Insurance and Trust on the Internet: An Interactive Survey in Singapore and South Korea

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We are grateful to the dozens of executives in Singapore and South Korea who spent their valuable time with us scrutinizing the feasibility of using insurance to help online transactions. We also thank Hanyang University in Korea by arranging for two Korean students, Hyung-Soo Lim and Ju-Hyun Park, to assist us with interpretation services during our interactive surveys of various companies and institutions in South Korea. Logistic support from Nanyang Business School of Nanyang Technological University in Singapore is gratefully acknowledged.
The issue of trust being a stumbling block in the growth of Internet activities is not new. Many researchers recognised the problem that lack of trust can create in e-commerce, or any commerce for that matter [2]. One of the earliest market surveys conducted by the Boston Consulting Group in 1997, on behalf of eTrust, showed that consumers expressed strong concerns regarding privacy over the Internet [11]. Subsequent studies by various authors were unanimous on the issue of trust being an impediment to e-commerce growth [1, 3, 4, 6, 9].

To negate the effects of mistrust, the Internet industry devised various security infrastructures to cope with security concerns, such as building firewalls and digital encryption. Other high tech firms have opted for collaborative efforts such as setting up centres for cyber security and using public key infrastructure. Still others employ Trust certification for websites that meet the requirement of what is considered a trustworthy site. These attempts at allaying the fears of consumers and businesses concerning the issue of trust on the Internet only go a limited way. For many potential transactions, they may not be enough to persuade the relevant parties who are taking a wait-and-see attitude to participate in e-commerce activities.

We focus on another angel, the use of Insurance as a proxy, to create trust for e-commerce activities on the Internet. This simple way is already suggested in the literature [1] (p. 39), and may lesson the worries by many that government regulations possibly be provoked due to certain spectacular frauds [8] (p.31).

**Why Insurance?**

It is generally agreed that, despite all the technical efforts, the security issue would not go away simply because it is more than a technology issue. A closer examination of traditional commerce reveals that the institutional environment such as a legal framework, government regulations and insurance play important roles in facilitating transactions. In the traditional marketplace there must come into place a market whereby sellers and buyers can congregate to conduct their business. The existence of such a market is usually under the auspice of some regulatory bodies such as a government to ensure that trust is generated. In such a model (Figure 1) the government will play a central role in engendering trust. Insurance is merely a participative element whose role, although important, is not central to the transaction act.

**Figure 1**

**Trust Model of Traditional Marketplaces**
In the e-commerce world, the above model will still generally hold true, if transactions are local and all participants are subject to the same legal regulatory rules. However, in transactions that are global in nature, the trust model is changed dramatically. International trade in the traditional model is dependant on the seller being large and visible. Trust is built very slowly over time. Branding is extremely important in the face of asymmetrical information in such transactions. Small players are generally greatly disadvantaged.

E-commerce on a global scale offers the advantage of competitive pricing and levelling of size advantage. The role of government is no longer of paramount importance, as there are doubts about which country’s law will take precedence when there is a conflict. Businessmen are a practical lot: they would not want to go through the rigmarole of seeking redress through international jurisdiction. In fact, any form of legal proceedings is a cost to them and even local jurisdiction over their business affairs is anathema to them. Hence, there is a vacuum in the virtual world that is impeding global e-commerce activities. This vacuum can be partially filled by insurance (Figure 2) while the role of government is relegated to that of a supporting one only.

**Figure 2**
A Trust Model for Marketspace

Before any commercial activity can be initiated seller and buyer must have trust in the marketspace where they will be transacting. This is the first stage trust, which we term *marketspace trust*. In the second stage, which is the order placement, buyers must trust that the goods they order and pay for will be delivered and are what they deemed to be: we term this *buyer’s trust*. In the third stage, which is the order fulfilment, sellers must trust that they will be paid for the goods that they deliver: we term this *seller’s trust*. So any insurance solution must be able to take care of the three basic form of trust.

