



Research Article

# Brand Experience, Trust, and Perceived Risk in a Second-hand Online Marketplace The Case of OLX Group

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Received date: 11 May 2022; Accepted date: 14 July 2022; Published date: 20 September 2022

Academic Editor: Luisa Lopes

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## Abstract

The widespread presence of the Internet in people's lives has transformed the way consumers look for and buy a variety of goods and services. Shopping online is nowadays a popular way for a considerable number of individuals, giving rise to numerous forms of alternative shopping platforms. While in traditional e-commerce the seller is usually a known brand, another trend emerged in recent years, where the seller can be virtually everyone. In this context, buyers interact with little-known or even non-professional sellers. Since research on consumers' behavior in second-handed products selling platforms is still scarce, this study examines how brand experience is influenced by perceived risk and brand trust in this context. The research uses a hypothetical-deductive approach. Based on a sample of 185 consumers of an online marketplace for second-hand goods, data were collected by a structured questionnaire. A regression analysis model was used to conduct statistical analysis, and SPSS was used to execute the analysis. Findings show that low perceived risk and high brand trust are associated with a better brand experience. The research, despite being restricted to one particular online marketplace for second-handed products, provides evidence to support the relevance of such platforms in lowering risk and enhancing brand trust, as a way to offer a pleasant brand experience.

**Keywords:** Brand Trust, Perceived Risk, Brand Experience, Second-hand products, Online Auction

## Introduction

Visiting physical stores to purchase goods or services has given way to a gradual adoption of online shopping. The appearance of a considerable number of

websites, the improvement of marketplaces, and the possibility of purchasing through social networks lead to a new and different way to search for products' information, prices, and promotions (Rose, Hair, and Clark, 2011).

**Cite this Article as:** Sílvia FARIA, Pedro FERREIRA, Sofia GOMES and Carla GABRIEL (2022), "Brand Experience, Trust, and Perceived Risk in a Second-hand Online Marketplace the Case of OLX Group", IBIMA Business Review, Vol. 2022 (2022), Article ID 872205, DOI: 10.5171/2022.872205

Shopping online is nowadays a popular way for a considerable number of individuals, due to the cost-effective availability of the Internet and data (Padmavathy, Swapana, and Paul, 2019). From a global perspective, the usage of online shopping is growing, and second-hand online shopping, in particular, is the fastest-growing segment (Padmavathy, Swapana, and Paul, 2019; Chan et al., 2015). Although studies on second-hand shopping are still scarce, this growing acceptance seems to be justified by a sense of convenience (easy to find and compare), economic appeal (the capacity to bargain and get a lower price compared to the market price) and ideological motivation, such as the need to be unique (Padmavathy, Swapana, and Paul, 2019). Also, easy access to products at any time (Xy et al., 2014) together with good and clear information about second-hand products (Xy et al., 2014; Resnick and Zechauser, 2002) are reasons to buy online.

In the past, consumers preferred to buy second-hand products at retail stores but younger generations (especially Y and Z) feel comfortable buying online since they are used to technologies and spend a lot of time online (Padmavathy, Swapana, and Paul, 2019; Xy et al., 2014). At the same time, older generations (X and Baby Boomers) also frequently use the Internet and join social networks, changing consumption habits.

While in traditional e-commerce the seller is usually a known brand, another trend emerged in recent years, where the seller can be virtually everyone. In this context, buyers interact with little-known or even non-professional sellers. As a consequence, the already risky situation of buying online from a known vendor (Gefen, 2002) becomes even riskier since the lack of familiarity, the reputation of the vendor, and even previous interaction experience may not exist (Pavlou and Gefen, 2004).

To overcome this potential lack of trust and risk perception, online marketplaces offer a supposedly safer environment, where buyers have a third-party online platform to make their purchases. Online marketplaces have been growing in popularity,

presenting the fastest growing type of online shopping (Padmavathy, Swapana, and Paul, 2019). For example, third-party sellers on Amazon represent 55% of total purchases on the platform (Statista, 2021).

But the growth of customer-to-customer (C2C), or peer-to-peer (P2P), is remarkable (McKnight and Chervany, 2001). Clothing, accessories, home furnishings, cars, furniture, and technological products can have no use to certain individuals and, therefore, become obsolete and take up space. Bearing in mind the famous spring cleaning or the so common minimal trend, some digital platforms appeared to help getting rid of these "no longer wanted products": Wallapop, Apartment Therapy, Poshmark, reCloset, and ECOA are good examples.

