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Wei Sha  
*Pittsburg State University*

Maeve Cummings  
*Pittsburg State University*

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## EXAMINING PERCEIVED JUSTICE IN BUSINESS-TO-CONSUMER E-COMMERCE: AN ORGANIZATIONAL JUSTICE THEORY PERSPECTIVE

Wei Sha, Pittsburg State University

Maeve Cummings, Pittsburg State University

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*This study examines the existence of perceived justice in business-to-consumer electronic commerce and its influence on consumer intentions. Perceived justice, a construct mainly examined in management and marketing literature, may play an important role in people's decision making process when they shop online. Prior information system online trust research shed little light on this important issue. Based on the organizational justice, this study proposes that distributive justice, procedural justice, and interaction justice constitute three dimensions of perceived justice in business-to-consumer electronic commerce. The validity of perceived justice is examined in a nomological network with trusting beliefs and purchase intentions.*

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The growth of Business-To-Consumer (B2C) e-commerce has been slower than expected. The US Census Bureau estimated that online retail sales for 2007 were about \$136.4 billion, and only accounted for 3.4 percent of total retail sales in 2007 (US Census Bureau, 2008). This amount is far less than business analysts had hoped B2C e-commerce would reach since its inception. Lack of trust could be a major reason for consumers' lack of interest to purchase online. One way to increase consumer's trust in an online vendor could be to increase consumers' beliefs that they are treated fairly by web vendors. This perceived justice might in turn cause customers to purchase from a web vendor. However, there is little empirical evidence, either from survey studies or from experiment studies, to show that perceived justice could actually contribute in explaining customers' online trusting behaviors. This research proposes that the organizational justice theory can be used to analyze the role of perceived justice in determining consumer online trusting intentions and behaviors. The organizational justice theory emphasizes the role of perceived justice in workplace, and proposes that perceived justice has three dimensions, i.e. distributive justice, procedural justice and interactional justice (Carr, 2007; Niehoff & Moorman, 1993). Although perceived justice beliefs are mainly examined in organizational context, it might be possible that B2C e-commerce customers may also have these beliefs based on their dealings with web vendors and these beliefs could influence these customers' intentions. This investigation is particularly important to practitioners because they can easily improve their website design strategies if the effect of perceived justice on consumer intentions is indeed valid. Otherwise, web vendors would be better off to invest their capital in other areas of their business.

The rest of the paper is organized as follows: first, current research results about perceived justice is reviewed, and a research model is proposed based on the organizational justice theory; second, results from the analysis of data gathered through a survey is presented; and, third, contributions and limitations of the research are presented.

### LITERATURE REVIEW

Organizational justice theory proposes that individuals would weight their input (what they pay) against potential or realistic outcomes (what they get) in an exchange relationship context. Perceived justice would be achieved if there is an appropriate balance between what they pay and what they get. An imbalance could come from three potential sources, overvalued outcomes or undervalued outcomes, inappropriate policies or procedures, and the manner which a person is treated. Therefore, perceived justice has three dimensions, i.e. distributive justice, procedural justice and interactional justice (Niehoff & Moorman, 1993). Distributive justice is defined as the degree to which someone "believe that they have been fairly rewarded for the performance, effort, experience, and stress associated with their jobs" (Maxham & Netemeyer, 2003). Procedural justice is defined as the degree to which someone believes there are fair policies and regulations in place to distribute the rewards (Niehoff & Moorman, 1993). Interactional justice refers to the "justice of the interpersonal treatment people receive during the enactment of procedures" (Tax, Brown & Chandrashekar, 1998). Any imbalance along these three dimensions would prompt individuals to take action to restore balance and to reduce any distress associated with it (Carr, 2007). Research has shown that procedural justice has higher influence on trust than other dimensions of perceived justice construct (Pillai, Schriesheim & Williams, 1999). When consumers observed procedural justice from a firm, they tend to trust the firm more by revealing their private information and tend to continue in the relationship (Culnan & Armstrong, 1999).