**Proposed Solution: Internet Trust Insurance**

For marketspace trust resolution, we propose a product called “Comprehensive Marketspace Policy”. This product will offer coverage in the following area:

a) Website Security Insurance
Participants may be concerned that the website they are trading in should be secured and will not be interrupted by downtime and so on. They may want an assurance that the data they posted will be made available only to the right parties and will remain confidential. The insurance company will have a professional team that can properly evaluate the strength and weakness of any particular website in order to make recommendation for improvements etc. before it accepts any risk.

b) Errors & Omission (E&O) Content Insurance

Participants may need to have reliable web content that is not misleading or worse: patently false. Also, any advertisements that they relied upon to make decisions must be truthful and accurate. Sometimes errors and omission are accidental. Those that are accidental can be covered by this policy whilst those that are negligent in nature will allow the insurance company right of compensation after they have made payment to the aggrieved party. Knowledge that information contained therein is guaranteed to be truthful and not misleading can create trust.

c) Trading Partner Identity Insurance

One of the most important impediments to e-commerce is the anonymity of participants on the Internet. They have no idea whether they are wasting their time dealing with prankster, or worse, doing business with confidence tricksters out to take them for a ride. To ensure that people are who they say they are, it is important that the marketspace carefully scrutinize all participants. Yet, participants may not be happy to give confidential information to a budding marketspace as such information may be purveyed later on to unknown people. Almost 95% of Web users have declined to provide personal information to Web sites at one time or another when asked, and 40% who have provided demographic data have gone to the trouble of fabricating it [5].

A third party, such as an insurance company, with a large market capitalization and hence more to lose, will be better placed to acquire these information. Insurance companies have the ability to acquire very detailed particulars of either people or companies because of the principle of utmost good faith. Utmost good faith dictates that all insurance transactions are conducted on this basis. That means insured and insurer must declare all necessary information even when they are not asked, if it is deemed important enough for the other party to make a decision based upon it. Failure to exercise utmost good faith in any insurance transaction will allow the aggrieved party to seek damages or even void the contract altogether. In the light of these considerations, an insurance company might be one right party to accumulate information on all participants in the marketspace.

For buyer’s trust, we propose a product called “Comprehensive Guaranteed Delivery Policy”. Buyers are interested that they will receive the goods they ordered. Not only the goods must arrive at the place agreed upon, it must be the right goods they had in mind. Under contract laws, if the goods they had in mind are different from those that arrived, it is said that there is no contract because there was no consensus ad idem. Here, an insurance company might conduct product inspections before they are shipped or even before they are sold. In this way, trust can be created and buying online may even be better than normal commercial transaction offline. The insurance company will include shipping insurance to cover all the usual risks associated with transporting and shipping the product. This is all done seamlessly to ensure that the guarantee provided is comprehensive.
For seller’s trust, we propose a product called “Comprehensive Guaranteed Payment Policy”. For the seller on the marketspace their main concern is that they are dealing with the right party and that they will be paid for the product they shipped. This policy guaranteed that they would be paid for the goods they shipped. An insurance company can be in charge of collecting all payments. Since the insurance company is already collecting information to verify the identity of all participants in the marketspace they would be suitably placed to check the credit rating of buyers as well. The same argument that buyers and sellers would give information — whether it is financial or otherwise — to insurance company rather than marketspace applies here.

Collectively we would call these three forms of insurance the Internet Trust Insurance (ITI). What we have given is a very rudimentary product definition, as the idea is not so much to involve ourselves in product design but to engage in conceptualizing a framework to enhance trust and promote e-commerce in the marketspace.

**Interactive Surveys**

The data for our study was collected through survey questionnaires and in-depth interviews. The surveys and interviews were conducted in both Singapore and South Korea so that a comparative study on Internet trust issues could be made on the two countries. These two economies were chosen because both rely heavily on electronics and information technology industries, another focus of our study, that exhibit great potential for e-commerce development.

An extensive questionnaire (Appendix C) was designed to elicit responses on respondents’ experiences with the Internet, views on trust, views on the use of insurance to protect online transactions, and the appropriate pricing of the proposed ITI. The questionnaire was translated into Korean language by a professional firm, Wholetreecom (Asia), for the respondents in South Korea.

As ITI is a new concept, we felt that the survey objective would be better achieved if the respondents fully understood the objective of our study and how the proposed ITI works. Therefore, we conducted our surveys on an interactive basis, which involved us approaching each target respondent personally and providing a briefing before asking the respondent to complete the questionnaire (to be referenced as “Interactive Survey” henceforth). Each Interactive Survey took about 30 minutes.

