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Consumer trust in the digital economy: The case for online dispute resolution

Abstract

As e-commerce expansion surges, consumer trust remains fragile. This mismatch, greatly fuelled by the COVID-19 pandemic, reveals disparities between the rapid pace with which consumer activities are being migrated online and inadequate consumer protection. Dispute resolution mechanism has been proposed by consumer experts as an essential tool that helps to foster trust. The notion of trust is unpacked to theorize why it matters in business transaction, and how a third-party can serve as an institutional mechanism to help transacting parties overcome distrust and settle dispute. To examine how the theories work in practice, selected studies are reviewed to determine whether the presence of consumer dispute resolution promotes trust and whether its absence leads to business costs. This includes in-house business online dispute resolution such as customer support and third-party e-payment systems. The findings confirm that effective online dispute resolution processes can increase trust along with consumer loyalty and repurchasing intentions, as well as prevent customer churn and dissatisfaction.

The trust-enabling benefits of online dispute resolution are yet to be fully realized, especially for cross-border business-to-consumer e-commerce. Wider awareness and implementation are needed, but these global challenges require timely collaborations by the international community.

Key words: Trust, digital economy, ODR, e-commerce, consumer protection

Contents

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Abbreviations

ADR	Alternative dispute resolution
ASEAN	Association of Southeast Asian Nations
B2B	Business-to-business
B2C	Business-to-consumer
C2C	Consumer-to-consumer
CIGI	Centre for International Governance Innovation
COVID-19	2019 Novel Coronavirus
ICPEN	International Consumer Protection and Enforcement Network
ODR	Online dispute resolution
OECD	Organization for Economic Cooperation and Development
SME	Small and medium-sized enterprise
UNCTAD	United Nations Conference on Trade and Development
UNGCP	United Nations Guidelines for Consumer Protection

Glossary

A note is provided below to clarify some terms and concepts used in this paper intended for business-to-consumer context. They are listed in alphabetical order.

Alternative dispute resolution: Any type of out-of-court dispute resolution approach between consumers and businesses, whether public, private or hybrid. Such systems are not generally designed to provide redress or compensation for consumers, which is a power usually reserved for judicial authorities. The three traditional models of alternative dispute resolution are mediation, conciliation, and arbitration.[1]

Charge-back: A dispute resolution mechanism for credit card payments. "Charge-back is a mechanism whereby consumers are able to reverse credit card transactions if they experience undue harm from a business." Compared to dispute resolution, charge-back "provide consumers with a more favourable position when a dispute arises; should dispute resolution procedures ensue, the funds remain in the possession of consumers instead of businesses."[2]

Consumer and customer: A distinction is made between the usage of consumer and customer based on the context of the discussion in this paper. Consumer is used in a generic way without reference to a specific business. By contrast, customer is used in the context of a business's organisational or transactional features. For example, Chapter I explores 'consumer trends' and 'consumer trust' in the digital economy, while Chapter II centres on the 'customer experiences' from and 'customer supports' of certain X or Y businesses in question. The latter is particularly relevant to Chapter II which focuses on empirical studies on businesses or platforms and their 'new customers' or 'current customers' (rather than 'new consumers' or 'current consumers', which would not be suitable here).

Consumer trust: A consumer's belief in the likelihood that an exchange will proceed according to their expectations. It follows that in an exchange environment where there is low trust or where trust is absent, that belief would be based on their perceived risks associated with the transaction. Therefore, for the purpose of this paper, a working definition of consumer trust is as follows: A consumer's expressed views, based on their perceptions and/or experience, of the trustworthiness of a provider of information, goods or services or any factors relevant to that provider.[3] Trustworthiness in this context refers to the degree to which someone or something, in relation to that provider, is expected to act in a way that may be beneficial, neutral or detrimental to the consumer.[4]

Dispute resolution and redress: The distinct legal nature of consumer dispute resolution and redress, based on UNCTAD and OECD's positions, is as follows (UNCTAD 2018: 8-9): "Dispute resolution refers to 'the use of mechanisms designed to provide consumers who have suffered economic harm resulting from transactions involving goods or services, including transactions across borders, the opportunity to resolve their complaints against businesses and to obtain redress' and redress refers to 'compensation for economic harm, whether in the form of a monetary remedy (for

[1] UNCTAD (2018: 8).
[2] UNCTAD (2018: 11).
[3] For example, interpersonal factors may include personal motivation or disposition of the provider; institutional factors may include the country, regulatory environment or technological features of the provider.
[4] See Dasgupta (2005) for the theories of trust that have been considered in producing this working definition.

example, a voluntary payment, damages, restitution or other monetary relief) or a conduct remedy with a restorative element (for example, exchange of a good or service, specific performance or rescission of a contract)'.[5]

Online dispute resolution: Mechanisms for resolving disputes facilitated by electronic communications and other information and communications technology that replaces in-person, face-to-face interactions. These can include online forms, telephone or videoconferencing that involve automated processes through the use of software.[6] 'Customer care and complaints functions'[7] provided by a business can be considered as part of online dispute resolution processes. But if a dispute cannot be settled between the business and the consumer themselves, then an independent 'online dispute resolution provider' can step in to help resolve the dispute. Examples of these include public online dispute resolution schemes on a national or regional level, private dispute online dispute resolution systems, and certain digital payment systems.

[5] The quote continues: "While dispute resolution and redress both aim to protect consumer rights, the former refers more specifically to transactional settlement of disputes between consumers and businesses, while the latter usually involves enforcing the delivery of (substantive) justice through corrective or complementary measures. Corrective measures are those aimed at compensating consumers and ensuring reparations for any unlawful damages. Complementary measures are those aimed at ensuring general consumer interests, such as with regard to health or the environment. Measures aimed at ensuring consumer redress can be adopted through administrative, judicial or alternative dispute settlement procedures, depending on the jurisdiction. Most consumer protection laws confer enforcement power upon consumer protection authorities, including for corrective and complementary measures, yet compensation is usually reserved for judicial authorities" (UNCTAD 2018: 8–9).

[6] UNCTAD (2018: 9).

[7] UNCTAD (2018: 10-11).

Key Messages and Recommendations

Key Messages

Consumer trust is essential to all economies. For any healthy digital economy to grow sustainably, it is vital to protect consumers and boost their confidence when e-commerce and cross-border trade are booming. To avoid complacency, which can lead to consumer distrust and costs to businesses, the time is ripe to act. A useful tool for fostering consumer trust in the digital economy is effective online dispute resolution.

Recommendations

1. Recognize, promote and educate the importance of consumer trust and dispute resolution in facilitating international trade and cross-border e-ecommerce.

2. Encourage businesses to provide access to or implement effective online dispute resolution for consumers, especially in developing countries.

3. Participate in international dialogues to exchange ideas on overcoming consumer trust challenges and share best practices on approaches to consumer dispute resolution.

Introduction

The onset of the 2019 Novel Coronavirus (COVID-19) global pandemic has instigated a tectonic shift in the digital sphere. From socializing and working, to the rolling-out of public health applications and treatments, the pace of digitalization has accelerated like never before. The impact is being felt much more acutely in developing regions of the world, where a dramatic uptake of online products, services, information, and activities have been reported (UNCTAD Survey Report 2020, October). Meanwhile, unequal access to digital provider of goods and services amongst developing economies and inadequate protection for consumers and vulnerable populations online have become more pronounced.[8] Despite sustained sectoral efforts at bridging the digital divide, this major turn of events has exposed existing legal and regulatory deficiencies that impact consumer trust in profound ways.[9]

At the Eighth United Nations Conference to Review All Aspects of the Set of Multilaterally Agreed Equitable Principles and Rules for the Control of Restrictive Business Practices[10] (UNCTAD Report 2020, December), UNCTAD (News 2020c) highlighted one specific recommendation in its call to action[11]: "Encourage businesses, especially online platforms, to provide online dispute resolution mechanisms for consumer complaints." This paper reflects on and takes stock of some of the most pressing challenges that underlie consumer protection by delving into its crux: consumer trust. These challenges are examined within the context of consumer online dispute resolution (ODR), the topic of an UNCTAD Technical Cooperation Project that commenced in 2020 (ibid.: 43).[12]

[8] Some of these "consumer challenges in e-commerce in developing countries" are noted in UNCTAD (2017: 4–5).
[9] UNCTAD (2021b); UNCTAD News (2020c); UNCTAD Report (2020, April).
[10] As the focal point in the United Nations system and the only platform for global international cooperation, UNCTAD's Annual Ministerial Conference is the highest-level meeting on competition and consumer protection at the multilateral level. Members of government, heads of competition and consumer protection authorities and senior officials from both developed and developing countries to establish direct contacts and promote voluntary cooperation and the exchange of best practices.
[11] In accordance with guideline F of the United Nations Guidelines for Consumer Protection, henceforth referred to as the United Nations Guidelines or the Guidelines (UNGCP 2015). Guideline F covers Dispute Resolution and Redress, containing five points. As noted in UNCTAD (2018: 2), "The Guidelines are the only internationally agreed instrument on consumer protection, and have been widely implemented by UNCTAD member States."
[12] See: https://unctad.org/project/delivering-digital-trading-infrastructure-and-online-dispute-resolution-consumers-means

1. Consumer Trust is a Universal Concept

As the cornerstone of modern civil societies, consumer protection has never been more important in a world where the rapid global digital transformation is contributing to ever-expanding cross-border trade and e-commerce. Over the past four decades, the United Nations have made great strides and achieved several milestones: consumer protection principles and guidance have been published with the aim of helping Members States to implement and improve measures in safeguarding consumers' safety and rights both offline and online.[13]

This paradigm shift is a defining feature of the 21st century consumer: transactions have gone from a physical setting to digital modes of exchange encompassing business-to-business (B2B), business-to-consumer (B2C), consumer-to-consumer (C2C) and more (UNCTAD 2003: 177). As everyone takes on the ubiquitous role of a consumer in their daily lives, the international community is increasingly recognizing the universal need to better protect consumers and to reinvest in consumer trust-building (Yu 2018). It is pertinent to address consumer protection matters through the lens of trust since trust underpins all consumer affairs. In this vein, UNCTAD (2017: 5) has noted that "consumer trust in digital markets is one of the main challenges in the development of e-commerce", because "the impersonality of e-commerce weakens the relationship between providers and consumers, thereby increasing consumer vulnerability. The web-based environment is propitious to unfair commercial practices."