The reasons to study perceived justice constructs are twofold. First, research has examined the influence of these constructs in brick-and-mortar retailing environment. There is very little research about perceived justice in B2C e-commerce. If consumers do have perceived justice beliefs based on their interaction with a web vendor, these beliefs may have salient impact on their intentions and behaviors. Therefore, it is important to validate the possible application

of existing theory in virtual retailing environment. Second, perceived justice beliefs are primarily generated from customers' interactions with web vendors, particularly from interactions with a vendor's web store front. Therefore, web site design features, such as customer service policies and return policies, may have important implications in forming perceived justice beliefs. The investigation of the impact of these design features may assist web vendors to improve their web design strategy.

In B2c e-commerce, consumers would expect that they will be fairly treated by the web vendors. The price and product information displayed on a web vendor's website should be fair valued and accurate. Given a vendor's competitor's web store front is just one click away, it is relatively easy to find out whether the price and product information are accurate and fair valued. If there are any misleading or missing information, consumers may feel that they are not being fairly treated, and may consequently move on to other web vendors for their shopping needs. Therefore, distributive justice beliefs can be generated in B2C e-commerce and may have significant influence on consumers' online shopping intentions. Consumers often check out a web vendor's customer service policies, particularly shipping and return policies, before they complete their shopping process. These policies usually spelled out clearly what a consumer would expect when it comes to product shipping and returns. A fair policy from consumers' perspective would be appropriate shipping charges or 30 day return policies. If a web vendor has an unfair policy or a policy with important information missing, consumers may consider these policies as unfair and may turn away to its competitors. Therefore, procedural justice beliefs can be generated in B2C e-commerce and may have significant influence on consumers' online shopping intentions. Consumers should feel they are fairly treated if they enjoy a smooth and trouble free navigation on a vendor's website. A broken link or awkward navigation structure would certainly not enhance these feelings. Additionally, if they have any concerns or questions regarding a web vendor's product, consumers may contact the web vendor for answers either through emails or phone calls. If this experience is courteous and pleasant, consumers may feel their interaction with the vendor is fair. Therefore, interaction justice beliefs can be generated in B2C e-commerce and may have significant influence on consumers' online shopping intentions. Existing research often proposed that distributive justice, procedural justice, and interaction justice are three dimensions of a secondary construct, perceived justice. This research follows this framework and proposes that perceived justice, as a second level construct, has three dimensions, distributive justice, procedural justice, and interaction justice, and its impact can

be tested in a nomological network with two other constructs, trusting beliefs and purchase intentions.

**Hypothesis 1:** There are three dimensions for consumers' perceived justice beliefs in B2C e-commerce, i.e. distributive justice, procedural justice, and interaction justice.

**Hypothesis 2:** A customer's perceived justice beliefs will have a significant effect on the customer's purchase intentions toward a web vendor.

Trusting beliefs are a truster's specific beliefs about a trustee's "competence (ability of the trustee to do what the truster needs), benevolence (trustee caring and motivation to act in the truster's interests), and integrity (trustee honesty and promise keeping)" (McKnight, Choudhury & Kacmar, 2002a, b). These beliefs reflect the truster's salient, subjective assessments of the situation and the truster's interaction with the trustee. When a consumer trusts a web vendor, the consumer would expect the web vendor to present fair and accurate product information, have proper customer service policies in place and treat its customers fairly. These business practices are the bases for perceived justice beliefs. Therefore, the relationship between perceived justice and trusting beliefs is hypothesized as below

