

# **Building Mutual Trust in Peer-to-Peer Resale Marketplaces: An Entrepreneurial Examination of Trust Mechanisms in the Saudi Recommerce Ecosystem**

## **Chapter One: Introduction**

### **1.1 Background of the Study**

The rapid expansion of peer-to-peer resale marketplaces has created a new wave of entrepreneurial opportunities in the digital recommerce sector. These platforms—such as Haraj.sa, Soum.sa, and OpenSooq—enable individuals to exchange used goods directly, forming a vibrant secondary market that aligns with global sustainability trends and the circular economy. In Saudi Arabia, this digital shift is accelerated by high internet penetration, widespread use of mobile commerce, and the national emphasis on innovation and digital entrepreneurship under Vision 2030.

While the recommerce sector is growing in size and economic relevance, building a sustainable venture within this domain remains challenging. Unlike traditional B2C e-commerce, peer-to-peer resale involves interactions between strangers, minimal platform-enforced safeguards, informally structured negotiations, and a high degree of information asymmetry. For entrepreneurs seeking to build scalable recommerce startups, trust formation is not merely a user-experience challenge—it is a fundamental business viability challenge.

Industry projections indicate that the Saudi recommerce market will reach USD 1.75 billion in 2025 and USD 2.88 billion by 2029, revealing substantial entrepreneurial potential. Yet, this potential cannot be fully unlocked without addressing the trust barriers that inhibit transaction completion, retention, and platform loyalty. Therefore, from an entrepreneurial perspective, understanding trust mechanisms becomes a prerequisite for designing scalable platform models, reducing friction, and enabling market growth.

This study reframes trust not only as a behavioral phenomenon but as a core entrepreneurial design factor that directly influences customer acquisition, operational efficiency, platform adoption, and long-term venture sustainability.

## 1.2 Problem Statement

Although Saudi Arabia hosts one of the region's most active peer-to-peer resale markets, entrepreneurs in the recommerce sector face a major barrier to building scalable and profitable ventures: the absence of structured trust mechanisms that ensure safe, credible, and reliable transactions.

Current resale platforms rely heavily on informal negotiation, unverified identity cues, and user-generated descriptions, leading to:

- buyer fears of misrepresentation or fraud,
- seller fears of non-serious buyers, excessive bargaining, or drop-off after agreement, and
- inconsistent user experiences that undermine repeat usage.

From a venture creation standpoint, these trust problems translate into:

- low conversion rates,
- high abandonment rates,
- limited user retention,
- difficulty scaling network effects,
- weak differentiation from competitors, and
- an inability to establish a defensible business model.

Despite the commercial scale of recommerce activity, there is a lack of research examining trust as an entrepreneurial constraint and identifying which platform-level mechanisms can support the growth, sustainability, and competitiveness of emerging recommerce ventures. This study seeks to close that gap by evaluating trust-building mechanisms through an explicitly entrepreneurial lens.

## 1.3 Entrepreneurial Opportunity

The growth trajectory of Saudi Arabia's digital economy presents a significant entrepreneurial opportunity in the recommerce sector. Several factors create favorable conditions for venture creation:

### Market Size & Growth Potential

The recommerce market's projected multi-billion-dollar value signals robust demand and increasing consumer acceptance of buying used goods. This demand gap represents a fertile ground for innovative marketplace startups.

## Market Inefficiencies as Startup Opportunities

Because existing platforms lack structured trust infrastructure, they leave large “pain points” unaddressed. These inefficiencies represent **strategic entry points for founders** to create value through:

- verified identities,
- protected payments,
- standardized condition reporting,
- AI-assisted pricing,
- and dispute-resolution systems.

Each mechanism functions as a **value proposition**, enabling a startup to differentiate itself and gain competitive advantage.

## Network Effects & Scalability

Trust is a gateway to network effects. When users feel safe, they transact more frequently, list more items, and recommend the platform—amplifying organic growth and lowering CAC (Customer Acquisition Cost).