Trust, therefore, is a fundamental pillar of e-commerce upon which digital societies and economies are vitally dependent to function well. One important tool that can help foster consumer trust and build competitive markets in national and regional economies is effective ODR systems (UNCTAD 2018: 5).[14] In terms of ODR implementation, consumer disputes in e-commerce and retail sector have been shown to be particularly suitable in reaping the benefits of ODR (ODR 2021: 66, 69). For these reasons and in line with the United Nations Guidelines on Consumer Protection[15], a renewed focus on ODR as a means of enhancing trust is needed.

1.1 E-commerce trending upward, especially during COVID-19

Global e-commerce sales have been soaring over the past decade, nearing $5 trillion in 2021 and projected to reach around $6.4 trillion by 2024 (Emarketer 2021; Shopify 2021). NASDAQ (2017) estimated that by 2040, 95 per cent of consumer purchases will be facilitated through e-commerce. Within global e-commerce, the B2C market still holds vast untapped potentials. UNCTAD's Digital Economy Report (2019: 15) notes that B2C only accounted for 13 per cent of global e-commerce between 2016 and 2017. Moreover, cross-border sales only accounted for 11 per cent of the overall B2C market in 2017 (ibid.). These figures "show that e-commerce is indeed creating export opportunities… but the question from a development standpoint is whether businesses in developing countries are prepared to seize the opportunities." (UNCTAD Press Release 2019).

[13] UNGCP (1985); UNGCP (1999); UNGCP (2015); UNCTAD Manual on Consumer Protection (2017).
[14] The European Commission has estimated that such alternative consumer dispute resolution "could save an annual €22.5 billion, or 0.19 per cent of the gross domestic product of the European Union." (UNCTAD 2018: 5). Estimates by the ODR (2021: 10) have shown the macroeconomic costs of dispute resolution to citizens and businesses in India to be $56 billion or 1.88 per cent of India's gross domestic product.
[15] UNGCP (2015): guidelines 5g, 11f, 14g, 37, 38, 39, 40 and 41.

In terms of the Asia Pacific, Southeast Asian countries display most promise in unleashing their full e-commerce potential. Home to over 350 million online shoppers, Southeast Asia's Internet economy has exceeded $100 billion for the first time in 2019 and is on a trajectory to hit $300 billion by 2025 (Chow 2021; World Retail Congress 2019). Not only do emerging Southeast Asian digital economies show staggering double-digit growths, some of them also feature prominently among UNCTAD's B2C E-commerce Index's (2020: 6) top 10 developing economies (figure 1).

Table 1. Top 10 developing economies in 2020

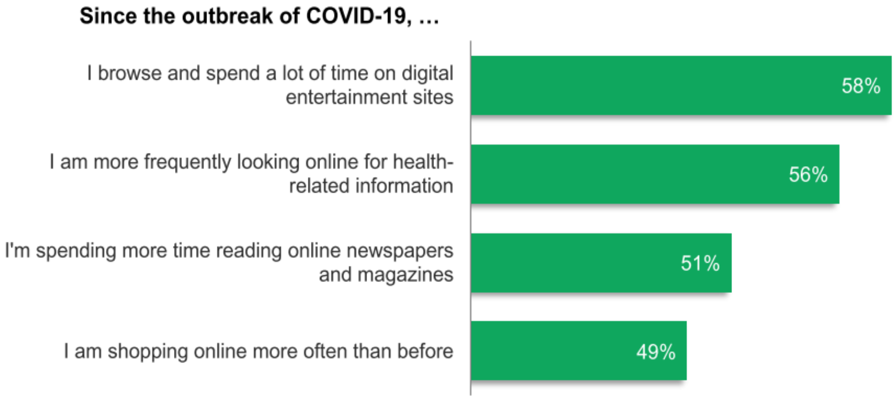
2020 Rank	Economy	Share of individuals using the Internet (2019 or latest)	Share of individuals with an account (15+, 2017)	Secure Internet servers (normalized , 2019)	UPU postal reliability score (2019 or latest)	2020 Index value)	Index value change (2019-20 data)	Rank 2019
4	Singapore	89	98	94	97	94.4	-0.3	3
10	China, Hong Kong SAR	92	95	88	92	91.8	0.3	14
18	Korea, Republic of	96	95	68	100	89.8	0.0	19
30	Malaysia	84	85	71	85	81.3	1.5	31
37	United Arab Emirates	99	88	61	64	78.2	0.0	28
42	Thailand	67	82	59	97	76.0	0.5	48
44	Iran (Islamic Republic of)	70	94	57	79	75.0	-1.5	45
49	Saudi Arabia	96	72	43	78	72.3	0.0	49
50	Qatar	100	66	50	73	72.1	0.0	47
54	Oman	92	74	43	73	70.6	0.0	60

Source: UNCTAD (2020b).

The flourishing global e-commerce over the past decades has long been attributed to the price, simplicity, convenience, choice and practicality of modern online shopping experience (OECD Trust Survey 2017: 24), prophetically envisioned by some observers going back to the turn of the century (Bartelt and Meyer 1999; Rao 1999). Since the arrival of COVID-19, e-commerce expansion has been injected with renewed vigour. Following COVID-19's declared pandemic status in early 2020, stay-at-home government orders around the world have further compelled consumers to meet their daily living needs through digital. UNCTAD's (2021: 7) Global Review of COVID-19 and e-commerce found that lockdowns worldwide raised e-commerce's share of global retail trade from 14 per cent in 2019 to 17 per cent in 2020. An UNCTAD joint study (2020 survey, October) also revealed that since the outbreak, 49 per cent of the citizens surveyed in nine selected countries had shopped online more than before (figure 2).[16]

[16] Among increases in other digital activities. This study was jointly undertaken by UNCTAD and Netcomm Suisse. The survey has a limited sample size comprised of the following selected countries: Brazil, China, Germany, Italy, Russian Federation, Republic of Korea, South Africa, Switzerland and Turkey.

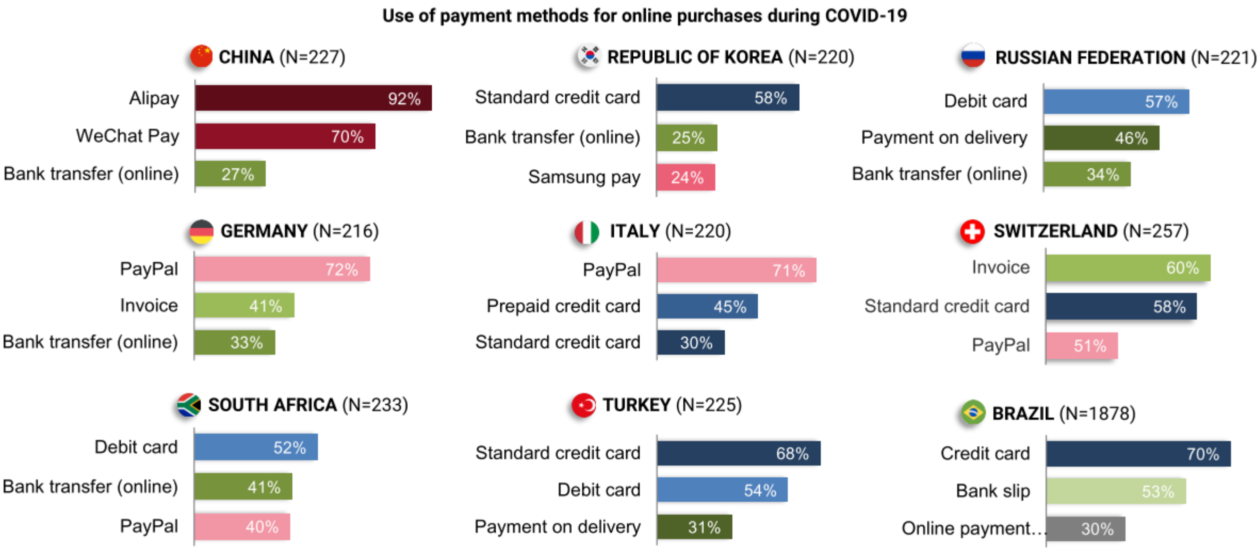
Figure 2. COVID-19 has led more people to go digital in multiple ways



Source: UNCTAD Survey (2020, October).

An important enabler of the increased adoption of digital economy is e-payment solutions and technologies, where growing preferences for different digital payment systems have been observed in various countries. For example, UNCTAD Survey (2020, October) reported that on the one hand, China tops a table of nine countries in their use of digital payment for online purchases during the pandemic. As figure 3 shows, Alipay (92 per cent) and Wechat Pay (70 per cent) were reported to be the primary methods used by consumers. On the other hand, consumers in Germany and Italy tended to prefer Paypal, which accounted for over 70 per cent of their digital payment methods when shopping online in the COVID-19 era (ibid.).

