The Influence of Perceived Integrity, Perceived Competence and Experience on Consumer's Trust in Online Shopping in the Tulusrejo District of Malang City

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Abstract

This study examines the influence of perceived integrity, perceived competence and experience on consumer's trust in online shopping in the Tulusrejo district of Malang city. The independent variables in this study are perceived integrity, perceived competence and experience. Consumer's trust in online shopping is a dependent variable. The study to test the hypotheses on First Order Construct (FOC) used Partial Least Square (PLS) with sample are 295 peoples. Finally, the results found that perceived integrity, perceived competence and experience has a positive effect towards consumer's trust in online shopping. Therefore, confidence (trust) of consumers to shop online will determine the consumer's decision to engage transaction or not. Lack of trust to shop online will reduce the willingness of consumers to do online transaction.

Keywords: *Perceived Integrity, Perceived Competence, Experience, Consumer's Trust in Online Shopping*

Introduction

Information technology development is growing from time to time. The advancing development of information technology makes Internet become essential way to communicate, and trade (*online* business). With the development of information technology recently made a business organization is required to be able to move with dynamic to anticipate the rapidly changing environment outside the organization (Sukoharsono, 2011). Furthermore with increase of internet users itself, business people try to advance their business by expanding their network via Internet as a medium to promote their products. Sukoharsono (2012) define that Implementation the role of Information Technology Application in life is enormous. One of them is in the world of commerce, information technology used for electronic commerce or known as E-Commerce. A form of electronics business transaction via internet (*E-commerce*) has been already introduced in Indonesia by several companies. E-Commerce is the trade using the Internet communication network. Began from small to large industry, consumers are given the ease of online transactions and did not recognize the time and limits.

According to Schwake *et al*. (2015), the usage of E-Commerce can boost cost efficiency and productivity of the company, thus increasing the company's ability to compete. Moreover,

they stated that E-Commerce can be made as a solution to assist companies in developing companies and businesses under pressure. Improving network easily constructed in *online* transactions such as a social media.

Utilization of internet helps people to interact, communicate, and even conduct business transactions with other people from all around the world with low cost, fast, easy, convenience, and suitability. In doing online transaction, customers just need to online order and pay the goods using transfer between bank account. According to Sukoharsono (2008), there are advantages of e-commerce for consumers such as lower prices, spending enough in one place, for example, for business managers for example efficiency, without error, on time and while the management can increase revenue and customer loyalty. Therefore in doing business, business people must be able to observe and understand what is needed and desired by consumers.

Currently, there are many cases in online shopping such as trickery acts, the goods are different from what its expected, and consumer personal data being abused by internet vendors. Internet vendors usually abuse the customer's trust because they do not meet face to face with the customer. To expedite the process of online transactions between two parties who are not familiar with each other, it is necessary to have mutual trust. In building a trust in the prudence required upholding the principles. The first is a business practice which is the company disclosure reveals openly in terms of the implementation of electronic transactions and do it according to what was promised, the second is integrity transaction which is the control of all transactions received if is complete and what is billed as approved and ordered. The third is information protection, companies must maintain information about consumers to not get into the hands of parties who are not related to the business (Sukoharsono, 2008). That is why this research aims to examine the factors influencing consumer to do online shopping, because consumer's trust will increase on *online* shopping if the internet vendors provide trustful medium that can support the process of the transaction.

Based on the above descriptions, the research intends to conduct a survey on factors influencing trust in internet shopping. This research incorporates variables from two previous studies, which are by Cheung and Lee (2003) and Adliyani and Marsono (2013). Cheung and Lee (2003) used the perceived integrity and perceived competence in research. While Adliyani and Marsono (2013) used experience variables as factors that influence customer trust online shopping. So the perceived integrity, perceived competence, and experience are the *independent variable,* while the consumer's trust in online shopping is the *dependent variable.* The difference of this study with Cheung and Lee (2003) and Adliyani and Marsono (2013) research are the context which is in Indonesia and sample used in this study which is female residents in Tulusrejo district of Malang city. This sample is chosen because general public in Malang especially female are up to date with modern lifestyle, as well as technology literate users who are very influential on the existence of E- commerce.