Thus, designing effective trust mechanisms is essential for achieving **a scalable, venture-backed business model**.

## Alignment With Vision 2030

Saudi Arabia’s national digital transformation agenda reinforces opportunities for recommerce startups through regulatory support, entrepreneurship programs, and a growing innovation ecosystem.

In summary, the recommerce sector offers a high-potential entrepreneurial opportunity—but capturing this opportunity requires platforms to strategically engineer trust.

## 1.4 Research Questions

### Main Research Question:

How can trust-building mechanisms strengthen mutual buyer–seller confidence and enable the viability and scalability of recommerce startups in Saudi Arabia?

### Sub-questions:

1. What factors drive buyer distrust in resale transactions?
2. What factors drive seller distrust?

3. Which trust mechanisms do users perceive as most effective?
4. How do these mechanisms influence willingness to complete transactions?
5. How can these insights be applied to entrepreneurial platform design?

## 1.5 Research Objectives

### Primary Objective

To evaluate trust-building mechanisms that enhance user confidence and support the business viability, scalability, and competitive advantage of recommerce startups in Saudi Arabia.

### Secondary Objectives

- Identify the key drivers of buyer-side and seller-side distrust.
- Measure user perceptions of identity verification, reputation systems, protected payments, AI-assisted pricing, and standardized reporting.
- Examine how trust mechanisms influence transaction completion intention and repeated platform use.
- Translate findings into **entrepreneurial design principles** for marketplace startups.

## 1.6 Significance of the Study

This study contributes to the entrepreneurship field by reframing digital trust as a **core strategic resource** for recommerce platform ventures. The findings will help platform founders:

- design trust-centric business models,
- reduce transaction friction,
- increase conversion and retention,
- differentiate from existing platforms, and
- build scalable and investment-ready ventures.

Policymakers and incubators may also use these insights to guide ecosystem development for digital marketplace startups.

## 1.7 Scope of the Study

The study focuses on individuals in Saudi Arabia with experience in buying or selling used goods online. The focus is on **entrepreneurial implications**, not on evaluating specific platform business models or endorsing competitors.

## 1.8 Definition of Terms

- **Resale Marketplace:** A digital platform that facilitates peer-to-peer exchange of used goods.
- **Mutual Distrust:** The presence of perceived risk by both buyers and sellers in a transaction.
- **Trust Mechanisms:** Platform features that reduce ambiguity and increase reliability in exchange processes.

# Chapter Two: Literature Review

## 2.1 Trust in Peer-to-Peer Digital Exchanges

In peer-to-peer resale markets, transactions rely heavily on interpersonal trust because there are few formal guarantees to ensure honesty, product quality, or commitment to completing exchanges. Buyers must trust that sellers accurately describe the item, and sellers must trust that buyers are serious and will follow through with the transaction.

## 2.2 Mutual Distrust as a Transaction Barrier

Mutual distrust arises when both parties perceive a possibility of opportunistic behavior. This mutual skepticism reduces efficiency, increases negotiation time, and leads to a higher incidence of transaction dropouts.

## 2.3 Global Studies on Digital Resale Marketplaces

Research on major platforms such as eBay, Facebook Marketplace, and Craigslist demonstrates that a variety of features can mitigate uncertainty:

- **Identity verification** reduces anonymity-based risks.
- **Reputation and rating systems** signal past reliability.
- **Protected payment services** increase the buyer's sense of security.

- **Standardized condition reporting** reduces ambiguity about product state.

These mechanisms improve trust in online exchanges, but they must be applied in ways that are culturally contextualized to the user environment.

## 2.4 The Saudi Resale Marketplace Environment

In Saudi Arabia:

- **Haraj.sa** has established a dominant open-negotiation resale model characterized by minimal structured trust safeguards.
- Open social resale markets (e.g., on Instagram or Snapchat) rely heavily on personal networks and informal trust cues.
- **Soum.sa** illustrates that introducing verification and structured pricing can reduce distrust and support marketplace expansion.