Figure 3. Chinese consumers use unique means of payment within the domestic ecosystem



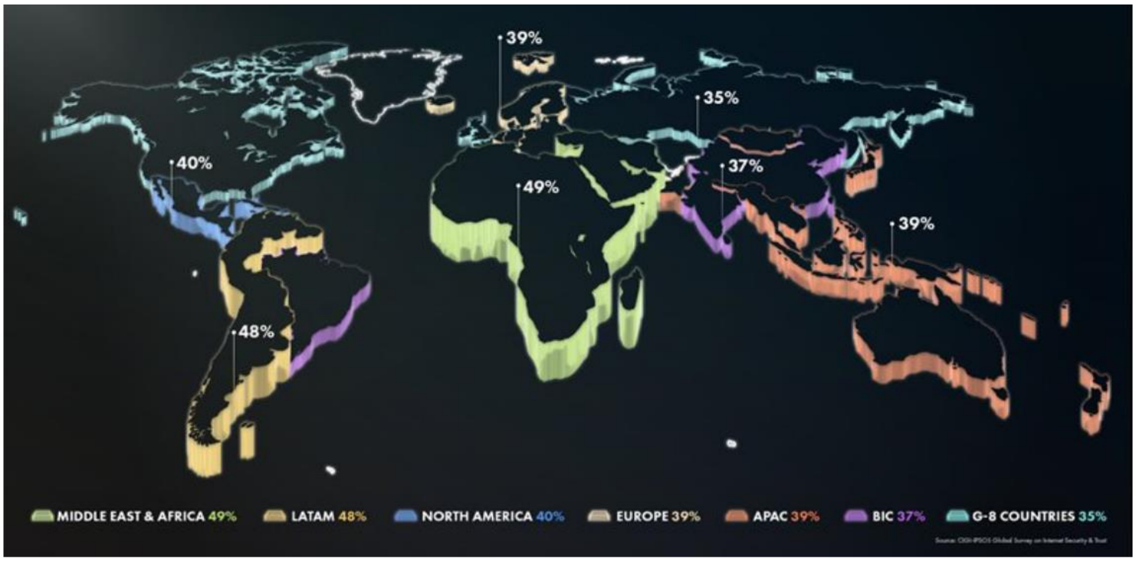
Source: UNCTAD Survey (2020, October).

Meanwhile, observations from regional bodies also concur with the COVID-19-propelled shift towards digital. According to the Association of Southeast Asian Nations (ASEAN) Briefing (2020: 3, September 15), the fundamental changes in consumer behaviour, attitude and purchasing habits are here to stay post-pandemic.[17] The surge of traffic on digital platforms since COVID-19 is telling: Shopee and Lazada, ASEAN's two top platforms, saw an increase of 60 per cent or more in weekly downloads in Thailand during the initial lockdown. Indonesia, Viet Nam and Singapore also experienced a traffic increase of over 10 per cent for numerous online shopping apps.

1.2 Trust remains fragile, especially during COVID-19

Before the onset of COVID-19, some commentators have claimed blossoming consumer trust has been a core driver of cross-border e-commerce (World Retail Congress 2019: 13) but not all reports were positive. According to UNCTAD's joint report with CIGI IPSOS on the state of the global digital economy (CIGI IPSOS 2017), consumers refrained from purchasing goods or services online mainly due to a lack of trust (figure 4). While significant improvements in consumer conditions were temporarily observed in the European Union in 2016, a notable decline was again reported in 2018 primarily due to a decrease in consumer trust in some western European countries. Notwithstanding an increase in the number of online shoppers overall in the European Union, confidence in European Union-wide cross-border purchases remains low (EU Scoreboard 2019: 2).

Figure 4. Lack of trust a top reason for not purchasing goods or services online



Source: CIGI IPSOS (2017).

UNCTAD's joint report (CIGI IPSOS 2019: 6) once again confirms this trend in 2019. It concludes that as distrust of the Internet prevails, global citizens are taking precautions – one of which is making fewer online purchases (ibid.: slide 136). Similarly, a 2018 survey conducted by Redbord (2021) showed that in the United States of America and the United Kingdom of Great Britain and Northern Ireland, 55 per cent of respondents were less trustful of online businesses from which they had purchased previously (figure

[17] ASEAN is a regional intergovernmental organization comprising ten countries in Southeast Asia.

5). Not only was trust eroding but consumers' patience was also rapidly decreasing, often caused by protracted periods of waiting for customer service response.

Figure 5. Trust in business has eroded

Source: Redbord (2018).

As the world entered the COVID-19 pandemic in 2020, the online retail sector has been fraught with fraud, scams and product safety concerns, particularly with regards to healthcare products and personal protective equipment (ICPEN 2021). One of the legacies for e-commerce "is higher return rates" that "have soared further during the pandemic" (BBC 2021). The mismatch between the ease of buying things online and the difficulty of returning them "doesn't just have an impact on the number of unreturned goods being sat on by consumers, but also their sentiment towards the brand" (ibid.) – and, potentially, e-commerce at large.

One of the reasons is that the pandemic has led to falling service standards due to an increase in upstart ecommerce retailers. A survey of 2,000 American consumers in late 2020 revealed that "since the start of the pandemic, 61 per cent of consumers have experienced problems buying from brands online—often relating to late or non-delivery." Consequently, there is a "widening gap between expectation and delivery and increasing numbers of unhappy customers who are losing faith in the online experience… particularly after the buy button, resulting in the erosion of customer trust in reliable customer experience" (O'Carroll 2021). In addition to retail, consumers across multiple sectors and industries such as aviation, telecommunications, finance and banking have all expressed similar dissatisfaction throughout the pandemic (ICPEN 2021).

These examples illustrate how uncertainties during the pandemic period have prompted consumers to prioritize trust more than ever. Consumer trust in a brand is, in a way, regarded as being "on par with quality, value, convenience and ingredients as a purchase consideration" (Edelman Trust Barometer Special Report 2020). As the new "currency of business" in the pandemic era, consumer trust came to "another critical juncture" in 2020. This applies not only the delivery of the goods and services purchase online and whether they are fit for purpose, but also consumers' concerns around how a business prioritizes data, privacy and information security, all of which can greatly influence business brand and reputation (Saha 2020).[18]

Another aggravating factor that has a knock-on effect vis-à-vis consumer trust is the serious dent the pandemic has left on consumers' finances. As the European Commission Consumer Conditions Scoreboard (2019: 11)[19] notes, "consumer vulnerability is mainly linked to difficult financial situation." Being in a financially vulnerable position, some consumers "tend to show less trust and lower confidence in online shopping" (ibid.), which affects their spending habit. As a general indicator of this, the OECD Consumer Confidence Index (2021) shows that at the start of the pandemic, a free fall into the 'pessimistic' zone took place with regards to future economic outlook. For example, KPMG (2020: 9) noted that net spend was expected to be down significantly in 2020 and two in five people were worried about their future financial security going into 2021. In other words, in an increasingly precarious world, "consumers are driven by self-protection" (ibid.: 9). At the time of writing, consumer confidence levels had climbed back into a positive outlook almost reaching pre-pandemic levels, but this took around one year after the pandemic began (OECD Consumer Confidence Index 2021).

The above shows that despite the continual upward trend of digital commerce sales, consumer trust may not necessarily mirror this economic growth across the globe. In fact, it appears that two worlds are colliding – one in which trust in digital commerce remains fragile and in a state of flux, and another in which consumers are driven online for their daily needs, especially since COVID-19 hit. The longer term impacts of this clashing of realities require further research, but it is important to recognize that consumer discontent and trust deficiency may occur if actions are not taken to boost consumer trust and confidence during these particularly challenging times.

1.3 Why trust matters in business transaction

"Virtually every commercial transaction has within itself an element of trust… It can be plausibly argued that much of the economic backwardness in the world can be explained by the lack of mutual confidence."

Kenneth J. Arrow (1972: 357), Nobel Laureate in Economics 1972

The quote above and the discussion so far show that trust and confidence are at the heart of an economy, a market, and a business transaction.[20] It is become increasingly clear nowadays that trust plays an integral part in online platforms, thanks to a burgeoning field of consumer research that have shed light on consumer confidence in e-commerce (Delina and Tkáč 2010: 2039; Ong and Teh 2016). Yet, of these studies and surveys, only a proportion of them stretching back to the 1990s, have specifically examined how dispute resolution can contribute to trust-building.[21] This section provides a brief overview of the theories that explain why interpersonal trust matters in business

[18] Unsurprisingly, consumers have also become less trusting in the offline environment during the pandemic due to personal safety concerns. This was observed in the physical retail sector (KPMG 2020).
[19] The OECD describes the Index as follows: "consumer confidence indicator provides an indication of future developments of households' consumption and saving, based upon answers regarding their expected financial situation, their sentiment about the general economic situation, unemployment and capability of savings."
[20] A useful sociological distinction between confidence and trust is offered by Dasgupta (1999: 331; 2000: 53): confidence refers to one's expectations of the ability of social institutions to function adequately or experts to do their job well, whereas trust refers to a person's underlying disposition or motivation (for example, in a transaction).
[21] The majority of these have attempted to address a wide range of other factors, apart from ADR or ODR, that affect consumer confidence. These include trust in the authenticity of the website and fraud, trust in ethics-related issues such as privacy and data handling, and trust in the general user experiences including information transparency and customer services of platforms (European Commission Evidence-based Consumer Policy 2019).

transaction, and what makes dispute settlement mechanism an essential tool for overcoming distrust between transacting parties.[22]

In the context of business transactions, just as physical capital and financial capital are tangible and durable assets, human capital and social capital are regarded by social scientists in a similar way. Therefore, trust, being a core and central element within social capital, is regarded as having tangible value. Its value is measurable in various ways. These include performance and productivity payoff (Solow 1999: 6–7), social network metrics and properties (Burt 2000), or reputation for trustworthiness (Dasgupta 2005). Therefore, the tangible value of trust makes it a highly sought-after commodity. It allows transactions to function smoothly by increasing the parties' willingness and capacity to cooperate (Dasgupta 1999: 329–330; 2000: 50), and the potential for realizing mutually beneficial outcome (Dasgupta 2005: 2): "The fundamental problem facing people who would like to transact with one another concerns trust… If the parties don't trust one another, what could have been mutually beneficial transactions won't take place."