The consumer purchasing decision is personal and usually complex, therefore one may account for considerable differences in a purchase process (Chan et al., 2015). In other words, facing similar situations does not mean a similar behavior. "One aspect of personality, exhibiting an attitude of trust in novel situations, can determine what action one takes when dealing with risk" (Chan et al., 2015: 272). When buying online, consumers may feel confused when having to make a purchase decision involving possible risks to get possible benefits (Chan et al., 2015; Fernando, Sivakumaran, and Suganthi, 2018). Despite offering more convenience, flexibility, and the power to get a lower price, buying online is also perceived as riskier. No possibility to touch the product or even try it may lead to some discomfort and reluctance, for making a bad purchase. Therefore, having a strong brand seems to induce trust and impact online shopping behavior and brand equity (Hong-Youl and Perks, 2005; Kumar, 2013; Frassetto, Mollá Descals and Ruiz-Molina, 2017). On the other hand, trust propensity determines how much a person accepts to depend on others and is willing to rely on information provided by others, therefore impacting purchasing decisions (Chan et al., 2015).

Consumers are afraid to buy from a Web-based vendor, because of the uncertainty of

not knowing the vendor and the fear that comes with it (Chan et al., 2015; Kumar, 2013). Consumers' perception about the risk of a potentially negative outcome of consumption is high and generally related to financial, physical, and social consequences of a buying experience. This may affect the purchasing decision. A well-known and a prestige brand influences trust, therefore positively affecting customer satisfaction (Frasquet, Mollá Descals and Ruiz-Molina, 2017). Specifically, Mansour, Kooli and Utama (2014) found that risk perception and brand trust influence online buying intention.

The lack of research on online marketplaces of second-hand products, the scientific evidence about the role of risk and trust, alongside the importance of brand experience for brands and consumers to build a positive relation, form the basis of this research. As such, this study aims to understand the role of perceived risk and brand trust on the formation of brand experience of an online marketplace platform of second-hand products.

The study is presented in the following manner: first, the literature review on brand trust, perceived risk, and brand experience is presented, followed by the research hypotheses and research framework. The results are presented followed by the discussion. Finally, the concluding remarks are presented, including the limitations and future research.

## **Theoretical Background**

### ***Brand Trust***

In relationship marketing literature, trust is understood as the consumer's perception that a specific organization and/or brand can fulfill promises and is motivated to do it (Jin, Line, and Merkebu, 2016). It is a key concept for customer relationships and is often accepted as the main determinant of brand loyalty (Mansour, Kooli, and Utama, 2014; Menidjel, Benhabib, and Bilgihan, 2017; Rather, et al., 2019). To trust a brand seems to reduce anxiety, diminishes

vagueness associated with a buying process, and may result in an emotional bond that makes customers comfortable with the brand and predisposed to go on buying and/or paying attention to new products and services (Jin, Line, and Merkebu, 2016; Menidjel, Benhabib, and Bilgihan, 2017; Zohaib et al., 2014). Previous studies show that brand trust impacts (positive) brand experience, especially for utilitarian brands (Huaman-Ramirez and Merunka, 2019). Understanding trust as a multidisciplinary concept is crucial for online marketers. Three dimensions were identified, one being dispositional (Rose, Hair, and Clark, 2011). This is a psychological approach to trust, perceived as a deep-rooted feeling or belief and, within this perspective, possible to be accepted as an antecedent of online customer experience.

### ***Perceived Risk***

Risk perceptions of potential negative outcomes of consumption have often been investigated in marketing literature. Perceived risk is commonly described as the subjective evaluation of the financial, physical, and social consequences of a specific consumption experience (Jin, Line, and Merkebu, 2016). These evaluations seem to impact shopping decisions, specifically at online shopping (Wai et al., 2019; Ariffin, Mohan. and Goh, 2018). Consumers seem to have a higher risk perception when buying online, compared to offline and/or store purchases (Wai et al., 2019). Risk perception is recognized as producing a negative effect on the individual's intention to buy online (Jin, Line, and Merkebu, 2016; Bangun and Handra, 2021; Chang and Chen, 2008). Perceived risk is seen as a synonym for an unfavorable outcome (Das and Teng, 2004). Wood and Scheer (1996) proposed that customer value is a function of perceived benefits, costs, and risk; reducing any concern about risk will increase customers' perceptions of value in an exchange experience.