The purpose of this study is to examine the influence of perceived integrity, perceived competence and experience on consumer's trust in online shopping in the Tulusrejo district of Malang city. The details of the research purpose are: to analyze the influence of perceived integrity on consumer's trust in online shopping, the influence of perceived competence on consumer's trust in online shopping and the influence of experience on consumer's trust in online shopping.

Literature Review and Hypothesis Development

Related Literature

This study refers to previous study that has been conducted by Cheung and Lee (2003) entitled "*An Integrative Model of Consumer Trust in Internet Shopping*" in Hong Kong. This research aimed at examining the nature of trust with some of the underlying factors for the Hong Kong consumers believe in online shopping. Furthermore, the researchers use the influence of consumer's trust in online shopping. The current research adopts two variables that are perceived integrity refers to the perception of internet shoppers on the honesty of Internet vendors and perceived competence is conceptualized as the perception of Internet shoppers on the skills and expertise of Internet vendors are taken from Cheung and Lee (2003) research.

Another important factor in online shopping is experience of using the Internet. According to Adliyani and Marsono (2013) the factors that affect the confidence of Internet users in dealing with online stores is experience. Experienced Internet users have learned how to avoid untrusted site and how to find/use more trusted site from the past action doing online transaction. According to Hoffman *et al.* in Adliyani and Marsono (2013), the experience of using the Internet is an important in making purchases online and found that the attention of consumers to control personal information turned out to improve the experience of the internet, otherwise attention to the functional barriers to online shopping decreased.

Thus, in this study, researcher uses the perceived integrity, perceived competence and experience as *independent variable*, while the consumer's trust in online shopping as *dependent variable*. This research will be carried out in Indonesia.

For the first hypothesis, in a previous study according to Chanidapa *et al.* (2013), the result of their study showed that there is influence between perceived integrity and consumer trust. According to Cheung and Lee (2003), explained that the propensity of trust has a significant moderating effect on the relationship between perceived of integrity and consumer trust in Internet shopping too. According to Fiore (2001) suggested that no matter what pricing model the Internet stores adopted, the stores need to make it very clear to the shoppers that come to their websites. Order fulfillment is another challenge for Internet vendors to maintain their perceived of integrity. The relationship of integrity in internet shopping to see the integrity of the vendors on the internet is not easy because consumers can only determine whether a vendor has good integrity or not by looking at the testimonial written by consumers who had dealings.

For the second hypothesis, based on the previous researches, Mayer *et al.* (1995) found that a perception of vendor's competence is also an important predictor of consumer trust. The beliefs confirm the view of trust. However, Cheung and Lee (2003) defined that perceived competence has no significant to trust online shopping. The relationship of perceived competence on trust in internet shopping is a vendor competence in terms of resources and power quality to produce attractive storefront.

For the third hypothesis, according to Adliyani and Marsono (2013), based on the results of tests on responses from 80 respondents of Diponegoro University students. Experience has a positive effect on the confidence to transact online. This result is supported Nazar and Syahran (2008) findings which found that experienced Internet users spend more time online,

because the skills are acquired through experience. The Internet is more trustworthy for those who are more experienced. The relationship of trust on experience in internet shopping is the confidence that will come with a certain level of knowledge gained from experience. In other words, the experience will influence someone to trust online shopping.

Based on the previous studies mentioned, so the author concluded that the hypotheses used in this research are:

H1:   *Perceived integrity has a positive effect on consumer's trust in online shopping*
H2:   *Perceived competence has a positive effect on consumer's trust in online shopping*
H3:   *Experience has a positive effect on consumer's trust in online shopping*

Research Methodology

Sample Selection

Sample taken from this study population were calculated using *non-probability* by using *purposive sampling*. In simple language purposive sampling can be regarded as deliberate taking certain samples (if people will mean certain people) according to the requirements (properties, characteristics, traits, criteria) sample (do not forget that reflects the population). In addition, Researcher also using snowball sampling, snowball sampling is the determination of the sample by using the recommendation of respondents to get another respondent. In this research the samples used by some provisions could not be determined due to the population.