One of the major hurdles that prevents trust from emerging between transacting parties is the challenge of incomplete information and information asymmetry. If trust or a prior relationship does not exist between the parties, then there is no basis to expect that they will act reasonably and non-exploitatively toward one another should the opportunity arise. For example, Akerlof's (1970) popular 'lemon' analogy of used car transaction shows the detrimental effects of information asymmetry. If the buyer believes that the seller may knowingly sell a poor-quality vehicle (or a 'lemon'), the uncertainties can lead to a distrusting relationship, which will then be reflected in negative bargaining and pricing strategies aimed at minimizing the risks.[23]

The grounds for trusting one another lie in the circumstances under which promises to deliver would be credible and fulfilled. One of these is the 'external enforcement' in the form of the law – "rules that govern transactions in the formal marketplace" (Dasgupta 2005: 5). However, the law has not always been the optimal method for settling transaction disputes due to the complicated procedures, costliness (financially and timewise) and gaps in coverage (unforeseen circumstances). For these reasons, throughout history, transacting parties have crafted various informal, alternative governance structures to prevent or mitigate costly contractual breakdowns and refusals of cooperation. One of these self-regulating mechanisms involves enlisting the help of a trusted third-party. This option offers a flexible, gap-filling function that classical contract law cannot provide (Macneil 1978; Williamson 1979: 236–238). For this reason, some contracts can only be fulfilled if both parties have confidence in the dispute resolution mechanism (Williamson 2002: 172).

This shows why informal governing structures and mechanisms are necessary for trust-building in business transactions. In the digital age, the presence of a trusted third-party dispute settlement system in an e-store can help increase the confidence of informed buyers, especially those that have concerns about potential adverse events post-purchase. For example, credit card charge-back systems, in which a dispute is settled by a credit card company acting as the third-party intermediary, have been used in the United States of America since the 1970s to help boost consumer confidence.[24] Despite being a different system to ODR[25], its moneyback guarantee is nevertheless useful to the design of an ODR system as a default feature, because it can help to reassure consumers during purchase and give them peace of mind post-purchase.

[22] The distinction between interpersonal trust and trust in institutions is a concept borrowed from OECD (2017).
[23] Yet, this is not possible in B2C e-commerce, which means consumers are left with the option of not consuming.
[24] Fair Credit Billing Act (1974) and Electronic Fund Transfer Act (1978); chargebacks911.
[25] Because charge-back systems tend to favour the consumer over the business.

2. The Benefits of Consumer ODR and the Costs of Distrust

2.1 Views on how ODR impacts consumer and trust

In Chapter I, lack of trust has been shown as the top reason why consumers do not buy online (CIGI IPSOS 2017). In fact, this conclusion has been arrived by many others over the past 20 years, including studies from the 2000s (Delina and Mihok 2007). Other reports, such as the Enterprise DG Expert Group Consultation 2002 on the 'Trust barriers for B2B e-marketplaces' (ibid.), have attributed these e-commerce trust barriers to a range of issues including dispute resolution mechanisms and online payments support. In the intervening years, various proponents of ODR have promoted the view that ODR holds the key to supplying the much-needed trust in consumer transactions online – a 'trusted intermediary,' in a sense. For instance, Katsh and Wing (2006: 25–26) have emphasized the trust-building value and cost-reducing benefits of ODR:

"E-commerce depends on users not only being able to conduct transactions, but being willing to do so. Decisions about price are important in attracting the attention of interested buyers, but users still need to trust that the goods exist and will have a timely delivery… ODR can resolve problems after they occur, but the presence and promise of ODR on an Internet site can also build trust and reduce a potential buyer's level of risk. By assuring potential users that a forum exists for resolving problems, site managers encourage users to engage in activity at that Internet site."

However, not everyone is convinced by this positive take on ODR. Edwards and Theunissen (2006), for example, took issue with the assertion of Katsh (2006) that consumers will not take part in e-commerce "if there is some risk associated with participating. One method of reducing perceived risk is to let potential users to know that if problems arise, there are mechanisms in place for obtaining redress." Through their empirical study using surveys, focus groups and email interviews of Ebay users, they examined whether "the provision of ADR mechanisms on Ebay was truly one of the secrets of its success" or "cost effective and worthwhile in creating trust and confidence among its consumer base." Edwards and Theunissen (2006) counterargued that:

"We found no convincing evidence of this. If consumers are as satisfied with general transactions online, as with transactions on Ebay then ADR does not appear to be a silver bullet. Instead, consumers seem to be keen on the experience of shopping online, and on online auction sites over high street shopping. The simplest hypothesis that seems to emerge is that both prevalence of disputes, and dispute handling, are not that important in relation to general levels of satisfaction with online and C2C site shopping… The advantages of range, cheapness, and ease of access on Ebay and online in general, simply seem to outweigh the risks."

The arguments made by Katsh (2006) and Edwards and Theunissen (2006) above are not necessarily opposing but can be interpreted as being focused on two different areas. On the one hand, Edwards and Theunissen (2006) emphasized that ODR mechanism on its own is not the panacea for generating consumer trust, in the broadest sense of the term. Indeed, a whole spectrum of factors can affect trust in e-commerce.[26] As the OECD Trust Survey (2017: 29) revealed, “trust in the seller/provider offering the item or service is important, but not essential for a consumer to go ahead with a transaction.” The vast fields of literatures on consumer decision-making attest to this. Specifically, research at the intersection of digital technologies, law, psychology and behavioural economics have studied extensively how security and ethics considerations impact consumer decision making processes (Brass et al 2019; Burton et al 2021; Carr and Lesniewska 2020; Tanczer et al 2017; Tanczer et al 2018) – concerns that go beyond whether the product will be delivered on time and do what is advertised. For example, privacy conscious consumers may base their purchase decision on their views of a company’s user consent policy with regards to data management (Cortes 2010; Ebner and Zeleznikow 2016); information security aware consumers may cautiously shy away from buying on merchant websites that do not display e-trust seals or similar (Edwards and Theunissen 2006; Rule and Friedberg 2005); and sustainability focused consumers may scrutinize company policy on corporate social responsibility before committing to purchase (Dhar, Comstock, Chouinard 2010).

On the other hand, Katsh highlighted the fact that ODR is only one mechanism among many that can attract customers to online merchants and help build consumer trust. The reason is that compared to other things that prompt consumers to shop online, ODR systems are less appealing because they are ‘unsexy’ and have little visibility and perceived importance in the pre-purchasing phase (Rule and Friedberg 2005). For instance, consumers who are attuned to pop culture may be more receptive to e-sellers that feature brand endorsements from celebrities (Shiller 2019). Yet, when the products purchased from those e-merchants turn out to be unsafe and do not meet consumer expectations as advertised, the lack of ODR systems means consumers are left in the dark with no recourse avenues.

In the Internet age, the ease and speed of live e-shopping events (similar to live television infomercials) can turn this into large-scale societal problems due to the high volume of purchases made within a short span of time. In China, for instance, regulators are inundated with consumer complaints of precisely this nature but with no immediate solutions in sight (Sohu News 2021: January 20; March 17).[27] Although among OECD countries, “Lack of trust is not a major barrier to consumers trying peer platform markets” (OECD Trust Survey 2017: 10), yet “less than half of problems are fully resolved.” (ibid.: 46). A similar phenomenon has also been observed in the United Kingdom, where there is reportedly a “mismatch between the ease of buying things online, and the difficulty of returning them” especially because of the surge in product return rates during the pandemic (BBC 2021). Another topical example from the tourism sector is the consumer grievances lodged against global airline industries, including cross-border ones, due to COVID-19 disruptions (UNCTAD News 2020a; ICPEN 2021). These examples show that even though consumer resentment may not be visible in some cases, it still requires attention and sometimes, urgently. In the longer term, these bad consumer experiences will ultimately impact collective consumer trust.

Therefore, just because ODR is hardly on consumers’ mind when so many other things may attract them to shop online does not change the fact that a lack of effective ODR may result in real costs to a business, an economy and a society. To address this, researchers have been exploring how the absence of well-functioning ODR systems may

[26] For example, marketing, education, cybersecurity, community, ethics, transparency, and privacy (Rule and Friedberg 2005; Ebner 2012).
[27] To address this, the International Consumer Protection and Enforcement Network has released guidance documents in 2016 related to online reviews and endorsements for review administrators, for traders and marketing professionals and for digital influencers (UNCTAD 2020a).

harm a business and how its presence may provide tangible benefits that are conducive to consumer trust-building. For example, numerous consumer studies have attempted to disentangle the links between consumer trust, satisfaction and loyalty within ODR ecosystems. One important mechanism within some ODR systems is digital payment technologies and its third-party intermediary function, as discussed in Chapter I. It is revisited in the next section to emphasise how it could benefit ODR processes by helping business gain new customers. Relatedly, even in-house customer support functions at the early phase of ODR processes, which have been considered as 'soft' ODR mechanisms by some (Edwards and Wilson 2007), may help retain existing customers through cultivating trust. These are also to be discussed in the next section.

