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# Draft Proposal for Good Online Business Practices: *Building Trust and Confidence in Electronic Commerce*

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## Recommendations for a Practical Implementation of Trust Enabling Services

*“The value of e-business is fundamentally tied to achieving the trust that allows us to rely on electronic information transmitted over the Internet. While in the face-to-face world, trust was often built on personal relationships; trust in the electronic world depends on creating generic, structured approaches to help ensure that data is accurate, relevant, complete and current. This means specific services must be put in place to establish and help ensure trust before the full potential for e-commerce, collaboration, electronic markets and dynamic partnering can be realized.”*, IBM Global Services, Executive Tek Report<sup>1</sup>.

The GBDe seeks practical recommendations for good online business practices that promote the development of a global online economy.

The volume and velocity of information required by stakeholders of electronic commerce transactions to achieve the expected economic value potential of a global online economy is being inhibited by their inability to trust. This level of information sharing and collaboration requires a **culture of trust that facilitates the free flow of information, rather than a “culture of security” that confines it**<sup>2</sup>.

This is a proposal for new GBDe recommendations that address the trust problem directly and comprehensively, with solutions that are highly effective and practical to implement.

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<sup>1</sup> Peter Andrews' interview with Alex Todd, Senior Consultant with IBM Global Services Canada. This issue of IBM Global Services' Executive Tek Report is available on IBM's web site at [http://www-1.ibm.com/services/insights/etr\\_trust.html](http://www-1.ibm.com/services/insights/etr_trust.html).

<sup>2</sup> “...doubling private security spending reduces potential output by 0.6 percentage points after five years, and lowers productivity by 0.8 percentage points in that time.” – WSJ June 7, 2002

## Building Consumer Trust Working Sub-Group

### Considerations

Current workgroup efforts should be expanded to address the following trust-enabling service categories more comprehensively:

- 1) Clearly define trust-enabling objectives for each policy recommendation according to whether it is intended to establish a level of trust or protect from a deficiency of trust;
- 2) Make recommendations for policies that help to achieve the higher levels of trust required to commit to transactions of greater value, beyond trustmarks;
- 3) Make recommendations for policies that help to establish trust in critical information used by stakeholder throughout all phases of an electronic commerce transaction (Discovery, Negotiation & Order, Fulfillment; and Settlement & Compliance), beyond identity/authentication;
- 4) Make recommendations for policies that would allow relying parties to transfer risk (i.e. insurance, warranties, etc.);
- 5) Make recommendations for policies that allow parties engaged in electronic commerce to define and choose their preferred governing rules of engagement; and
- 6) Make recommendations for policies that facilitate the implementation and use of trust-enabling services.

## New Working Sub-Group: Building B2B Trust

### Considerations

In light of the projected high growth of B2B revenue online<sup>3</sup>, a new working sub-group should be established to make policy recommendations that address the trust-enabling service requirements of businesses, especially small and medium-sized enterprise who are pursuing global competitive and collaboration<sup>4</sup> strategies online.

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<sup>3</sup> "eMarketer projects that worldwide business-to-business (B2B) ecommerce revenues will grow by almost 74 percent in 2002. The Internet research company forecasts that B2B revenues will reach USD823.4 billion by the end of the year, up from USD474.3 billion during 2001. By the end of 2003, B2B revenues are expected to pass the one trillion mark and by the end of 2004 are estimated to total USD2.3 trillion. Source: eMarketer". Quoted from <http://www.gbde.org/gbde2003.html>.

<sup>4</sup> "...distrust is the highest barrier to implementing advanced e-business applications, such as supply chain management and product design collaboration systems that link companies to their suppliers, customers and business partners." – National Post (May 2002), based on survey by NerveWire.

## New Working Sub-Group: Building G2C & G2B Trust

### Considerations

A new working sub-group should be established to make policy recommendations that address the trust-enabling service requirements of e-government initiatives that set the climate for economic growth<sup>5</sup>, with a “customer-service vision” that places “citizens and businesses at the core of its eGovernment initiative”<sup>6</sup>. E-Government initiatives that focus on creating a climate that promotes confidence in electronic information being relied upon by their stakeholders (citizens, businesses and other governments) will significantly increase the velocity, volume and value of resulting business transactions and ultimately their economic impact<sup>7</sup>, thereby promoting foreign trade and fueling tax revenue generation.

<sup>5</sup> “Governments are central players in the new economy. They set the climate for wealth creation. They can act as deadening hands on change or be the catalyst for creativity. They can cause economic stagnation or they can set a climate for economic growth.”, per Don Tapscott, chairman of the Alliance for Converging Technologies.

<sup>6</sup> “Canada leads the world in terms of overall e-government maturity, according to a new study. For the third year in a row, Canada was judged to have the best e-government initiatives. According to the study, Canada’s eGovernment initiative is differentiated by its customer-service vision; methods for measuring success of services; broad, integrated approach to offering government services through multiple service-delivery channels; and a cross-agency approach to online services. Further, the government has placed its citizens and businesses at the core of its eGovernment initiative, identifying services for individual customer segments, and government executives view eGovernment as an evolutionary process that is part of a broader service transformation effort. Rounding out the top 10 countries in terms of overall e-government maturity are Singapore, the United States, Denmark, Australia, Finland, Hong Kong, the United Kingdom, Germany, and Ireland.” Available at <http://www.gbdeconference.org/hotel.html>.

<sup>7</sup> Knack and Keefer (1997), for example, found that a very simple measure of how trusting inhabitants of different countries are is a significant explanatory variable in regressions of average annual growth rates in per capita income from 1980 to 1992. Moreover, the impact is large – a 10% increase in the measure of trust translates into a .8% increase in economic growth – a sizable increment given world average growth rates of 1% to 3% in the latter half of the 20th century.

# Trust for Emerging Economies

## New Working Sub-Group: Building Digital Trust Bridges for Emerging Economies

### Considerations

A new working sub-group should be established to make policy recommendations that address the trust-enabling service requirements of emerging economies. Studies have shown that trust significantly impacts Internet adoption across countries and that “differences in trust may produce a digital divide among nations.”<sup>8</sup>

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<sup>8</sup>“The Internet is expected to have a positive impact on economic growth. In this paper, we examine how differences in willingness to trust influence Internet adoption rates across countries. We show that trust has a statistically significant influence on levels of Internet penetration across countries. We also show that increasing Internet adoption through policies to promote trust will have larger impacts on high than low trust countries -- differences in trust may produce a digital divide among nations. Since low trust countries tend to be low or middle income countries, this digital divide between countries may translate into a developmental divide.” Trust, the Internet and the Digital Divide, Hai Huang, Claudia Keser, Jonathan Leland, and Jason Shachat, IBM T. J. Watson Research Center, June 2002.

# Trust Infrastructure

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## New Working Group: Building a Trust Infrastructure for the Future of the Internet

### Considerations

A new working group should be established to make policy recommendations that comprehensively address the universal trust-enabling service infrastructure requirements and architecture for all stakeholders of electronic commerce on the Internet of the Future, because *“Digital infrastructure does determine behavior to an extraordinary extent.”*<sup>9</sup>

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<sup>9</sup> The Augmented Social Network: Building identity and trust into the next-generation Internet by Ken Jordan, Jan Hauser, and Steven Foster. First Monday, volume 8, number 8 (August 2003), URL: [http://firstmonday.org/issues/issue8\\_8/jordan/index.html](http://firstmonday.org/issues/issue8_8/jordan/index.html).