The researchers took several samples with the following conditions:
1. Female respondents who reside in Tulusrejo district of Malang city.
2. Have done online transactions using Internet media.
3. Consumers are shopping for personal consumption.
4. Conducting transactions online at least six months.

After applying this method, the researcher found that the total samples available for this research are 295.

Variables

Variables used this research is composed from *perceived integrity, perceived competence* and *experience* as independent variables and *consumer's trust in online shopping* as dependent variables.

Table 1: Variables used in the Research

	Definition
Dependent Variables	
Consumer's trust	Confidence (trust) of consumers to shop online will determine the consumer's decision to engage transaction or not
Independent Variables	
Perceived Integrity	Perception of internet shoppers on the honesty of Internet vendors
Perceived Competence	Conceptualized as the perception of Internet shoppers on the skills and expertise of Internet vendors
Experience	How to find/use more trusted site from the past action doing online transaction

Data Analysis Model

Analysis of the evaluation of the model in this study is using the program Partial Least Squares (PLS) on First Order Construct (FOC) to test hypothesis testing. Evaluation of the model is done with three stages, namely the testing of convergent validity, testing of discriminant validity, and the testing of reliability.

Table 2: Parameter Measurement Model Validity Test in PLS

Validity Test	Parameter	Rule of Thumbs
Convergent	Loading Factors	More than 0,7
	Average Variance Extracted (AVE)	More than 0,5
	Communality	More than 0,5
Discriminant	**Root** AVE and Latent Variable Correlation	**Root** AVE > Latent Variable Correlation
	Cross Loading	More than 0,7 in one variable

Findings and Discussions

Findings

Analysis of the evaluation of the model in this study is using the program Partial Least Square (PLS).

Table 3: Table of Algorithm

	AVE	Composite Reliability	R Square	Cronbachs Alpha	Communality	Redundancy
PI	0.6891	0.869181		0.775794	0.6891	
PC	0.653889	0.849762		0.734874	0.653889	
E	0.69446	0.871958		0.780902	0.69446	
CT	0.61862	0.866259	0.50576	0.793768	0.61862	0.053758

Assessment in convergent validity testing is based on the value AVE, communality and the value of factor loading. Rule of thumb for parameter AVE and communality is more than 0.50 and more than 0.70 for the value of factor loading. Hair *et al.* (2006) in Jogiyanto and Abdillah (2009) argued that the rule of thumb that is typically used to make the initial examination of the matrix factor is ±0.30 considered has met the minimum level, for loading ±0.40 was considered better, and for loading >0.50 was considered significant practical.

Table 4: Table Outer Loading

	PI	PC	E	CT
CT1				0.777249
CT2				0.762091
CT3				0.762893
CT4				0.841175
E1			0.792758	
E2			0.841424	
E3			0.864246	
PC1		0.8215		
PC2		0.844228		
PC3		0.757684		
PI1	0.805134			
PI2	0.823069			
PI3	0.861171			

Based on the above table, it can be seen the value AVE and Communality in each construct is more than 0.5. Similarly, the outer loading test results in the table above Outer Loading 3 all indicators have a value above 0.7 even though there is one indicator of the construct of innovation that is worth less than0.7 but still considered valid because it still has a value of more than 0.5.