Thus, the following discussion focuses on selected indicators of trust that are relevant to the transactional aspects of ODR mechanisms.[28][29] This approach, which is line with Chapter I, helps to show how private sector ODR and digital payment system can act as (third-party) institutional mechanisms. The benefit of taking this research angle is that business and management disciplines are replete with studies that have sought to isolate and correlate the impacts of distrust and trust-building effects of complaints and failure recovery – or 'dispute resolution,' broadly conceived.[30] Despite such research not being normally associated with ADR or ODR studies – but should be, based on UNCTAD's definitions of ADR and ODR[31] – nor do they often use legalese or share similar terminology as the field of ADR and ODR[32], they can offer valuable insights. These include where trust indicators potentially lie within the private sector ODR ecosystem, and how different stages of the consumption cycle can generate consumer trust where dispute resolution mechanisms are concerned.[33]

2.2 Focusing on transaction: Indicators of trust during online purchase

As trust does not lend itself to being measured directly, one way to assess or gauge its value is through its properties. This can be carried out after a transaction[34], for instance, by publishing online feedback in reviews systems that indicate the level of trustworthiness and showing the reputation of a merchant and its goods and services. Similarly, less obvious indicators of trust have been studied specifically in the context of consumer ODR, including related aspects of online transactions. Such trust indicators can be analysed descriptively to evaluate their contribution to the consumer's perception of trust or overall trust (for example, customer survey) or, better still but rarely, quantified (for example, sales profit).

These trust indicators can be gleaned from the lifecycle of an online purchase, encompassing offline awareness and online search to the narrowing down of e-tailers; and from payment processes to dispute resolution handling phases. The discussion below delineates new customers from existing ones so as to align trust indicators to the online purchase path, where applicable.

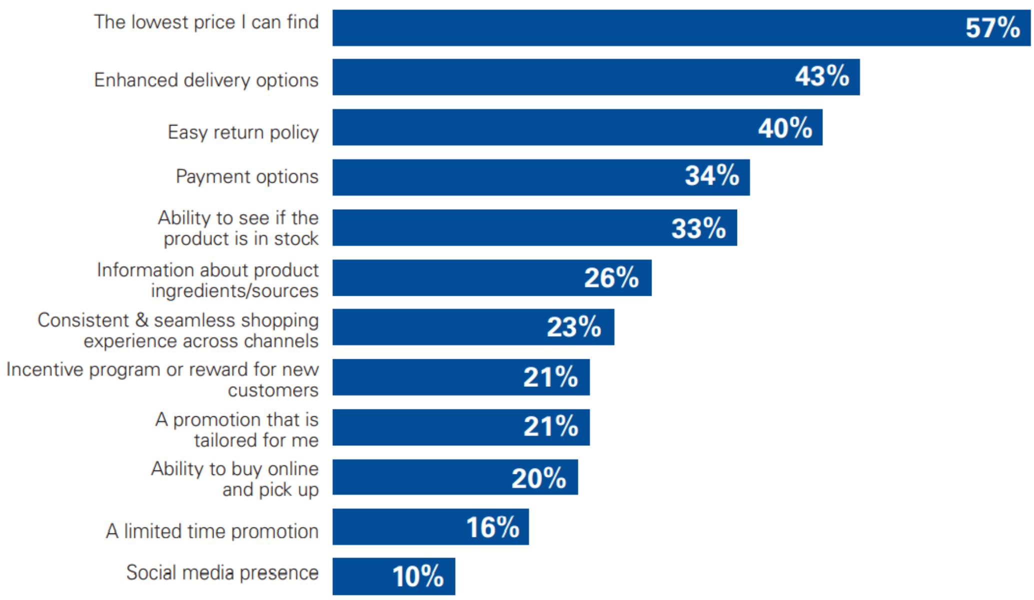
[28] For example, behavioural psychology and decision-making processes, ethics and privacy, or digital infrastructure and security.
[29] Instead of other trust-influencing factors that are generally applicable to non-transactional aspects of ODR systems. For example, Abedi, Zeleznikow and Bellucci (2019) have developed a set of methodology, criteria and standards for measuring trust in consumer ODR systems.
[30] An excerpt from Blodgett, Hill and Tax (1997) exemplifies this: "In general, complaint options include seeking redress (that is, a refund, exchange, repair, or apology), engaging in negative word-of-mouth (that is, telling other people about one's dissatisfaction), exiting (that is, vowing never to repatronize the seller), and contacting third parties (for example, the Better Business Bureau, writing a letter to a newspaper, or taking legal action)."
[31] See the Glossary.
[32] Perhaps with the exception of references to justice-related concepts, as discussed in the last section.
[33] Given the limited scope of this qualitative appraisal of studies from the multiple fields noted above, the research evidence to be discussed are necessarily selective rather than exhaustive.
[34] See OECD (2017) Guidelines on Measuring Trust for the taxonomy of different types of trust such as interpersonal trust and institutional trust, the methodology for measuring trust, and the properties of trust including quality of trust.

2.2.1 Attracting new customers

One of the things that a new customer visiting a merchant website would do is to scrutinize the payment options. This includes assessing the viability of the payment options, such as whether the individual is already registered with the payment applications accepted on the website, or the suitability of the payment options.[35] Payment options and returns policy are not only inextricably linked to each other, but they also form an integral part of the transaction insofar as indicators of trust are concerned. As OECD Trust Survey (2017: 30–31) noted, "consumers who tend to go ahead with a transaction despite having doubts in the seller/provider cite trust in the platform itself (with the platform's support and/or guarantees also featuring strongly)." Thus, rather than being seen as elements ancillary to trust, they are considered as a key feature of some ODR schemes in the discussion below.[36]

While it is true that 'lowest price' and 'preferred website' are consistently found among the top factors influencing consumers' purchasing decisions (KPMG 2017: 20, 29), what may be a lesser-known fact is that 'easy return policy' (43 per cent) and 'payment options' (34 per cent) are ranked next to these top drivers, according to KPMG's (2017: 29) global online consumer survey (figure 6). This is even more evident in the fashion segment of e-commerce, where consumers were "on average three times more likely to choose a vendor based on their returns policy" (ibid: 20).

Figure 6. Most important company attributes when deciding where to buy



Source: KPMG (2017).

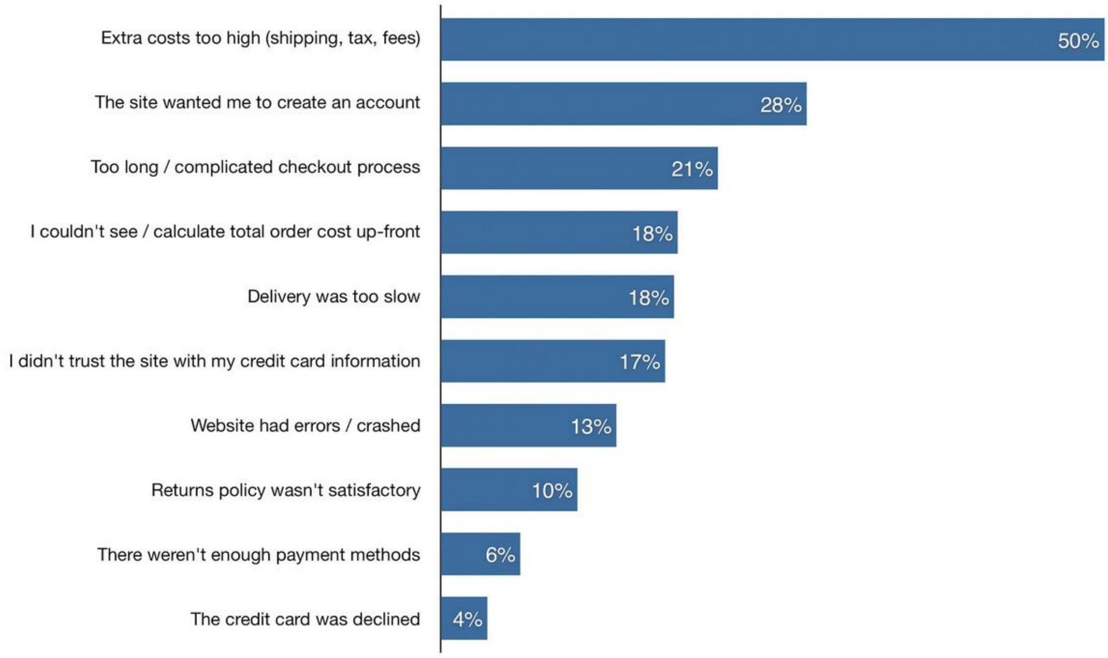
An e-store's policy on returns, refunds and exchanges can influence a consumer's decision-making processes. These include the terms and conditions, presentation and location of policy information on the website (for example, simplicity and transparency), and the procedures involved. They are especially important considerations for a new

[35] For example, whether they are comfortable with paying by debit which does not provide chargeback guarantee.
[36] See OECD Trust Survey (2017: 32–33) for a wider range of factors, including ones which are not relevant to ODR, that contribute to consumer trust in online platform markets.

customer because if the information and options are minimally visible or perceived as less than fair and acceptable, it would require trust on the customer's part to take a leap of faith and make the purchase in the hope that everything will work out. This deters some customers from buying because that initial commitment and trust would have no basis steeped in prior experiences.