### ***Brand Experience***

Pine and Gilmore (1999) presented their Brand Experience Model, showing the

relationship between the addition of experiences on products, services, and successful branding; the authors' main idea was that a positive brand experience contributes to a top-of-mind position of the brand which, in turn, is related to a high probability of being considered in shopping decision moments. Brand experience is a concept that has attracted the attention and interest of many marketing researchers. It is recognized that consumers tend to prefer brands that can deliver unique and memorable experiences. In other words, purchase decisions are not based on the products or services' functionality. Consumers decide based on the ability of brands to provide unique experiences, something new, genuine, and authentic, capable to surprise them (Cardoso, Portela, and Dias, 2013). Ensuring a positive brand experience is crucial for brands to keep customers' attention in time and even brand loyalty (Ong, Lee, and Ramayah, 2018; van der Westhuizen, 2018; Khan and Fatma, 2019; Quan et al., 2020). To provide unique and memorable brand experiences to customers seems to be very important for brands, regardless of off- or online contexts (McKnight and Chervany, 2001; Khan and Fatma, 2019; Cleff, Walter, and Jing, 2018; Dwivedi, Nayeem, and Murshed, 2018). For Shamin and Burt (2013), brand experience is the strongest direct predictor of brand credibility. Almad et al. (2014) found that any online company that doesn't manage customer experience will quickly go out of business. Brand experience occurs when the consumer looks for information on

products and services, buys and interacts with a brand. When customers are aware of the role and importance of a brand, they will feel satisfied with the experience and become more loyal to the brand products or services (Zohaib et al., 2014).

### **Hypothesis Development**

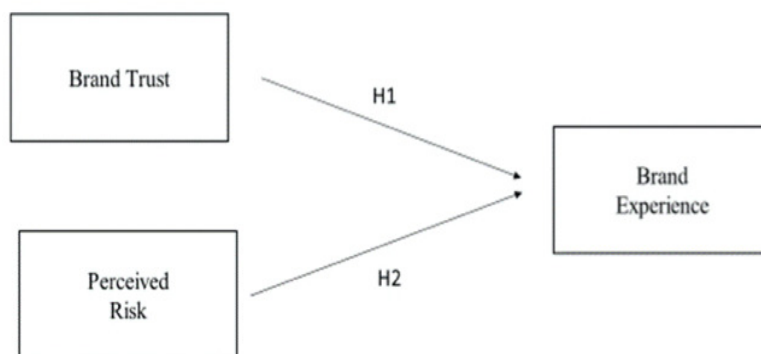
This study's main goal is to analyze the role of brand trust and perceived risk in the formation of brand experience.

According to several studies, trust seems to reduce negative perceptions towards brands by diminishing anxiety and vagueness and resulting in positive perceptions (Jin, Line, and Merkebu, 2016; Mansour, Kooli, and Utama, 2014; Zohaib et al., 2014; Molinno et al., 2017). We may expect that brand trust impacts positively on brand experience (Huaman-Ramirez and Merunka, 2019):

H1 – Brand trust is positively associated with brand experience.

Perceived risk is recognized as a factor that produces negative effects on the individual's intention to buy online (Jin, Line, and Merkebu, 2016; Bangun and Handra, 2021; Chang and Chen, 2008; Das and Teng, 2004). It is acceptable to expect that:

H2 – Perceived Risk is negatively associated with brand experience.



**Figure 1. Research Model**

*Source: Own elaboration*

## Research Methodology

### Measurements

The research model followed a quantitative approach with variables being measured using already validated constructs. The questionnaire's main constructs were based on the previous literature. The brand

experience was measured by the Brakus, Schmidt, and Zarantonello scale (2009), keeping the 7 points Likert scale. Perceived risk was measured using Laroche, McDougall, Bergeron, and Yang scale (2003), with a 5-points Likert Scale as suggested by the authors. Brand trust was measured using Bhattacharjee scale (2002), with a 7 Likert points scale.

**Table 1: Constructs, Scales and Questions**

Constructs	Scales and Authors	Questions
Brand Experience	Brakus, Schmidt and Zaratino (2009)	Q1-Q12
Perceived Risk	Laroche, McDougall, Beregeron and Yang (2003)	Q13-Q16
Brand Trust	Bhattacharjee (2002)	Q17-26

*Source: Own elaboration*

### Data Collection

The research involves concepts related to the brand, implying that participants needed to express their feelings, perceptions, and attitudes towards a specific object. As such, it was necessary to offer a context to participants to examine the constructs of brand trust, perceived risk, and brand experience. OLX is a global online

marketplace brand, founded in Argentina in 2006. The brand is in Portugal since 2012 and is managed locally by FixeAds. It is currently one of the most successful online marketplaces in Portugal.