Table 5: Table Cross Loading

	PI	PC	E	CT
CT1	0.265357	0.445085	0.506497	0.777249
CT2	0.381058	0.493517	0.487616	0.762091
CT3	0.402003	0.497246	0.458662	0.762893
CT4	0.391839	0.521066	0.533926	0.841175
E1	0.257166	0.48449	0.792758	0.487082
E2	0.386921	0.496076	0.841424	0.47511
E3	0.444474	0.479895	0.864246	0.602096
PC1	0.446888	0.8215	0.447907	0.544955
PC2	0.43327	0.844228	0.477963	0.500191
PC3	0.410626	0.757684	0.491965	0.460845
PI1	0.805134	0.409511	0.419912	0.345222
PI2	0.823069	0.427547	0.363675	0.351791
PI3	0.861171	0.482951	0.329014	0.436715

After assessing convergent validity, the next step is to measure the discriminant validity. An additional concept that has meaning conceptually two different concepts must demonstrate sufficient differences. The point is that a set of indicators which combined are expected not to be unidimensional. In the discriminant validity of the assessment is based on the value of the Cross Loading more than 0.7 in one variable or construct. This value can be seen in Table Cross Loading above.

After a test of construct validity and obtain valid data, then further testing of the reliability. Reliability test is useful to determine whether the instrument in this case, questionnaire can be used more than once, not least by the same respondents will produce consistent data. In other words, instrument reliability to characterize the level of consistency. In their liability test can be done by two methods: Cronbach's Alpha value whose value must be >0.6 and Composite Reliability value that should be >0.7. According to the table above 4.7 algorithm, the entire variable has a value of Cronbach's Alpha >0.6 and Composite Reliability value >0.7. Based on this, we can conclude that the data and the results of measurements made are considered reliable.

After a test of convergent validity, discriminant validity and reliability testing, the next is hypothesis testing. Based on the data processing carried out by the researchers obtained the data processing in the form of Table Total Effects.

In hypothesis testing, if the coefficient path shown by the T-statistic >= 1.64 then the alternative hypothesis can be stated is supported, but if the statistical value of T-statistic<= 1.64 then the alternative hypothesis is stated not supported. From processing the data in Table Total Effects 5.10, can be seen the T-statistic for each construct and determine whether or not the hypothesis is supported.

Table 6: Hypothesis Test Results: Table Total Effect

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	Standard Error (STERR)	T Statistics (|O/STERR|)
E -> CT	0.385902	0.383362	0.049939	0.049939	7.727525
PC -> CT	0.341034	0.346109	0.040483	0.040483	8.424214
PI -> CT	0.107525	0.103923	0.048891	0.048891	2.199272

As stated from the results above, it is shown that the value of T-statistic construct perceived integrity on consumer's trust in online transaction is the use of 2.199272 which is (greater than value T-table 1.64), It indicates that perceived integrity has a positive effect towards consumer's trust in online shopping. Based on these results it can be stated that **Hypothesis 1 is supported.** This results is consistent with research conducted by Cheung and Lee (2003), Chanidapa *et al.* (2013) and Fiore (2001). The majority of respondents who will conduct online transactions will see the integrity of the sellers including seller's honesty through various consumers' testimony who purchased.

Based on the result in the Table 6, the variable of perceived competence has a positive effect towards consumer's trust in online shopping. It can be seen on the table 2 the value T-

Statistic of the perceived competence construct towards consumer's trust in online shopping is equal to 8.424214 which is (greater than value T-Table 1.64), and these results it can be stated that **Hypothesis 2 is supported.** This result is consistent with research conducted by Mayer et al. (1995). The rise of consumer trust to conduct online transaction is influenced by the ability or expertise of internet vendors. If an internet vendor has resources and reliable power such as design quality of sites, and are very perceptive to solve a problem, it will have a positive effect towards consumer's trust. But if the company of an internet vendor is either negative or less it will be able to reduce consumer's trust to do online transaction. It can be concluded that in this research perceived competence greatly affect sold or not of the vendor sales.