A major advantage of an Interactive Survey is the presence of the interviewers when the respondents are filling out the questionnaires. It is a more personal method and the respondents could seek clarifications or additional information on the spot. Moreover, it encouraged two-way communications and respondents tended to be more forthcoming in verbally offering additional comments, some of which were very valuable.

The survey was conducted from 11 June to 20 June 2001 in Singapore and from 25 June to 29 June 2001 in South Korea. The target respondents for our survey were CEOs, General Managers, or Managers from the Information Technology or Sales/Purchasing Division of organizations mainly in the insurance, electronics, and IT industries. The profile of the respondents is presented in Appendix A.
For the Singapore survey, we visited the International Business Park, Beach Road, and Raffles Place – the financial district - and approached companies from any of the industries listed above. Out of the 42 companies we approached, 35 (or 83%) agreed to complete the questionnaire. The proportion of the companies from the insurance, electronics, IT industries, and other industries were 3%, 6%, 49% and 42% respectively.

In South Korea, our Interactive Survey was conducted with the help of two student volunteers from the Hanyang University. Our attempt to obtain respondents from similar industries brought us to the Techno Park located at Teheran Street, the financial districts in Chung-Ku, Youngdeungpo-Gu, and Kangnam-Ku. Of the 54 companies that were approached, we obtained a response rate of about 70% (38 respondents). These companies were from the insurance (34%), electronics (18%), IT (29%), and others (18%) industries.

Besides, in order to assess the feasibility of the proposed ITI from the perspectives of potential industry players, we identified 18 insurance and technology organizations, which were leaders in their respective industries to conduct in-depth interviews. A total of seven organizations agreed to be interviewed, including one technology company and two insurance companies in Singapore, and four insurance organizations in South Korea. The in-depth Interviews were conducted during the same period cited for the Interactive Surveys in both countries. The length of each interview averaged one and a half hours. In the following sections, we first present the empirical results of the Interactive Surveys, and then the findings of the In-depth Interviews.

Findings of Interactive Surveys

The questionnaire comprised 25 statements classified under four sections, namely “Familiarity with the Internet”, “Trust”, “Insurance as a Proxy for Trust”, and “Pricing of Insurance”. Respondents were requested to indicate the extent to which they agree or disagree with each statement based on a 5-point Linkert scale ranging from “Strongly Agree” to “Strongly Disagree”. The results of the surveys are presented in Appendix B.

1) Singapore Case

Using the Kolmogorov-Smirnov one-sample test, a non-parametric test with an equal-frequency cumulative distribution as the theoretical distribution, we reject the null hypothesis that the distribution of responses for the majority (18 out of 25) of the statements is identical at the 5% significance level (two-tailed test). It is thus reasonable to conclude that for the Singapore sample, the respondents did not behave randomly when expressing an opinion on most of the statements.

The lack of statistical significance for Statements 3, 5 and 7 could be due to many of the respondent companies had yet to actually attempt to procure or sell products over the Internet. There is therefore no clear indication on whether the majority of the Singapore companies had used the Internet to buy or sell goods, were familiar with reputable sites that offer goods for sale, or the level of trust accorded to Internet as a safe medium for transactions.

The overall response towards Statement 13 was also insignificant at the 5% level. Given the small population of e-commerce portals manned by Singapore firms compared to say, the
U.S., companies might feel that they would face very restricted choices if they were to transact only with sites manned by fellow Singapore firms. But yet, transacting with a Singapore site might provide additional assurance, as it was easy to check out a local company. These reasons could have resulted in the equivocal responses.

For the “Pricing” section, Statements 23 and 25 yielded insignificant results. There was no distinct indication on whether the respondents, as the buyers, would be willing to pay for the insurance protection. During the Interactive Surveys, there was strong feedback that the seller should be the one paying the premium to encourage buyers to transact online with them. When it comes to the pricing of ITI, around 70% of the respondents were uncertain of the appropriate premium probably because ITI is a new product.

From the results which are statistically different from a random distribution, we found that all (100%) of the Singapore companies surveyed were familiar with the use of Internet but only 63% were confident of their ability to handle online transactions. Security measures such as Verisign and eTrust appear to enhance confidence for online transactions as respondents generally agreed (57%) or strongly agreed (11%) that they would be more inclined to transact when these measures were in place. Eighty percent of the respondents were also more inclined to conduct e-commerce with sites that protect buyer interests.