At the beginning of the questionnaire, all potential participants were informed about the nature of the study and required to provide formal consent to take part in the

research. Participants were told about ethical aspects, mainly confidentiality and anonymity. The questionnaire took approximately 8 minutes long to be completed.

The questionnaire was made available online and disclosed using social networks. The first question in the questionnaire was a control question, asking respondents if they had a buying/selling experience in the online marketplace platform OLX in the last 6 months. If the answer was "No", they were not selected to continue with the questionnaire. The study sample consists of 193 participants, with 185 valid answers. 42,7% are female respondents, 55,7% male respondents and 1,6% did not state gender; average ages are between 26 and 45 years (69,7%) and 41,1% are married. As far as education level, 71,3% of the respondents have a higher degree and 86% were employed.

#### **Data Analysis**

The first step of data analysis was to assess the construct validity and internal

consistency. For that purpose, exploratory factor analysis (EFA) and Cronbach Alpha were used. In the second step, a multiple regression analysis was performed to test the hypotheses.

The EFA to brand experience revealed 4 items with factor loadings below threshold (Hair et al., 2006), corresponding to the reversed items of the Brakus, Schmidt, and Zarantonello scale 2009. The decision was to remove these items and perform new exploratory factor analysis.

In the second EFA, the items were grouped into a single factor, with a total percentage of variance accounted for (PVAF) of 71.649%, with robust factor loadings around or above 0.800. Thus, brand experience is presented as a one-dimensional construct, with an extremely robust internal consistency ( $\alpha=.943$ ) (Marôco and Garcia-Marques, 2006). The single-factor solution was saved as a new variable using the regression method (Table 2).

**Table 2. Descriptives and EFA for Brand Experience**

Items/Constructs	Mean	Standard Deviation	Factor Loadings	Cronbach Alpha	Eigenvalue	PVAF
Brand Experience				0.943	5.732	71.649
I find OLX brand interesting in a sensory way	4.55	1.625	0.719			
OLX brand makes a strong impression on my visual sense or other senses	4.46	1.675	0.836			
OLX brand induces feelings and sentiments	4.15	1.784	0.877			
OLX brand is an emotional brand	3.92	1.836	0.907			
OLX brand induces feelings and sentiments	4.54	1.863	0.839			
I engage in a lot of thinking when I encounter OLX brand	4.04	1.838	0.868			
I engage in physical actions and behaviors when I use OLX brand	3.97	2.009	0.846			

Items/Constructs	Mean	Standard Deviation	Factor Loadings	Cronbach Alpha	Eigenvalue	PVAF
OLX brand results in bodily experiences	3.86	2.086	0.867			

Source: Own elaboration

The same procedure was followed for perceived risk (Table 3). The results of the factor analysis revealed a single-factor solution (PVAF=74.908%) and a high

internal consistency ( $\alpha=.888$ ) (Marôco and Garcia-Marques, 2006). Again, the single-factor solution was saved as a new variable using the regression method.

**Table 3. Descriptives and EFA for Perceived Risk**

Items/Constructs	Mean	Standard Deviation	Factor Loadings	Cronbach Alpha	Eigenvalue	PVAF
Perceived Risk				0.888	2.996	74.908
There is a strong chance that I will make a mistake if I make a buy/sell on OLX	2.68	1.143	0.812			
I have a feeling that buying/selling on OLX can cause me a lot of problems	2.5	1.133	0.904			
I will take some risks if I buy/sell on OLX	2.89	1.208	0.881			
OLX purchases/sales are very risky	2.54	1.128	0.862			

Source: Own elaboration

Finally, items of brand trust were subjected to an EFA, revealing a single-factor solution (PVAF=71.031%). The internal consistency is high ( $\alpha=.954$ ) (Marôco and Garcia-

Marques, 2006). A new variable was computed using a regression method (Table 4).