However, platform-managed trust systems in Saudi peer marketplaces are still under development, presenting a clear opportunity for research and design improvements.

## 2.5 Trust Mechanisms as Enablers of Transaction Confidence

Trust mechanisms aim to reduce uncertainty in peer-to-peer exchanges. Key examples include:

- **Identity Verification** (e.g., verified profiles or IDs)
- **Reputation / Rating Systems** (user reviews, ratings)
- **Protected Payment** services (escrow or payment guarantees)
- **Standardized Product Condition Reporting** (consistent descriptions, inspections)
- **Transparent or AI-Assisted Pricing** (guidance for fair pricing)

Each of these tools is intended to foster greater confidence between transacting parties by providing information or assurances that would otherwise be absent.

## 2.6 Conceptual Model

This study proposes a conceptual model in which various trust mechanisms (independent variables) influence users' perceptions of fairness and perceptions of transaction safety

(mediating variables), which in turn affect their intention to complete the transaction (the dependent variable). In essence, implementing robust trust features is expected to improve users' sense of fairness in pricing and dealings, as well as their sense of safety from fraud or loss, thereby increasing their likelihood of following through with a sale. The model posits that trust mechanisms indirectly drive transaction completion intention by first enhancing these key perceived conditions (fairness and safety) that underpin trust.

## 2.7 Theoretical Framework Linkage

Trust in digital resale platforms can be explained through two complementary theoretical lenses:

1. **Institutional Commitment Theory:** This perspective (drawing on institutional-based trust and commitment-trust theory) proposes that structured rules, policies, and systems within an organization foster user commitment by reducing uncertainty and promoting predictability. In peer-to-peer resale markets, institutional mechanisms such as verified identities, standardized dispute processes, and protected payment systems serve as organizational commitments that assure participants of the market's fairness and reliability. When users perceive the platform as being strongly committed to accountability, their confidence in engaging with strangers increases (Morgan & Hunt, 1994; Zucker, 1986).
2. **Signaling Theory:** Signaling theory explains how visible cues are used to communicate credibility in uncertain environments. In resale contexts, trust signals such as verified seller badges, AI-authenticated product photos, and positive reputation scores act as credible indicators of a user's integrity or quality. These signals reduce information asymmetry and help users infer the reliability of transaction partners even without direct prior interaction (Spence, 1973; Connelly et al., 2011).

Together, these theories form the conceptual foundation for this study: institutional safeguards establish **structural trust**, whereas user-visible signals cultivate **perceptual trust**. A complementary lens is provided by the **Technology Acceptance Model (TAM)**, which explains how perceived usefulness and perceived ease of use shape users' intention to adopt new technologies (Davis, 1989). In this context, if features like identity verification, protected payments, dispute resolution tools, or standardized reporting are intuitive to use and clearly beneficial, users' acceptance of these trust mechanisms—and consequently their intention to complete transactions—should increase. This integration connects trust formation with technology adoption behavior in the Saudi resale setting.

## 2.8 Regional and Cultural Context (Saudi/GCC Studies)

In the context of digital commerce in Saudi Arabia, both structural and cultural dynamics underscore the need for effective trust mechanisms. For example, internet penetration in the Kingdom is near-universal (about 99% of the population online), and the nation is essentially a mobile-first digital ecosystem with more active cellular subscriptions than people (over 115%

mobile penetration) (DataReportal, 2023). Despite rapid growth in overall e-commerce, the dedicated **recommerce** (secondhand resale) sector remains emergent and lacks mature peer-to-peer trust infrastructures. This highlights the research gap that the present study addresses. While peer-to-peer resale platforms are expanding in Saudi Arabia, they are still under-studied in the academic literature, signaling both an opportunity and a necessity for focused investigation.