A finding of particular importance to our research is the high statistical significance of the responses in Section 3. All statements pertaining to the use of insurance as a proxy for trust in the cyberspace garnered positive responses (at least 69% of the respondents indicated “agreed” or “strongly agreed” for each statement). The idea of using insurance for transaction protection seems well-received amongst the respondents and may have a good potential market.

2) South Korea Case

We also applied the Kolmogorov-Smirnov one-sample test to the South Korean sample, which rejects the null hypothesis at the 5% significance level for all statements except for Statements 9, 11, 13, 17, and 25.

As only about one third respondents were from the sales/procurement department, it may not be surprising that some respondents were unsure as to how long the checking of a site takes, the insignificant result for statement 9. The reasons for the insignificant results for Statements 11 and 17 might be inferred from the fact that most of the South Korean respondents had used the Internet to purchase or sell their products previously (85%) and were generally familiar with reputable sites that offer goods for sale (65%). Since the companies were experienced in online transactions and were dealing with familiar sites, some respondents might be uncertain or indifferent on the importance of security measures such as Verisign and insurance against fraudulent misrepresentations. As for Statements 13 and 25, we believe the reasons behind the insignificant results are the same as that for the corresponding statements in the Singapore sample.

The South Korean survey revealed that South Korean companies were generally familiar with the use of Internet to procure or sell (See Section 1 in Appendix B). Interestingly, despite this familiarity, only 40% of the respondents saw the Internet as a safe medium to transact. Most of the companies would safeguard their interests through conducting rigorous checks on the
background of the site before transacting (66%). They were also more inclined to transact with sites that protect purchasers (76%).

The respondents were in general agreeable to the use of insurance as a proxy for trust, as evidenced by the relatively high proportion of respondents who indicated their agreement with the statements in Section 3 (except for Statement 17, the result of which was insignificant). Nonetheless, 44% of the respondents either disagree or were indifferent that insurance has a role in encouraging the growth of their companies’ Internet transactions.

Contrary to their Singapore counterparts, the South Korean respondents were more willing to pay a small premium to transact with sites, which offer insurance protection (66% indicated “agreed” or “strongly agreed”). Most (61%) also believed that insurance would potentially translate into cost savings from reduced search and appraisal efforts.

3) Two-Sample Test

To investigate the differences in the opinions between the Singapore and South Korea respondents, we conducted the Kolmogorov-Smirnov Two-Sample Test (two-tailed). The null hypothesis is that the two independent samples have been drawn from the same population or from populations with the same distribution, that is, there is no difference in the responses given by the two groups. The two-sample test shows that the null hypothesis cannot be rejected at the 5% level for 22 out of the 25 statements. Only the responses for Statements 3, 5 and 17 are statistically different.

In respect of Statement 3, an absolute majority (84%) of the South Korea sample indicated that they had used the Internet to purchase or sell on the Internet more than once, whereas less than half (49%) of their Singapore counterparts had indicated the same. In fact, about one-third of the Singapore respondents had never bought or sold merchandise over the Internet. Such results are not unexpected, given that South Korea ranks amongst the most wired nations in the world. Whilst South Koreans now enjoy the highest broadband penetration rate worldwide, Singaporeans still rely mainly on modem access [10]. A good infrastructure, coupled with the intensive support of South Korean government towards IT developments, logically means that companies in South Korea are more ready to embrace e-commerce than the Singapore companies.

Following the higher level of e-commerce, for Statement 5, the South Korea sample also exhibits higher familiarity with reputable sites that offer goods for sale (66%), compared to the Singapore one (54%). This familiarity with reputable portals might be the exact reason why almost half (47%) of the South Korea respondents were indifferent to whether goods transacted over the Internet are insured against fraudulent misrepresentation, whereas 77% of their Singapore counterparts felt such insurance would be important, for Statement 17.

Findings of In-Depth Interviews

The interviewees with whom we spoke at length included senior/executive vice presidents, general managers, managers, venture capitalists, and senior researchers. These in-depth interviews offered us valuable insights to the trust issues on e-commerce and the viability of the proposed insurance product. The salient points discussed are summarised as follows.
1) Trust Issues on the Internet

All interviewees agreed that trust was a crucial consideration for online transactions. In spite of the support for and confidence in e-commerce growth, some of them did not feel secured transacting over the Internet. On a personal level, most preferred to buy off-line and if online purchases were inevitable, they would take extra precautions such as setting their credit card limits.