In practice, when a new customer finds out during web-browsing that an e-vendor's return policy or payment method(s) are disagreeable, the decision to disengage from the website can be measured in terms of the 'abandonment rate,' which applies to the shopping cart or the checkout process. In Baymard (2020), of the consumers who have reported abandoning their purchase in the three months prior, returns policy and payment method-related issues together accounted for 37 per cent of all abandonment factors (figure 7).[37]

Figure 7. Reasons for abandonments during checkout



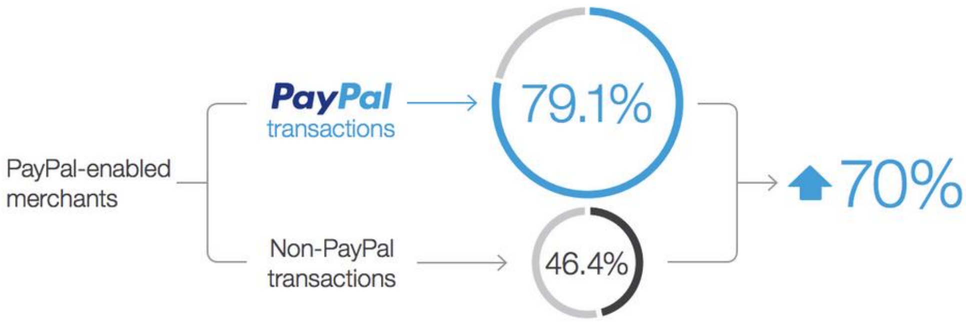
Source: Baymard (2020).

Theoretically, issues related to payment method could also include a proportion of the responses that cited the factor 'too long / complicated checkout process' (21 per cent), in which case the figure would be raised even higher to 58 per cent (ibid.). That is because digital payment systems and apps are often regarded as faster and simpler to use during the online checkout process, relative to credit card and direct debit. They hold the user's personal data required for registration, and most, if not all, are able to be interoperable with the merchant site if the app is accepted as a payment option. As such, a separate new customer registration procedure is normally not required for the verification of identity or shipping information.

[37] The 37 per cent figure is aggregated from the following factors in the distribution found in figure 8: 'Returns policy wasn't satisfactory', 'I didn't trust the site with my credit card information', 'there weren't enough payment methods', and 'my credit card was declined' (Baymard 2020).

Ease of payment is a key driver of positive ‘conversion rate,’ which is one of the most important metrics used to track online retail success. It refers to the percentage of visitors that complete a purchase at a merchant website. In practice, it has been shown in a Nielsen 2013 study that in the United States, the conversion rate for Paypal transactions was 70 per cent higher than non-Paypal transactions for e-merchants who offered both Paypal and non-Paypal payment methods (figure 8). Other e-payment technologies deployed widely in China, including Alipay and Wechat pay as previously noted, are also well-known contributing factors that influence consumer trust levels (KPMG 2017: 12): ‘One of the reasons that China is so mobile-centric is because third-party payment systems using mobile apps are widely accepted in China both online and in shops. Chinese consumers are unique in their high confidence in third-party payment systems.’[38]

Figure 8. Online checkout conversion rate



Source: Osman (2021).

But as many digital payment users who have filed a dispute would agree, their benefits go beyond checkout ease and speed. Based on reported consumer experiences, the real confidence booster mechanism lies in its third-party guarantor feature, especially when consumers can identify the digital payment system brand before engaging with the affiliated business. Such e-payment systems offer the consumer a peace of mind by serving as a third-party mediator, much like the credit card charge-back system except better.[39] It is designed to be an independent institutional mechanism that protects payment – by securely transferring, holding, releasing payment and in the case a dispute arises, deciding to which party to direct the funds. Such third-party guarantor mechanism in digital payment systems work well in conjunction with guarantee or moneyback policies to supply ‘institution-based trust’ (Chiu et al 2009; Grabner-Kraeuter 2002). This is partly due to the consumer’s perception of “effective institutional structures” (Lu, Zeng and Fan 2016; Pavlou and Gefen 2005) that can lead to a sense of interactional fairness (Chiu et al 2009), which is ultimately encapsulated in the concept of delivering justice to ensure “consumers’ rights and interests” (ibid.). This concept of justice from a transaction perspective is elaborated in the last section, where other factors contributing to trust- and relationship-building during dispute settlement are also considered.

2.2.2 Retaining current customers

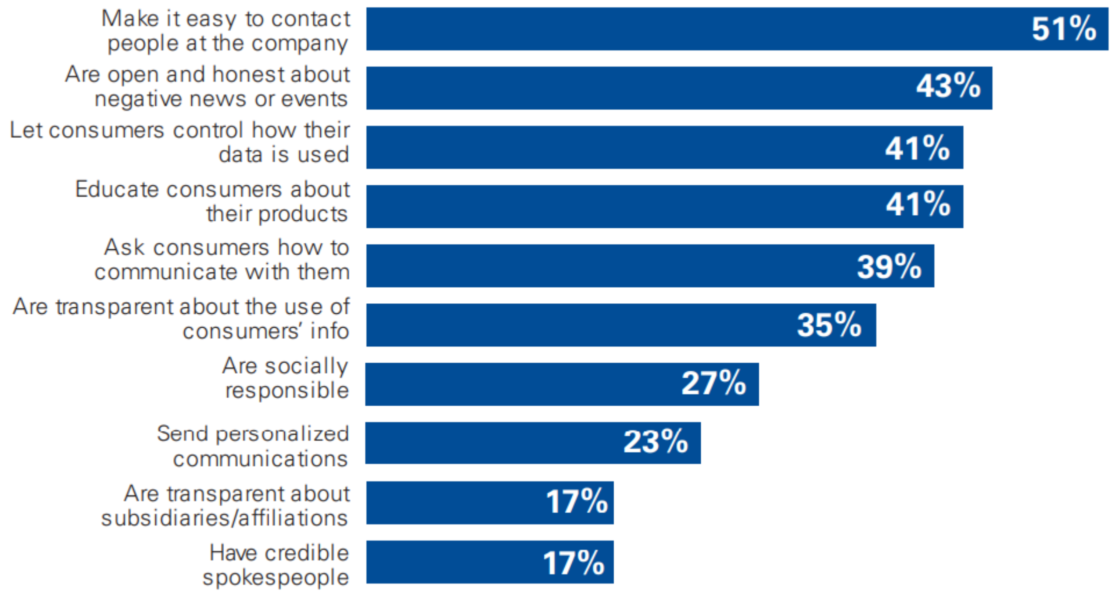
In business studies and marketing sciences, conventional wisdom has long held that to obtain customer satisfaction and increase sales, trust is crucial: ‘Trust means advocating

[38] See figure 4 for a comparison between the diversified e-payment landscape in several countries and China’s strong preference for Alipay and Wechat pay.
[39] Charge-back only offers unidirectional protection for consumers instead of both ways that includes businesses (Schmitz and Rule 2017: 15).

for the customer's long-term interests… Trust increases customer loyalty as satisfied customers return to buy repeatedly and widen the range of their product purchases' (Urban 2003: 4).[40] To find out whether this is true, there are a few layers of factors to unpack: how each above-mentioned constituent factor is linked to trust; which ones make for good indicators of trust; and what are the different pathways to trust and the dimensions in which it can develop.

KPMG (2017) showed that the top reason for consumers to trust a company is when they find it 'easy to contact' them (figure 9). Globally, 51 per cent of consumers surveyed hold this view but in Canada, the United Kingdom, and Australia, the figures ranged even higher, up to 64 per cent. Relatedly, the top company attribute that is most likely to make a customer loyal is 'excellent customer support' (figure 10). Pair these findings together, a picture emerges: customer support and customer experience drive consumer trust and loyalty, as highlighted in guideline 11 of the United Nations Guidelines, 'Principles for good business practices.'[41]

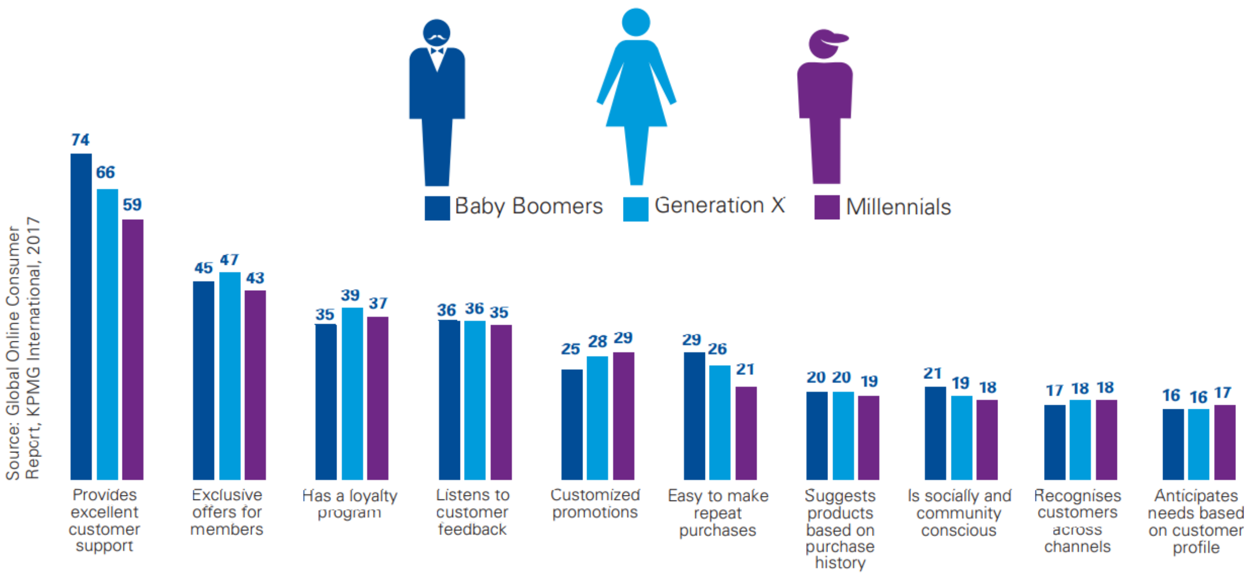
Figure 9. What do the companies that consumers trust most have in common?