**Table 4. Descriptives and EFA for Brand Trust**

Items/Constructs	Mean	Standard Deviation	Factor Loadings	Cronbach Alpha	Eigenvalue	PVAF
Brand Trust				0.954	7.103	71.031
OLX has the skills to carry out transactions in an expected manner	5.02	1.389	0.801			
OLX has access to the information necessary to handle transactions properly	4.85	1.506	0.788			

Items/Constructs	Mean	Standard Deviation	Factor Loadings	Cronbach Alpha	Eigenvalue	PVAF
OLX is able to meet most customer needs	5.11	1.429	0.816			
OLX is honest in its conduct of customer transactions	4.88	1.375	0.883			
OLX is honest in the use of the user's private data during the transaction	4.92	1.376	0.816			
OLX is upstanding in its customer service policies after transaction	4.81	1.457	0.827			
OLX is open and responsive to consumer needs	4.98	1.41	0.897			
OLX has customers' needs in mind during most transactions	4.75	1.415	0.891			
OLX makes efforts to address most customer concerns	4.68	1.426	0.826			
Overall OLX is reliable	5.36	1.399	0.874			

Source: Own elaboration

**Results And Analysis**

Following the procedures suggested by Zarantonello & Schmitt (2010), a linear regression analysis was performed to verify the relationships between the various

constructs. To test the hypotheses, the multiple regression analysis computed brand experience as the dependent variable, and perceived risk and brand trust as the independent variables, using the "enter" method.

**Table 5: ANOVA<sup>a</sup>**

	Sum Squares	df	Mean Square	F	Sig.
<b>Regression</b>	74,438	2	37,219	65,031	.000 <sup>b</sup>
<b>Residual</b>	95,006	166	.572		
<b>Total</b>	169,443	168			

a. Dependent Variable: Brand Experience

b. Predictors: (Constant), Brand Trust, Perceived Risk

Source: Own elaboration

The ANOVA (Table 5) shows that the model is valid (F=65,031; sig=.000). According to the results presented in table 6, perceived

risk and brand trust explain 43.9% of the variation of brand experience.



**Table 6: Model Summary**

R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
.663 <sup>a</sup>	.439	.433	.75651987	1.309
<i>a. Predictors: (Constant), Brand Trust, Perceived Risk</i> <i>b. Dependent Variable: Brand Experience</i>				

Source: Own elaboration

Brand trust makes a unique contribution of 58.6% to explaining the variation in brand experience, while perceived risk makes a

unique contribution of -15.5% (Table 7). According to these results, the hypotheses were validated.

**Table 7 : Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
<b>(Constant)</b>	.025	.058		.426	.671
<b>Perceived Risk</b>	-.156	.064	-.155	-2.453	.015
<b>Brand Trust</b>	.581	.063	.586	9.254	.000

*a. Dependent Variable: Brand Experience*

Source: Own elaboration

Brand trust and perceived risk contribute to brand experience, but in opposite ways: while the increase in brand trust is associated with an increase in brand experience (more positive), the increase of perceived risk is associated with a decrease in brand experience (more negative), as presented in the results of the linear regression model.

The goal of this research was to examine the relation of perceived risk and brand trust with brand experience in an online marketplace of second-hand products. The study took a quantitative approach based on a questionnaire. The sample was made of 185 participants that had been involved in an online purchase on OLX, an online marketplace of second-hand products.

The hypotheses tested were confirmed. Perceived risk and brand trust are related to the formation of brand experience, but while brand trust enhances the formation of a positive brand experience, perceived risk contributes to a less positive brand experience.

These results are in line with previous literature. Brand trust is considered to positively influence brand experience, either as an antecedent (Morgan-Thomas and Veloutsou, 2013) or as a mediator between other variables and brand experience (Menidjel, Benhabib, and Bilgihan, 2017).

Perceived risk, as expected, has a negative association with brand experience. The fewer risks consumers perceive, the more positive the brand experience is. Although

previous literature is scarce on the relation of brand experience and perceived risk, some studies also validate this assumption in other contexts. For example, Diallo and Siqueira (2017) confirmed the association between brand experience and perceived risk with Brazilian consumers for retail stores. But also in the online context, Pang and Xi (2010) in a study of a non-standardized commodity, found an association between perceived risk and three dimensions of brand experience, namely: sensory, affective and intellectual.

Trust determines how much a consumer is willing to depend on others and to rely on information provided by others (Chan et al., 2015). Previous literature (Hong-Youl and Perks, 2005; Kumar, 2013; Frasquet, Mollá Descals, and Ruiz-Molina, 2017) supports the idea that a strong brand is an important factor for consumers' trust. However, in the absence of a strong brand (or a brand at all), it can be assumed that consumers will show less compelled to buy.

In the case of the online environment, consumers are less confident to buy from a web-based vendor because of the uncertainty of not knowing the vendor (Chan et al., 2015; Kumar, 2013). In these cases, consumers' risk perception of a negative outcome is higher usually associated with financial, physical, and social consequences of the buying experience. As such, a well-known and a prestige brand may contribute to building trust, therefore affecting positively customer satisfaction (Frasquet, Mollá Descals, and Ruiz-Molina, 2017).