One interviewee highlighted that purchasers generally associated brand names with trustworthiness. Even in South Korea where people were more inclined to purchase from domestic firms, having a strong international brand name would certainly help in the Internet landscape.

2) Measures to Foster Trust

During the interviews, we were briefed on the various methods offered by the insurance organizations and government bodies to protect online transactions. Examples included credit insurance undertaken on a case-by-case basis, insurance schemes covering risks on the disclosure of personal information or losses resulting from halts in e-commerce transactions, credit ratings which enabled retailers to perform quick checks on the credit worthiness of the counter parties, and security certification. Most of these products were very new and specific in their offering.

In its bid to further promote e-commerce, the South Korean government had embarked on a certification program in the beginning of the year 2001. Hitherto, four government-linked financial corporations had been granted the licences synonymous with trustworthiness for their portals. One criterion in granting such licences was the financial health of the company, which should have at least 20 billion won (about 16 million US dollar) worth of assets.

3) Critical Success Factors for the Proposed Internet Insurance Product

Most interviewees regarded the ITI idea an interesting concept that carried certain potential. In particular, the coverage on mismatched quality of goods and non-delivery was thought to be novel. In their views, its viability hinges on several critical success factors: the backing of a strong brand name to underwrite the project or the collaboration of big insurance companies with the requisite e-commerce experiences, accumulation of critical mass (that is, there must be a sufficiently high demand for the product to make it profitable), right timing for the launch of such a product, careful control of the variables in the product to be offered because one with too many variables is unlikely to succeed on the Internet, and appropriate pricing of the product. One interviewee opined that a good estimate of the premium for the proposed ITI would be in the range of 0.5% to 1.5% of the transaction value.

4) Potential Implementation Issues

As the development in electronic commerce is still at an infancy stage, it is foreseen that there could be difficulties in developing off-the-shelf kind of insurance products for online transactions. Risks involved in electronic transactions are complex and hence, hard to quantify. While insurance products that involved too many variables are unlikely to succeed on the
Internet, an attempt to create comprehensive insurance schemes that encompassed all possible risks would lead to exorbitant premiums.

A related issue is that purchasers transacting on the Internet tended to be more price-sensitive. The pricing of the premium would thus be critical: insurers would only launch the product if profits could be achieved, but the premium has to be small compared to the transaction value before consumers would purchase it. Buyers might also feel that the sellers should bear the full cost of the insurance if they want to entice customers.

Some interviewees opined that it would be a major challenge to bring together several big insurance companies to push such products. The large companies seemed unlikely to collaborate, as they would always want some differentiation in their services. One Korean insurance company pointed out that in any case, such collaboration might not be feasible under the current Korean Insurance Law.

**Implications and Discussion**

The central issue is the question of trust. There were unanimous agreements that it is very important for offline transactions and may be even more important for online transactions. In short, trust is the foundation of which commerce is built, and in a world of anonymity (i.e. the virtual world) — it is the fuel for locomotion.

What also stands out is the confidence that e-commerce is set to take root if not taking off in the near future. Most of the people interviewed, either interactively or in-depth, were enthusiastic about using insurance as a proxy for effecting trust on the Internet. However, there were reservations about paying for such a product, not least because it may be a less conventional way of solving the lack of trust in the virtual world and hence its value proposition is not clearly understood and appreciated.

We would imagine that if we were to conduct a market research on the feasibility of bottled water—before its advent and wide acceptance today—we would be told that water is very important but most respondents would be unwilling to pay a premium for it to be bottled and sold conveniently. They would express that they are comfortable with the old ways of receiving it (i.e. by piping to their homes). Yet today, bottled water is a billion-dollar business, and some companies have even gone as far as branding it. Higher product price is not necessarily a barrier to marketing success [7].

Insurance serves a need in the old economy somewhat like water at home. The new economy is all about greater mobility just as the bottled water allows a person to carry the world’s most precious commodity with him or her wherever he or she goes. Its importance in the new economy is sensed but not fully appreciated. With time, insurance will probably exert its influence in the new economy much as it has played a pivotal role in promoting commerce in the old economy.