Source: KPMG (2017).

[40] MIT Sloan Business School's 'The Trust Imperative.'
[41] UNGCP 11 (a) to (f).

Figure 10. Top 10 attributes that drive customer loyalty (by generation and percentage)



Source: KPMG (2017).

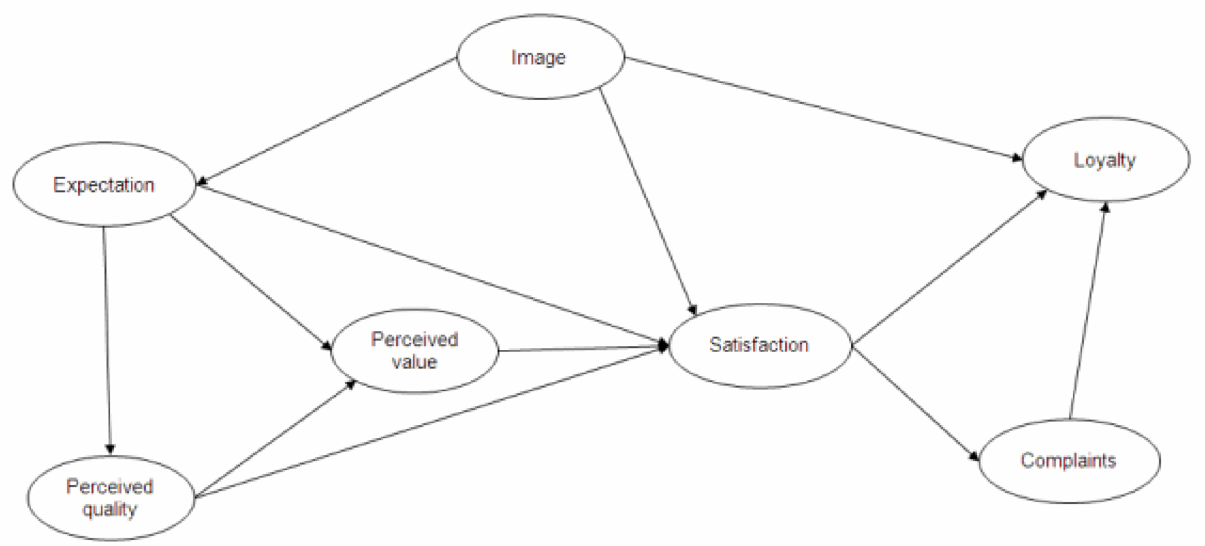
Regarding customer service quality, a closer look at earlier studies on consumer satisfaction from the late 1990s to the early 2000s reveals different frameworks for conceptualizing and testing sequential satisfaction and loyalty chain.[42] Harris and Goode (2004: 152), for instance, proposed "trust as the central driver of loyalty" as well as satisfaction, based on data from two online consumer surveys. After modelling data from 619 bidders in online auctions, Yen and Lu (2008) concluded that buyers become receptive to bidding in online auctions as a result of customer satisfaction, and that satisfaction is then positively associated with loyalty intentions through revisiting the website.[43] In Wang et al (2018), meta-analysis of an aggregate of empirical findings from multiple fields of literatures also largely concurred with the above. Their study showed that customer satisfaction towards service (and product and brand) strongly influences attitudinal loyalty (for example, trust) and behavioural loyalty (for example, repurchasing intention). Importantly, they found that high-monopoly markets in e-commerce exhibit stronger customer loyalty than highly competitive markets (for example, giant e-marketplaces versus small and medium-sized enterprises (SMEs)). This means customers show loyalty not because of satisfaction but due to a lack of alternative or a lock-in effect. Such anticompetitive environment may also mean room for the growth of unhealthy business practices.

Although service and support quality are generally found to be important aspects of ensuring customer satisfaction, other studies have focused on one specific area of service and support – complaints and recovery, and relatedly their effects on trust, satisfaction and loyalty. Figure 11 shows an example analytical framework developed by the European Customer Satisfaction Index (XLSTAT 2020); other variations of such schematics have also been created to investigate the correlative and causal links between the constituent factors. Sousa and Voss (2009: 1), for example, surveyed e-banking service customers and concluded that satisfactory problem resolution leads to increased loyalty, and that "the impact (size effect) of outstanding recovery on loyalty is

[42] See the studies from 1997 to 2004 mentioned in Harris and Goode (2004).
[43] Here, disconfirmation means that buyers who hold a positive view of their auction experience will reaffirm their initial beliefs about how the auction will turn out satisfactorily.

substantial" (that is, unresolved disputes decrease loyalty). As a practical implication, they recommended that "e-service delivery systems should be designed with a strong failure-prevention mindset and include effective service recovery mechanisms." Biscaia et al (2016) assessed customer satisfaction and loyalty in the retail sector. They suggested that a positive causal relationship can be found between satisfaction and loyalty at a 2:1 ratio.[44] In particular, the impact of complaints was noted as an antecedent of loyalty, as is satisfaction. By comparison, O'Byrne (2018) found in their study that "a 10 per cent increase in customer satisfaction delivers a 13 per cent increase in loyalty." Further, they found that faster resolution timescales led to improved satisfaction and loyalty, which in turn decreased customers' intention to churn and their actual churn rate. In line with this, Tontini et al (2015) found that during service failure, the speed of recovery has the highest impact on customer satisfaction levels (compared to other factors examined), which in turn indirectly affects customer loyalty.

Figure 11. European Customer Satisfaction Index



Source: XLSTAT (2020).

If a complaints recovery service, a part of most in-house ODR systems, is so important to customer loyalty as the studies above have shown over the years, one might wonder why e-commerce vendors are less than completely enthusiastic about implementing ODR schemes. Traditionally, customer service, of which complaints recovery is a part, has been regarded as a cost centre where investment is a long game rather than a profit centre where return on investment is considered tangible and immediately visible (Redbord 2021). In addition, as noted previously, ODR is not by nature an appealing subject due to its usefulness later the transaction process. If a company, especially an SME, cannot clearly see how disputes may tangibly harm their financial prospects, or if the ODR system is too expensive to build, then it would not make economic sense for them to invest in it. Alternatively, SMEs of some countries have the option of joining a national public ODR provider. Most of these national systems only require commitment from the business, such as Mexico's Concilianet platform and Brazil's Consumidor platform, the latter of which boasts an 80 per cent resolution rate at the conciliation stage and averaging seven days to reach a resolution (UNCTAD 2017: 11).[45]

[44] An increase in satisfaction by two units means loyalty can be forecast to increase by one unit.
[45] As this chapter is focused on selected private sector ODR systems and processes, other examples of public ODR schemes at the national level and regional level are not discussed here. These examples will be discussed in an UNCTAD report (forthcoming in 2022) that examines selected consumer dispute resolution systems globally.

To demonstrate why it is worthwhile for companies to invest in ODR or to join and commit to a public ODR scheme, Rule (2012) analysed a first-hand dataset from Ebay's dispute resolution service. He regarded customer satisfaction as an unreliable indicator of loyalty due to mixed results, where dissatisfied customers may in fact remain loyal and repurchase from the same seller.[46] Thus, Rule decided to examine actual repurchasing statistics rather than just repurchasing intentions, noting that satisfaction rates may not accurately show the effectiveness of dispute resolution mechanisms (Schmitz and Rule 2017: 42). After conducting a 'return on resolutions' analysis[47], Rule stated that the metric for the first time quantified "the economic benefit to companies that invest in building fast and fair resolution systems as a means of cultivating consumer trust." The results "demonstrate that once a buyer goes through an easy-to-navigate ODR process, the buyer establishes a durable connection and affinity for the site in question… Experiencing fast and fair resolutions drives buyers to increase their use of the overall website by a statistically significant amount" (ibid.: 53–57). In addition to the loyalty benefit, the study revealed that the mere presence and availability of an effective ODR mechanism helped increase consumer confidence, regardless of the outcome. The reasons are two-fold: for new customers, a trustworthy ODR brand on the merchant website can help to instill confidence through its signalling benefit and turn browsing into purchasing, as the previous Paypal conversion rate example has shown; for dispute claimants who had gone through the process, just experiencing a transparent, effective and fair ODR procedure can induce positive emotions (ibid. 58–59).

Similar to Rule, Knox and Oest (2014) also examined the impact of actual complaints and recoveries on subsequent customer purchasing, using data from 20,000 new customers of an e-tailer over two-and-a-half years. They arrived at three findings salient to ODR in terms of gaining consumer trust: recovery has a substantial impact on customer churn, offsetting the loss associated with a complaint; where there is a recent complaint, it is most important and profitable to focus on assisting an established customer with recovery services rather than trying to acquire new customers, and; if a dispute can be prevented from happening inexpensively, it is better to do so than to wait until recovery is needed.