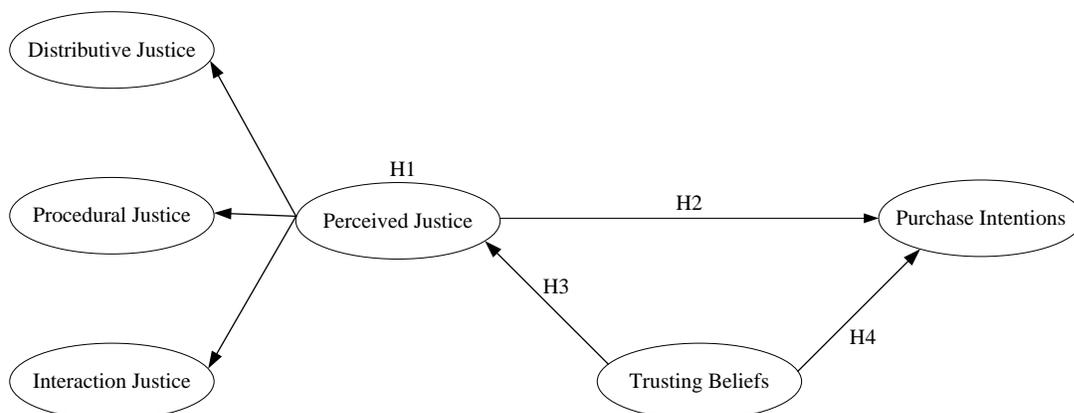
**Hypothesis 3:** A customer's trusting beliefs toward a web vendor will have a significant effect on the customer's perceived justice beliefs.

When a web vendor demonstrates its trustworthiness, its fulfillment abilities, benevolence toward consumers and integrity in its actions (Bhattacharjee, 2002; Jarvenpaa, Tractinsky & Vitale, 2000; McKnight, Choudhury & Kacmar, 2002a, b), its customers will be more likely to purchase from the web vendor. Given ample empirical evidence for the direct relationship between purchase intentions and trusting beliefs, the nomological validity of the proposed research model can be established if a proven relationship is reconfirmed. This would provide additional evidence to support the proposed research model, even though it is not the focus of this research to reconfirm these relationships. Therefore, the impact of trusting beliefs on purchase intentions is hypothesized as below:

**Hypothesis 4:** A customer's trusting beliefs will have a significant effect on the customer's purchase intentions toward a web vendor.

See Figure 1 for a graphical depiction of the proposed model and hypotheses.

**Figure 1: Proposed Research Model**



**METHODOLOGY**

The proposed research model is validated through data collected using a field survey research method. Questionnaire items are adapted from validated instruments and all items are seven point Likert-type scales, anchored “strongly disagree” at 1 and “strongly agree” at 7. The instruments for perceived justice constructs, trusting beliefs and purchasing intentions were chosen from existing literature and modified for this research. Distributive justice is measured by three items, “the deal I agree to with this web vendor is fair,” “my personal information is fairly protected by this web vendor,” and “this web vendor provides fair information to its customers.” Procedural justice is measured by three items, “this web vendor provides opportunities for me to voice my concern,” “this web vendor has fair customer services policies to handle problems,” and “the web vendor indicates flexibilities in dealing with its customers.” Interaction justice is measured by four items, “this web vendor treats its customers in a courteous manner,” “this web vendor shows concern for my rights as a consumer,” “this web vendor’s communications with me are appropriate,” and “this web vendor deal with me in a fair manner.” Trusting beliefs were measure with four items, “this store provides good service,” “this store is honest,” “this store cares about customers,” and “overall, this store is trustworthy.” Purchase intention is measured with two items, “I would use my credit card to purchase from this store,” and “I intend to purchase from this web store.”

**RESULTS**

The questionnaires were completed by 175 students enrolled in three undergraduate courses at a Midwestern university. Using college students as subjects is deemed appropriate because students are familiar with the online shopping environments (McKnight, Choudhury & Kacmar, 2002a,b). A total of 122 usable responses were returned, representing a 70% response rate, with 68% of the respondents men and 32% women. Most of the respondents were between 20 to 23 years old and were Internet savvy users. Subjects mostly used the Internet to purchase CDs, concert tickets, text books, and clothing from various online stores. Table 1 shows the correlations and descriptive statistics for the proposed constructs.