A major concern still goes to the basic principle of demand and supply. Currently most Internet firms are struggling to survive, and even established firms as Yahoo! reported sharp earnings decline. Although there were speculations that in the future electronic channels would be likely to dominate the traditional ones, however, the recent meltdown of the dot-com sector shook the confidence in e-commerce. Insurance companies are much concerned about the
growth and capacity of electronic commerce – the key demand driver on the demand side. Once the market is attractive enough and other obstacles are removed, for instance, getting enough support from reinsurance companies, it is very likely that insurance companies will supply some kinds of insurance products to meet the market demand.

The importance of e-commerce cannot be ignored. Business-to-business commerce is generally believed to be the dominant player in marketspace. The use of insurance will promote greater end-user confidence, which in turn translates into higher volume of transactions on the Internet, and foster the growth and development of both business-to-consumer and business-to-business electronic commerce. It is a reciprocal process that both parties involved will benefit: To help build trust on the Internet and broaden the revenue model for the saturating insurance market.

REFERENCES


APPENDIX A

Interactive Surveys

Profile of Respondents (Singaporean)

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<th>Industry</th>
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Profile of Respondents (Korean)

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$^1$ Of the 15 respondents from other industries, 7 were from manufacturing, 3 from retailing, 2 from research, 2 from service, and 1 from the chemical industry.

$^2$ Of the 7 respondents from other industries, 2 were from academia, 2 from finance, and one each from manufacturing, retailing and engineering.
APPENDIX B

Survey Statistics for Singapore and South Korea

<table>
<thead>
<tr>
<th>Key: S=Singapore; K=Korea</th>
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<tbody>
<tr>
<td>SD=Strongly Disagree; D=Disagree; I=Indifferent; A=Agree; SA=Strongly Agree</td>
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<tr>
<td>Percentage</td>
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### Section 1: Familiarity with the use of the Internet

1. Our corporation is familiar with the use of Internet
   - S: 0, K: 3, I: 0, A: 0, SA: 5, 34, 42, 66, 50

2. Our Procurement department has Internet access
   - S: 6, K: 0, I: 3, A: 14, 11, 34, 26, 46, 55

3. We have used the internet to make purchase/ sell our goods for more than once
   - S: 9, K: 11, I: 3, A: 20, 3, 17, 24, 31, 61

4. We are considering the possibility of buying/ selling on the Internet
   - S: 6, K: 3, I: 20, 5, 26, 13, 23, 26, 53

5. We are familiar with reputable sites that offer goods for sale
   - S: 3, K: 3, I: 17, 5, 26, 26, 40, 18, 14, 47

6. We are confident of our ability to handle Internet transactions
   - S: 0, K: 5, I: 14, 11, 23, 18, 40, 37, 23, 29

### Section 2: Trust

7. We trust the use of Internet as a safe medium to conduct purchasing/ sales transactions
   - S: 0, K: 0, I: 23, 13, 37, 47, 34, 32, 6, 8

8. We conduct rigorous checks on the background of the site before we embark on any transactions
   - S: 0, K: 3, I: 14, 13, 43, 18, 29, 45, 14, 21

9. The checks generally take more than 1 week
   - S: 0, K: 11, I: 17, 21, 63, 42, 14, 13, 6, 13

10. We will generally not purchase from sites that we have not heard about
    - S: 0, K: 5, I: 14, 5, 29, 8, 40, 34, 17, 47

11. We are inclined to transact with sites where security measures like Verisign, eTrust are in place
    - S: 11, K: 3, I: 11, 29, 18, 57, 37, 11, 24

12. We are inclined to transact with sites that protect consumer/ buyer interests
    - S: 0, K: 0, I: 0, 20, 24, 51, 47, 29, 29

13. We are inclined to transact ONLY with sites that are manned by domestic firms
    - S: 6, K: 13, I: 26, 34, 40, 21, 23, 18, 6, 13

### Section 3: Insurance as a proxy for trust

14. Insurance is important in the business world
    - S: 0, K: 0, I: 3, 14, 18, 46, 42, 40, 34

15. Our corporation has entered into some form of traditional business insurance
    - S: 0, K: 5, I: 6, 13, 26, 16, 34, 34, 34, 32

16. We think that insurance will offer comprehensive protection against default and other business risks compared to existing measures like credit scoring and online tracking of shipments
    - S: 3, K: 3, I: 0, 3, 26, 29, 49, 55, 23, 11