Experience has a positive effect towards consumer's trust in online shopping, because the hypothesis 3 is supported. It is obtained from the table 2 it can be seen the value T-Statistic of experience construct towards consumer's trust in online shopping is equal to 7.727525 (greater than value T-table 1.64) indicating that experience has a positive effect towards consumer's trust in online shopping. Based on these results it can be stated that **Hypothesis 3 it is supported.** These results is consistent with research conducted by Adliyani and Marsono (2013), Nazar and Syahran (2008). The majority of respondents experienced internet users, they more spend the time to online because the skills acquired through experience and believe that the Internet is more trustworthy than those who are less experienced. So, if someone has a certain level of knowledge, confidence will appear. In other words, the experience will influence someone to believe do online transactions.

Discussions

Based on the hypothesis testing result above, it can be indicate that the entire construct perceived integrity, perceived competence, and experience founded any positive effect toward consumer's trust in online shopping. Based on these results, researchers conducted a finding of validity to seek an explanation for the results of hypotheses that have been tested. The validity of the discoveries made analysis of related to the journals and research model to support the statement that has been previously disclosed.

For the first hypothesis, perceived integrity is one's feelings toward honesty and ability to keep promises of a trusted party (the seller). Integrity is concerned with how behaviors or habits sellers in doing business. Integrity can be seen from the point of honesty (honestly). McKnight *et al.* (2002) define integrity is how confident a person to seller honesty for maintain and fulfill the agreements that have been made to the consumer. The analysis shows that the perceived integrity has a positive effect toward consumer's trust in online shopping. This results is consistent with research conducted Chanidapa *et al.* (2013), Cheung and Lee (2003) and Connolly and Bannister (2008).

Furthermore, the second hypothesis, perceived competence is defined as a person's belief in the ability possessed sellers to help consumers to do things according to the customer needs. In other words, the essence of his own competence is how much the success of the seller or the seller's ability to produce and meet the needs desired by consumers. The analysis shows that perceived competence has a positive effect towards consumer's trust in online shopping. These result is consistent with research conducted Mayer *et al.* (1995), Danilyustin (2015) and Chen and Dillon (2003).

And then, in the third hypothesis, experience internet users should have learned on how to avoid untrusted site and how to find/use more trusted site. This experience requires them to do

an online transaction or at least does another online transaction. The point is that trust appeared with a certain level of knowledge, where knowledge is obtained from experience. In other words, the experience will influence someone to trust online transactions. The analysis shows that experience has a positive effect on consumer's trust in online shopping. This result is consistent with research conducted by Adliyani and Marsono (2013), Nazar and Syahran (2008), Chang *et al.* (2005) and Corbitt *et al.* (2003).

Conclusions

According to the analysis, this research is the field of information system research purchase and sale transactions. This study aims to investigate the influence of several factors such as perceived integrity, perceived competence, and experience towards consumer's trust in *online* shopping. The results can be concluded that the higher of people's perceived of perceived integrity, perceived competence an experience also can increase consumer's trust in *online* shopping.

The results stated that the entire construct are perceived integrity has a positive effect towards consumer's trust in *online* shopping. In the business of e-commerce, honesty of internet vendor is important because it can increase consumer's confidence in doing *online* transaction. In general, consumers who have done online transactions will write a comment, whether happy or comments feel disappointed. Consumers who want to do an online transaction can see the previous buyers' comment to ensure that the intended goods in online store are good or not, and whether other customers are satisfied with the products offered in the picture provided by the Internet vendors.

Meanwhile, for the second variables stated that perceived competence has a positive effect towards consumer's trust in *online* shopping. The capabilities and expertise in internet vendors that provide good service to its customers is very important. Good service can be fully informed, easy to understand, and shop online at attractive for innovation and in doing so it does not make consumers bored. So that it can increase consumer's trust in online shopping.

Finally, for the third result stated that experience has a positive effect towards consumer's trust in online shopping. Experienced internet users should have learned how to avoid behavior that can't be trusted and how to use the site in a more secure way. They will learn from the past which they never do online transactions. This experience requires them to do an online transaction or at least do another online transaction. In other wise, experience can influence consumer's trust in online shopping.

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