The convergent and discriminant validities of the constructs of the proposed research model are first examined. The validities were examined through the principle components analysis (PCA) (Hair, Anderson, Tatham & Black, 1998). Convergent validity can be established if there are no high cross loadings on unintended constructs. The results from PCA (Table 2) show that five factors, corresponding well with the proposed constructs, and these factors can explain 88% of the total variance. Every item loads on its intended construct (>0.73) with no cross loadings greater than 0.40. The internal consistency reliability was assessed by calculating Cronbach’s alphas. All of the constructs’ Cronbach’s alphas are greater than the 0.70 minimum threshold proposed by Nunnally (1978).

**Table 1: Correlations and Descriptive Statistics for the Proposed Constructs**

	Trusting Beliefs	Procedural Fairness	Distributive Fairness	Interaction Fairness	Purchase Intentions
Trusting Beliefs	1				
Procedural Fairness	0.55	1			
Distributive Fairness	0.64	0.45	1		
Interaction Fairness	0.64	0.62	0.64	1	
Purchase Intentions	0.58	0.39	0.66	0.58	1
Means	5.928	5.342	5.735	5.653	6.029
Standard Deviations	0.904	1.143	0.999	1.106	1.193

**Table 2: Principal Component Factor Analysis Results**

	Interaction Justice	Trusting Beliefs	Procedure Justice	Distributive Justice	Purchase Intentions
if3	0.81				
if1	0.78				
if2	0.77				
if4	0.74				
pt3		0.80			
pt1		0.77			
pt2		0.76			
pt4		0.73			
pf1			0.86		
pf3			0.82		
pf2			0.76		
sf2				0.81	
sf3				0.75	
sf1				0.74	
pi2					0.82
pi1					0.76
Cronbach Alphas	0.93	0.91	0.88	0.87	0.82

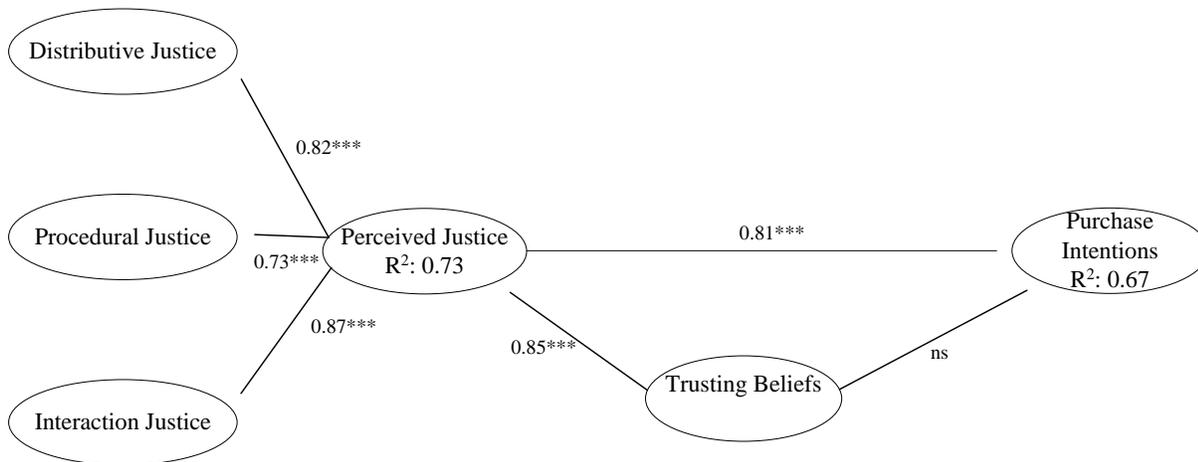
The hypotheses were analyzed by using AMOS 6.0, a Structural Equation Modeling software package. The final results are shown in Figure 2. Figure 2 shows results for both the measurement model for perceived justice and the proposed research model. The model fit statistics (discrepancy ratio, 1.68; AGFI, 0.87; CFI, 0.98; NFI, 0.94; RMSEA, 0.075) for the measurement model indicate an appropriate fit and provide evidence of the existence of perceived justice and its three perceived justice constructs. Therefore, hypothesis 1 is supported. The model fit statistics