Regional research highlights the salience of social reputation, personal identity cues, and community moderation in shaping online trust. Studies in Saudi Arabia and neighboring GCC countries report that users often weigh community reputation and interpersonal reliability more heavily than impersonal system guarantees in informal online markets (Zigpoll, n.d.). Prior work, however, has concentrated largely on B2C e-commerce, leaving the peer-to-peer resale context underexplored. This study extends the regional literature by empirically linking culturally grounded trust cues (e.g., verified identity, transparent dispute handling, standardized condition reporting) with transaction completion intention in the Saudi setting.

Recent empirical findings in the Gulf region reinforce these observations. For instance, a Saudi social commerce study by Aldera et al. (2025) found that consumers' trust is driven primarily by seller reputation and transaction safety, whereas platform-provided information quality and communication features had negligible effects (Aldera, Alradhi, & Abanmi, 2025). Similarly, platform design features like rigorous identity verification and active community oversight can significantly bolster users' perceived safety in online marketplaces (Curtis et al., 2020). Additionally, researchers emphasize the importance of transparent, culturally attuned dispute-resolution processes for sustaining user engagement: slow or unclear resolutions can quickly erode user confidence in the platform (Zigpoll, n.d.). Together, these insights support the argument that regional cultural expectations and social norms are central to understanding trust dynamics in Saudi resale platforms.

## Chapter Three: Research Methodology

### 3.1 Research Design

This study employs a quantitative cross-sectional design, supported by exploratory triangulation elements to strengthen validity. The primary data will be collected through a structured online questionnaire that measures buyer-side and seller-side distrust and the perceived effectiveness of various trust mechanisms. To complement the quantitative results, **optional** qualitative interviews may be conducted with a small subset of participants to capture nuanced insights into trust experiences, while platform analytics (e.g., conversion or dispute rates) could be analyzed in later stages to verify behavioral alignment. This triangulated approach ensures a more comprehensive understanding of how perceived fairness and safety influence transaction intention. Notably, the qualitative interviews are optional and will be pursued only if time and resources permit, ensuring they supplement rather than distract from the core survey. Given the high level of internet connectivity in Saudi Arabia (99% penetration)[datareportal.com](https://datareportal.com),

distributing the questionnaire online is feasible and should efficiently reach the target sample via active resale communities.

### 3.2 Population and Sampling

- **Population:** Individuals in Saudi Arabia who have experience buying or selling used goods online.
- **Sampling Method:** Purposive convenience sampling.
- **Sample Size:** 60–120 respondents.

A sample of approximately 100 respondents would yield about a 90% confidence level with a 10% margin of error, which is acceptable for exploratory analysis in an emerging digital market context. To improve representativeness, the study will apply stratified quotas across key demographics (e.g., gender, age bands, region) and user roles (buyers vs. sellers). Recruitment will target active resale communities (such as platform user groups on social media and online forums) to approximate the actual composition of the Saudi resale ecosystem.

### 3.3 Data Collection Instrument

A self-administered questionnaire will be used, employing a five-point Likert scale for item responses.

### 3.4 Survey Statements

**Response Format:** Strongly Disagree — Disagree — Neutral — Agree — Strongly Agree

#### **Buyer Distrust:**

1. Sellers may misrepresent the condition of their items.
2. The items may contain undisclosed defects.
3. Pricing in resale markets is sometimes perceived as unfair.
4. A lack of clarity in product descriptions reduces my willingness to purchase.

#### **Seller Distrust:**

5. Some buyers do not complete transactions after negotiations.
6. Excessive bargaining is common in resale interactions.
7. Non-serious buyers often waste a significant amount of time.
8. I sometimes hesitate to list items because of uncertainty regarding buyer reliability.

**Trust Mechanisms:**

9. Identity verification increases the credibility of the user.
10. Rating systems help assess trustworthiness.
11. Protected payments would reduce transaction risks.
12. Standardized condition reporting can improve product transparency.
13. Transparent pricing improves the perception of fairness.
14. Clear dispute resolution procedures increase trust.