17. We are inclined to transact on the net if the goods are insured against fraudulent misrepresentation
    - S: 3, K: 8, I: 0, 13, 20, 47, 51, 26, 26, 5

18. We are inclined to transact if we can be guaranteed of swift settlement of transactions
    - S: 0, K: 0, I: 0, 23, 16, 43, 47, 34, 37

19. Insurance has a role in encouraging the role of the Internet transactions
    - S: 6, K: 0, I: 0, 5, 17, 39, 57, 47, 20, 8

20. We are more willing to trust sites that offer insurance as a measure to guarantee quality, delivery, payment of goods and services
    - S: 6, K: 3, I: 3, 8, 14, 24, 49, 47, 29, 18

21. We will be inclined to transact with sites that offer E commerce insurance in the future
    - S: 6, K: 0, I: 3, 0, 17, 32, 57, 61, 17, 8

22. We will encourage our business partners to transact with sites that offer E commerce insurance
    - S: 6, K: 0, I: 3, 3, 23, 32, 54, 53, 14, 13

### Section 4: Pricing of insurance

23. We are willing to pay a small premium for transacting with sites that have insurance protection
    - S: 9, K: 3, I: 20, 5, 26, 32, 40, 53, 6, 8

24. We believe that with insurance, there will be potential cost savings from reduced search and appraisal costs
    - S: 11, K: 0, I: 6, 3, 23, 32, 51, 55, 9, 11

25. A reasonable premium will be in the range of 0.5%-2.5% of the total transaction costs
    - S: 9, K: 5, I: 20, 21, 37, 50, 34, 21, 0, 3
APPENDIX C
Survey Form In English

E Commerce Business Survey
The purpose of this survey is to assess the opportunities of using Insurance as a proxy for trust in the Internet. All the information provided would remain confidential. We will be glad to make available a copy of the survey results to you upon request.

Please indicate the most appropriate choice with a check (‘√’)

<table>
<thead>
<tr>
<th>Section 1: Familiarity with the Internet</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Indifferent</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Our corporation is familiar with the use of the Internet</td>
<td></td>
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<td>2 Our procurement department has internet access</td>
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<td>3 We have used the internet to make purchase/sell our goods for more than once</td>
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<td>4 We are considering the possibility of buying or selling on the Internet</td>
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<td>5 We are very familiar with reputable sites that offer goods for sale</td>
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<tr>
<td>6 We are confident of our ability to handle Internet transactions</td>
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<table>
<thead>
<tr>
<th>Section 2: Trust</th>
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<tbody>
<tr>
<td>7 We trust the use of Internet as a safe medium to conduct purchasing/sales transactions</td>
</tr>
<tr>
<td>8 We conduct rigorous checks on the background of the site before we embark on any transactions</td>
</tr>
<tr>
<td>9 The checks generally take more than a week</td>
</tr>
<tr>
<td>10 We will generally not purchase from sites that we have not heard about</td>
</tr>
<tr>
<td>11 We are inclined to transact with sites where security measures like Verisign, eTrust are in place</td>
</tr>
<tr>
<td>12 We are inclined to transact with sites that protect consumer/buyer interests</td>
</tr>
<tr>
<td>13 We are inclined to transact <strong>ONLY</strong> with sites that are manned by domestic firms</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Section 3: Insurance as a proxy for Trust</th>
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</thead>
<tbody>
<tr>
<td>14 Insurance is important in the business world</td>
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<tr>
<td>15 Our corporation has entered into some form of traditional business insurance</td>
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<td>16</td>
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### Section 4: Pricing of Insurance

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<tbody>
<tr>
<td>23</td>
<td>We are willing to pay a small premium for transacting with sites that have insurance protection</td>
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<td>24</td>
<td>We believe that with insurance, there will be potential cost savings from reduced search and appraisal efforts</td>
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<td>25</td>
<td>A reasonable premium would be in the range of 0.5-2.5% of the total transaction value</td>
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### Particulars

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<tbody>
<tr>
<td>Name of Company</td>
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<td>Major Business Areas</td>
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<td>Location</td>
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<td>Annual Turnover</td>
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<td>Years in E-Commerce</td>
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<td>Department</td>
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I would like to receive a copy of the survey statistics? (Yes / No)

End of Survey – Thank You For Your Participation