2.3 More than recovery and resolution: A sense of justice matters

it is evident that the service quality and speed during the recovery of disputes and complaints can significantly impact customer loyalty (and satisfaction in most cases). Increased loyalty or satisfaction, as shown through various examples, indicates stronger consumer trust. But there is one other dimension which is also a key to customer satisfaction and loyalty that has not yet been elaborated: the consumer's perception of justice. Below, the main types of justice that can come into play during the ODR process are discussed.

Research from offline store settings since at least the 1990s has shown that transactional satisfaction alone based on high quality products and brands offered is not enough to retain customer loyalty to a company. Good relational environment is the key that goes above and beyond satisfaction to keep customers coming back (Garbarino and Johnson 1999). Within that, it is the quality of the interactions, especially during a complaint or dispute, that matters most to consumers. During the process of seeking remedy,

[46] For example, Wu (2011), a study comprising of 121 survey participants, also found that online (complaints and disputes) recovery service quality had a positive effect on customer loyalty, despite having had no effect on customer satisfaction.
[47] A 'holistic perspective integrating all-in costs, customer support, buyer retention and loyalty, and increased trust.'

consumers are heavily influenced by their perception of whether they have experienced three types of justice. (Blodgett, Hill and Tax 1997):

(a) Distributive justice: the perceived fairness of the remedy offered by the seller.

(b) Procedural justice: the perceived fairness of the policies and procedures used by the seller in processing a complaint.

(c) Interactional justice: the manner in which the complainant was treated.

In the digital era and more recently, the justice dimension of online retail has also been explored by researchers to determine the intricacies of its linkages to antecedents of loyalty. For instance, Fan, Wu and Wu (2010) found that perceived distributive justice and procedural justice in the recovery process both have a positive impact on customer satisfaction. They also observed loyalty through re-patronage intention from customers that sensed procedural justice. Luo et al (2016) arrived at similar conclusions from their empirical study of online retail based on 226 survey responses. Their findings supported the view that all three types of perceived justice (distributive, procedural and interactional) strongly influenced consumer satisfaction towards service failure complaints handling in e-commerce, which in turn impacted consumer loyalty. They recommended that companies strengthen their after-sales service by training employees to handle consumer complaints effectively and timely and provide ‘convenient platforms’ for complaints processing.

Similarly, Uruena and Hidalgo (2016) tested the relationship between the three forms of justice and satisfaction, service recovery and trust in a B2C e-commerce setting. After analysing complaints from 303 online purchases from vendors on an e-commerce platform, they concluded that procedural justice and interactional justice are key antecedents to loyalty, where customers valued the vendor’s efforts and effective procedures during service recovery. They also noted that payment and logistics systems that are directly under the vendor’s control, as opposed to the e-commerce platform, can create tricky situations for customers when problems arise, thus evoking negative emotions. Chiu et al’s (2009) study of 311 online customers indicated that perceived fairness arising from distributive justice, procedural justice and interactional justice were all strong predictors of trust, which in turn influenced customer satisfaction and loyalty intention. They also highlighted how important information is, in the form of guarantee and moneyback policies online, if a vendor is to increase consumers’ perceptions of distributive fairness and interactional justice.

In sum, when a consumer feels that justice has been delivered in the way a business handles its customer complaints online, it triggers positive emotions such as customer trust, satisfaction and loyalty. Although the three types of justices – distributive (fair outcome), procedural (fair process), and interactional (service quality and experience) – were measured differently across studies, it is safe to conclude that the need for a sense of justice weighs heavily in the customer’s mind based on their perception of how well they are treated during dispute resolution process. In other words, the right interplay between the three types of justice can go a long way in eliciting consumer trust and the potential of repeat purchase.

3. Implications and Conclusions

3.1 Implications: Seizing opportunities by building trust collaboratively

The preceding chapters point to a strong case for the need to redouble efforts on consumer trust-building at this critical juncture in global e-commerce development. If the full potential of e-commerce is to be harnessed, especially by developing countries, then it is important to recognize that trust is essential – not least from a consumer's perspective (figure 12).[48] By reaching a consensus that consumer trust should be regarded as a precious and dynamic asset, it can provide the common ground needed for joint actions by public, private and civil society actors.

Figure 12. 'Trust essential for future success' and how it matters to different sectors

Source: Edelman Trust Barometer (2020).

To proactively strengthen consumer trust through joint initiatives and partnerships, scalable approaches to creating, implementing and enforcing consumer protection measures are needed. They require various forms of government intervention, political will and international collaboration. Governments and intergovernmental organizations are pivotal in these processes, which they are already keenly aware and acting upon (ICPEN 2021; OECD 2016; UNCTAD 2021b). To this end, public institutions need to reinvest in increasing their credibility, capacity and capability to become leaders of change and progress – especially given the current state of public perception towards trust in institutions (figure 13). As highlighted by the European Commission (Consumer Protection 2019: 44), "Building trust in public institutions with regards to consumer protection issues is particularly important as 'Trust is a driver for consumers to engage actively in markets.'

[48] A sentiment that has already been noted by various commentators, such as Shopify.com (2021): "global e-commerce isn't a choice; it's a necessity."

Figure 13. To build trust, address the biggest challenges

Source: Edelman Trust Barometer (2020).

To turn the current trust predicament into an opportunity, UNCTAD has been leading the way in strengthening multilateral collaborations with various partnering countries and sectors (UNCTAD Research Paper 2020, No 54). As institutional trust in United Nations bodies and agencies is continually increasing in many parts of the world (Edelman Trust Barometer 2020), they are well-placed to facilitate and coordinate joint efforts in tackling these truly complex consumer protection issues. Not only are United Nations-led collaborations a suitable vehicle for addressing such "pressing societal challenges that stoke people's fears" as lagging consumer confidence, these partnerships are "a major opportunity for our institutions to advance society — and build trust" (ibid.).

As this paper has noted, ODR is a core consumer protection mechanism that shows great promise for engendering trust if it can be effectively implemented, especially for the SME sector. Since most e-marketplaces or giant platforms have their own in-house ODR systems, it is SMEs that will really benefit from a better understanding of how ODR can improve their businesses and save costs. Also, considering that SMEs have the same set of sectoral characteristics that make them less competitive than e-marketplaces (UNCTAD 2020a), any opportunity to gain new customers or retain existing ones – in this case through the implementation of ODR individually or across the sector – would prove valuable to their business. These characteristics include SMEs' smaller customer base, less online exposure, higher segment-specific competition, a lack of access to or implementation of ADR or ODR, and their uncertainties about ADR or ODR (knowledge, technical know-how, and payment support).[49] These competitive challenges, along with SMEs' much larger sector size relative to e-marketplaces should incentivize SMEs to better understand whether there is a compelling business case for ODR implementation.

[49] European Commission Consumer Report (2019); European Commission Retailer Report (2019).

ODR presents a 'trust opportunity' owing to its adoption potential in the emerging sectors of digital economies and developing countries.[50] Failure to fully appreciate and recognize the importance of consumer trust and its associated challenges can lead to delayed ODR adoption and implementation. In the long run, such inaction can hamper economic development and result in financial repercussions, as illustrated in the foregoing discussions around the theoretical underpinnings and practical implications of consumer trust and ODR.

3.2 Conclusions

Many countries are encountering a common set of challenges and opportunities in the digital economy. The opportunities relate to the unprecedented surge in global ecommerce brought about by the pandemic, even as it was already undergoing expansion pre-COVID-19. This contrasts with the challenges of how the pandemic has exposed an already widening gap of a low consumer trust climate beneath the positive economic outlook, and it is only accelerating.

That trust is essential to business may appear intuitive. However, it is a complex topic. Preeminent scholars, including Nobel Laureates, have devoted their lives to studying trust. Drawing on their seminal work, including the economic, sociological and legal theories of alternative governance and contracting systems, this paper framed the theory of trust around business transactions. Third-party institutional mechanism commonly found in ODR has in fact been used throughout history to decrease distrust and resolve disputes in distance trading. This mechanism brings out the tangible value that is embedded within trust during a business transaction. In an ODR, trust becomes a transferrable asset in the form of an independent third-party intermediary. By bridging the seller and buyer who would otherwise be suspicious of each another's motives, mutual benefits can be had for all.

To evidence theories of trust, selected studies were surveyed to examine the practical benefits of effective consumer ODR and the costs of distrust in its absence. This paper reviewed a blend of interdisciplinary consumer empirical studies, which circumvented the roadblock caused by a paucity of data from ODR systems. To identify indicators of trust in an online purchase lifecycle, ODR processes are compartmentalized into two distinct areas (payment system and dispute resolution) and two customer categories (new and current). The evidence shows that: a) as part of consumer ODR, return policy and payment options that are clear, simple, easy to use and offer a third-party mediated moneyback guarantee can ensure consumer confidence and decrease shopping cart abandonment; b) trust, satisfaction and loyalty are correlated with fast dispute resolution processes, fair outcomes and high service quality; c) a sense of justice – distributive, procedural and interactional – throughout the complaints handling process can trigger positive emotions that lead to trust, satisfaction and repurchasing intentions; d) finally, it is better to prevent disputes cheaply where possible, and the mere presence of ODR in an e-business is useful for this purpose.

Cross-border B2C and SMEs still hold vast potentials that remain to be unlocked. To fully seize these opportunities, the challenges around consumer trust must be addressed. The effective implementation of ODR mechanisms is key to enabling consumer trust. This requires reinvestment in and recommitments to international multisectoral collaborations and multilateral cooperation by governments, businesses and civil society. Given the high-stakes outcome for the future of consumer protection, it is time to act.

[50] The term 'trust opportunity' is borrowed from 'The trust opportunity: Exploring consumer attitudes to the Internet of Things' (Consumers International and Internet Society 2019).

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