact on the formation of trust. It focuses on buyer side only as the researcher perceives the time asymmetry in delivery imposed a higher risk on buyer. Here, the researcher tries to build a model by introducing two constructs that are
believed moderating the trust building process, in which the cultural factors play a prominent role in influencing the process of information exchange, interpretation, communication and interaction as well as the mediation of the intermediary in facilitating online auction. However, the concept of culture is broad and it is not easy to analyze the culture determination of behaviors. First, the nature of the self does vary across cultures. Second, the existence of Bi-Cultural Identity Integration, in which individuals can possess dual cultural identities and engage in active cultural switching, might blur the distinctiveness of national culture characteristics. Third, contextual factors, such as, personality, age, education background, income, in particular the sub-culture (online culture) might also influence the adoption and should be taken into account. Fourth, generation bought up in the era of Internet might be quite a different species, which might be relatively individualistic, masculine, short-term orientation and low uncertainty avoidance. But still, as they are cultivated under the long influence of their own national cultures, their cultural belongings and heritage still affect the way in which they perceive and interpret things. With this in mind, the researcher builds a conceptual framework to address the implications of cultural factors for auctioning business and establishes a theoretical base for future empirical study on Hong Kong Auction Players.

9. Conclusions

Culture is one of many forces influencing consumer decision making [3, 44, 58]. Deviated from people’s expectation that culture difference will vanish as Internet provides a convenient way for buyer and seller to communicate, its influence on e-commerce even magnifies, particularly in C2C online auction. As people search information via the net and interpret it according to their values without physical verification, bias will be intensified in virtual world that influences the trust building process while trust is believed as an order qualifier for purchase decision [14]. There is no argument that the development of Internet technology can eliminate the distance between people and enhance the connectivity of the world but it has not yet ceased the culture differences and may even increase the differences between and within countries [26].

References


[33] Klaus W (2000) Tourist’s Perceptions towards and Satisfaction with Ser-


