E-Commerce Trustworthiness - Which Signals to Add?
An Empirical Analysis in Fashion Retail Industry

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(co-authors: Ansgar Buschmann/Gerhard Schewe)
1. Relevance of the research project

2. Research design and results of the study

3. Conclusion
In recent years the retail industry has achieved enormous growth in e-commerce sales while traditional channels have stagnated.
[e.g. Enigma GfK 2011]

Trust is getting more and more important to enhance the willingness to buy.
[e.g. Garbarino/Maxwell 2010; Qureshi et al. 2009; Jarillo 2006; Möller/Swahn 2004]

A lot of recent research studies demonstrated that customers still do not totally trust such virtual channels and therefore do not purchase products online.
[e.g. Mangiaracina/Perego 2009; Baal/Hudetz 2009; Wachinger/Sinclair 2008; Awad and Ragowsky 2008; Agustin and Singh 2005]
Otto – one of the biggest retailers regarding e-commerce
Research questions

1. Which signals might enhance the retailer’s trust in e-commerce?

2. Are there different groups of customers which ask for specific signals to trust e-commerce?
1. Relevance of the research project

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This framework is based on the Signalling Theory.
Our research design combines both perspectives – customers and retailers

1) **Identification of all signals** on the e-commerce websites of all German fashion retailers which achieve minimum revenue of 50 million Euros in total sales (based on Textilwirtschaft)

   Time of period: 18.07.2011 - 06.09.2011

2) An **online-survey** was conducted; 6304 web users were invited to answer the questionaer (based on Federal Office of Statistic regarding age, gender and education); 1451 subjects completed

   An **Adaptive-Conjoint-Analysis** followed by a **Single-Linkage-Cluster Analysis** was conducted
### General results

#### Average relevance of signalling categories

<table>
<thead>
<tr>
<th>Rank</th>
<th>Signalling category</th>
<th>Relative importance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Payment methods</td>
<td>16.06 %</td>
</tr>
<tr>
<td>2</td>
<td>Shipping costs</td>
<td>11.77 %</td>
</tr>
<tr>
<td>3</td>
<td>Costs of return</td>
<td>10.82 %</td>
</tr>
<tr>
<td>4</td>
<td>Certifications and seals</td>
<td>10.76 %</td>
</tr>
<tr>
<td>5</td>
<td>Possibilities of customer contacts</td>
<td>10.32 %</td>
</tr>
<tr>
<td>6</td>
<td>Fulfillment-Services</td>
<td>9.82 %</td>
</tr>
<tr>
<td>7</td>
<td>Periods of return</td>
<td>9.77 %</td>
</tr>
<tr>
<td>8</td>
<td>Customer experiences and opinions</td>
<td>9.46 %</td>
</tr>
<tr>
<td>8</td>
<td>Data privacy</td>
<td>5.78 %</td>
</tr>
<tr>
<td>9</td>
<td>Special information about the company</td>
<td>5.44 %</td>
</tr>
</tbody>
</table>
Company-focused customers prefer signals accompanied by non-virtual company context information (41.93 %)

That helps…

- Return at no charge in stores, a contact person in a store and phone, address and e-mail are important

- Information about the company’s history must be given to enhance the trustworthiness

- A multi-channel system is decisive – only e-commerce seems not trustworthy

- Several payment methods should be given (bill, online system and credit card with special security)

- Data privacy and security has high priority
Critical-controlled customers focus on control options during their purchase like delivery and return (40.24 %)

<table>
<thead>
<tr>
<th>That doesn't help…</th>
<th>Better use this…</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Other payment methods except bill/check</td>
<td></td>
</tr>
<tr>
<td>- <strong>Seals and Certifications</strong> except the well-known goods vehicle test certificate (TÜV)</td>
<td></td>
</tr>
<tr>
<td>- Information about data privacy and security are less important to the other groups</td>
<td></td>
</tr>
<tr>
<td>- <strong>Bill/check</strong> and <strong>cash on delivery</strong> are most important</td>
<td></td>
</tr>
<tr>
<td>- Confirmation of sub tasks, 24 hour hotline and pictures of the responsible store manager work</td>
<td></td>
</tr>
</tbody>
</table>
Routine-buying customers give high priority to retailers with free shipping and free returns and do not require a physical store (17.84 %)

Important to know …

- Every payment method is accepted – especially quick and comfortable methods
- Cash on delivery is not important
- A contact person, information about the company are less relevant compared to the other groups
- Every certification and seal enhances the trustworthiness
- Only return period of more than 30 days works
- Need confirmation about sub tasks
Customers

Know your customer group and you know your signals

**Company-focused customers**
- Employed persons
- People with final secondary-school examinations
- Rather older people

**Routine-buying customers**
- Higher education background (university)
- Rather younger people (between 19-29)
- Students

**Critical-controlled customers**
- People with higher education entrance qualification and final secondary-school examinations
- People usually over 30 years
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(1) First of all it could be demonstrated on a disaggregated level that customers’ payment methods, shipping cost, and cost of returns are the three most important categories for trustworthiness in an e-commerce environment.

(2) Second, we could show on an aggregated level that three customer groups regarding their feelings towards trustworthiness exist: critical-controlled customer, company-focused customer and routine-buying customer. They all have to be addressed in different ways.
Thanks for your attention!

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