(discrepancy ratio, 1.65; AGFI, 0.82; CFI, 0.96; NFI, 0.90; RMSEA, 0.073) for the proposed research model indicate that the model fits the data adequately. The value of RMSEA is on the recommended guidelines (0.08) for a good fit. Both hypothesis 2 and hypothesis 3 were supported, which indicate that perceived justice does play an important role in the nomological network of trusting beliefs and purchase intentions. Hypothesis 4 is not supported, which indicates the influence of trusting beliefs on purchase intentions is completely mediated by perceived justice. The existence of

perceived justice can explain 67% of the total variance of purchase intentions, and 73% of the total variance of

perceived justice is explained by trusting beliefs.

**Figure 2: Results of the Proposed Research Model**



**DISCUSSION AND CONTRIBUTION**

This research adopted the organizational justice theory perspective to investigate whether perceived justice constructs could exist in B2C e-commerce context and is significant in influence customers’ trusting intentions. Results from a survey study verified construct validities for perceived justice, trusting beliefs, and purchase intentions. Consumers’ interactions with a web vendor do form the basis for perceived justice beliefs, which consist of three dimensions, distributive justice, procedural justice and interaction justice. Each of these three components contributed significantly to perceived justice, the secondary construct. Perceived justice is significantly influenced by trusting beliefs, and 67% of variance in purchase intentions can be explained by the combined influence of perceived justice and trusting beliefs. The result also shows that the influence of trusting beliefs on purchase intentions is completely mediated by perceived justice. This research demonstrates the importance of perceived justice in consumers’ online purchase decision making process, and may provide the basis for further examination of perceived justice’s nomological network in B2C e-commerce

The success of e-commerce lies in how well web vendors can persuade customers to trust the vendors and subsequently make product purchases. The results of this survey shows that web vendors can influence consumers’ trusting intention through increasing the degree of perceived justice of web vendors. However, many web vendors’ business practices tend to concentrate on the aesthetic side of interface design, the efficiency of order processing and effective inventory management. This research shows web

vendors’ efforts in improving website design and communication process should be centered on increasing consumers’ perceived justice beliefs. When consumers feel they are being fairly treated, it is more likely that they would make a purchase online.

**LIMITATIONS AND CONCLUSION**

The first limitation is that the analysis results are based on data collected from one survey. Additional data collection and analysis is necessary to replicate the findings. The second limitation of the proposed research model is that this research does not investigate the effect of contingency constructs such as trust propensity or risk propensity. A closer examination of the moderating influence of these constructs could provide a richer understanding of perceived justice construct. The third limitation is that this research does not investigate the possibility that the other important intervening constructs might be omitted from the model. However, this might not be a significant issue given that about 60% of the variance of purchasing intention can be explained by trusting beliefs and perceived justice. The fourth limitation is that a convenient, student sample was used in data collection. Although this method is considered acceptable by some researchers, this sample might not be representative of the online population in general. More representative samples are needed for future studies.

This research examines whether perceived justice in B2C e-commerce, and its impact on customer intentions through a survey study. The organizational justice theory is adopted to analyze the underlining psychological mechanism of how perceived justice could fit in consumer online trust

research nomological network. The results from this research supported the proposed research model, and could further our understanding of perceived justice. Practitioners can also benefit from this study in terms of building customer perceived justice through carefully planned website design features.

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**Wei Sha** is an Assistant Professor in the Department of Computer Science and Information Systems in the College of Business at Pittsburg State University.

**Maeve Cummings** is a Professor in the Department of Computer Science and Information Systems in the College of Business at Pittsburg State University.