While this reasoning is valid for conventional relations between consumers and brands, when it comes to customer-to-customer (C2C) or peer-to-peer (P2P) (McKnight and Chervany, 2001) buying-selling relations, the absence of a known and trustworthy brand may affect the seller-buyer relation. Although the literature (e.g., Mansour, Kooli, and Utama, 2014) has found that risk perception and brand trust influence online buying intention, there is still a lack of understanding of the dynamics of this relationship in the context of C2C, even when mediated by a third party that provides a safer environment for individual sellers and buyers. This was the goal of this research.

The results show that the general reasoning is similar to the conventional online relations between consumers and brands. Specifically, this means that risk perception affects consumers' experience negatively while feeling trust will do the opposite (Mansour, Kooli, and Utama, 2014). Taking into account that this research was conducted in the context of online marketplaces, risk perception and brand trust in the third party play a fundamental role.

Brands operating exclusively online, such as OLX, should seek to increase consumer confidence, through the ability to meet consumers' expectations and needs, integrity in the fairway they relate to consumers, and finally through goodwill, demonstrated by empathy, benevolence, and resolution of consumer concerns (Chan et al., 2015; Frasquet, Mollá Descals and Ruiz-Molina, 2017; Mansour, Kooli, and Utama, 2014; Chang and Chen, 2008; Mukherjee and Nath, 2007). On the other hand, online brands should seek to reduce the risk perceived by consumers, namely in aspects related to the transaction (Resnick and Zechauer, 2002). In the case of online marketplaces, this concern should extend to control over transactions between users.

Confidence in using a website is very important as there is no physical interaction between the seller and the buyer. Mukherjee and Nath (2007) report that through the absence of this interaction, gaining the buyers' trust and fulfilling initial promises become central issues in customer relationship management. Service brands, like online marketplaces of second-hand products, need to develop and maintain cordial and open relationships with customers while creating an online business model (Friman et al., 2002). Additionally, customers' perception of trust and commitment to the service will result in increased loyalty (Kandampully, 2012).

A good or even memorable experience is crucial to brand performance. Brand experience can influence online shopping behavior (Rose, Hair, and Clark, 2011) in several ways, such as brand attachment

(Huaman-Ramirez and Merunka, 2019), brand equity (Kumar, 2013). For this reason, it is important to understand what contributes to a positive brand experience. This study contributes by presenting evidence of the role of perceived risk and brand trust.

### Conclusion And Implications

The online marketplace of second-hand products is still understudied, which makes the present research an important contribution. Understanding consumers' perceptions - in this case, brand trust and perceived risk - in the context of non-traditional purchases is relevant. This relevance lies not only in the scarce literature published on the topic but also because most of the previous research of online consumer behavior lays on the assumption of individual consumers buying products or services from institutional sellers. Taking into account that, in the context of this research, consumers buy second-hand products from other consumers, the role of the online marketplace platform assumes an important role in assuring trust and reducing risk, both necessary for exchanges to take place.

Specifically, this research contributes to understanding the role of brand trust and perceived risk for the brand experience offered by the online marketplace platform. This study revealed that brand trust and perceived risk are important factors to take into account when managing the brand's experience offered to consumers.

In terms of managerial implications, this study offers two important takeaways. First, online market platforms should work on cues that contribute to inducing trust in the online environment. On the other hand, brands operating in this context should also eliminate and manage all the cues that have the potential to induce a perception of risk.

The main limitations of this research are related to theoretical and empirical aspects. The choice of brand trust and perceived risk limits the extent of potential factors contributing to the formation of brand

experience. Another limitation is the focus on one specific online marketplace brand.

Following the results and limitations of this research, future research should understand the foundations of online brand trust formation in the context of online marketplaces of second-hand products. As Nosi et al. (2021) concluded in their research, it is important to understand the role of other online actors, such as bloggers and social network influencers, in the formation of online brand trust. Additionally, other elements, such as brands visual content, could be examined as potential elements in generating trust in online marketplaces of second-hand products (Karpenka et al., 2021). Following the same reasoning, understanding the factors that reduce or enhance risk in online marketplaces of second-hand products is another path worth examining. Finally, addressing other factors that may contribute to the formation of brand experience of online marketplaces of second-hand products should be considered in future research.

### Acknowledgements

This work was supported by the UIDB/05105/2020 Program Contract, funded by national funds through the FCT I.P.

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