**Perceived Fairness & Safety:**

15. I believe that transactions on resale platforms are generally fair to both buyers and sellers.
16. I feel safe and secure when conducting transactions on resale platforms.

**Transaction Completion Intention:**

17. I would be more likely to complete transactions if the platform's trust mechanisms were strengthened.
18. I would use resale platforms more frequently if I felt confident in the transaction process.
19. Trust mechanisms influence my decision to complete or abandon transactions.

### **3.5 Validity and Reliability**

Content validity will be ensured through expert review of the survey instrument. Reliability will be assessed with Cronbach's alpha (aiming for  $\geq 0.70$  for each construct). A Cronbach's alpha test will check the internal consistency of the grouped survey items, ensuring that items intended to measure the same underlying construct (e.g. perceived safety) indeed move together reliably.

### **3.6 Data Analysis**

The quantitative data will be analyzed using descriptive statistics, reliability testing, correlation analysis, and mean ranking of trust factors. In addition, multiple regression analysis will be employed to assess the influence of individual trust mechanisms on transaction completion intention. All analyses will be conducted using SPSS (v28). Specifically, the plan includes computing descriptive metrics, Cronbach's alpha for reliability, Pearson correlation coefficients to explore relationships, and a multiple regression model to test the hypothesized links among constructs as derived from the conceptual model and TAM framework.

## **Chapter Four: Limitations of the Study**

This study acknowledges certain methodological limitations, including the use of a convenience sampling technique that may limit generalizability, the self-reported nature of survey responses that may introduce social desirability or recall bias, and the cross-sectional design that captures perceptions at a single point in time (preventing conclusions about changes over time or causality).

# Chapter Five: Expected Findings and Practical Implications

The study is expected to show that trust mechanisms such as identity verification, AI-assisted product authentication, transparent pricing, and structured dispute resolution significantly increase users' perceptions of safety and fairness. From an entrepreneurial perspective, these mechanisms are anticipated to:

## 1. Increase Transaction Completion Rates

Higher trust reduces drop-offs, increasing platform liquidity—a critical factor for marketplace startups.

## 2. Improve User Retention & Lifetime Value (LTV)

Users are more likely to return to a platform that minimizes risk, leading to sustainable revenue growth.

## 3. Reduce Customer Acquisition Costs (CAC)

Satisfied users drive word-of-mouth referrals, lowering paid acquisition dependency.

## 4. Strengthen Competitive Positioning

A trust-based ecosystem creates defensibility against low-barrier competitors.

## 5. Enable Scalable Network Effects

Trust encourages more listings, more transactions, and more activity—feeding the marketplace growth loop essential for startup scalability.

Overall, the expected findings will demonstrate that **trust mechanisms are not merely UX improvements—they are strategic entrepreneurial levers that determine whether a recommerce startup can achieve viability, growth, and long-term competitiveness.**

### 5.1 Practical Implications for *Shopper.sa*

1. **Trust Framework Design:** Findings will inform the creation of a Shopper.sa Trust Framework by identifying which trust mechanisms should be prioritized to drive user confidence.

2. **Feature Development:** Insights will guide platform enhancements, such as introducing verified seller badges, AI-powered photo authenticity checks, and a real-time resolution tracking interface.
3. **Policy Integration:** Evidence-based recommendations can support platform governance policies and user communication strategies that reinforce fairness and reliability in the marketplace.
4. **Performance Metrics:** The study can help establish measurable KPIs (e.g., a trust index, dispute response time SLAs, repeat-use rate) to evaluate and monitor the platform's trust performance over time.

## 5.2 Contribution to Knowledge

Academically, this study will contribute to the growing body of literature on trust in peer-to-peer marketplaces outside Western contexts, highlighting how cultural expectations, institutional design, and digital user behavior intersect in the Saudi Arabian resale environment. The findings will provide an empirically grounded model of trust for peer commerce in the GCC region, which can be built upon by future research in other emerging markets.

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