





## Foreword from Youstice

Online retail is arguably the biggest growing sector in commerce that this generation, and those to come, will witness. Technology has developed to make it a much more direct interaction for customers to purchase what they need, when they want. However, despite such great advancements, issues are still present during the customer-retailer exchange which can frustrate and create barriers to purchase. This can often lead to dissatisfaction and disappointments for both parties.

**Consumers need to have the confidence to know that if something goes wrong with a purchase the problem can be resolved quickly and easily – wherever they buy from.** Online shopping has removed barriers to cross-border purchasing to an extent but there still looks to be hesitation in making a purchase from a foreign retailer. 2015 will see new mandatory European regulations in place for online retailers regarding Online Dispute Regulation (ODR) and Alternative Dispute Regulation (ADR) so it's vitally important that businesses have these mechanisms in place.

To help understand consumer buyer habits further, we surveyed over 3,000 consumers across Europe to help us understand the landscape and the challenges faced by retailers with today's savvy shoppers. We believe the findings make interesting reading for consumers, online retailers and businesses.

**Zbynek LoebI**  
Founder and CEO, Youstice



## Foreword from Patrick Fagan

The Digital Revolution has, of course, provided an excellent opportunity for brands to grow through new channels; and this opportunity is itself expanding exponentially with growing platforms for commerce.

However, it is important not to get too caught up in the exciting world of technology. Despite our lofty ambitions, a primal, emotional core still sits at the heart of our minds - that is, our modern skulls house a stone-age brain. It is perhaps in these ancient, innate principles that services such as Youstice have the most promise.

Consumers are cognitive misers with limited brainpower, who rely on emotion and non-conscious rules-of-thumb to make their choices. Youstice will benefit consumers by making the returns process less cognitively effortful and therefore making consumers more likely to engage in it, maximising their overall benefit. Further, Youstice benefits retailers: by helping to reduce unfairness and negative affect (both very powerful drivers of behaviour) from the purchase experience; and by acting as an automatic signal of trust to non-consciously influence consumers' online store patronage in the fraction of a second it takes them to decide.

**Consumers only have so much cognitive energy to spend on any given purchase - or post-purchase - decision. Ultimately, Youstice makes lives easier for consumers, and removes barriers to purchase for brands.**

**Patrick Fagan,  
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## Introduction

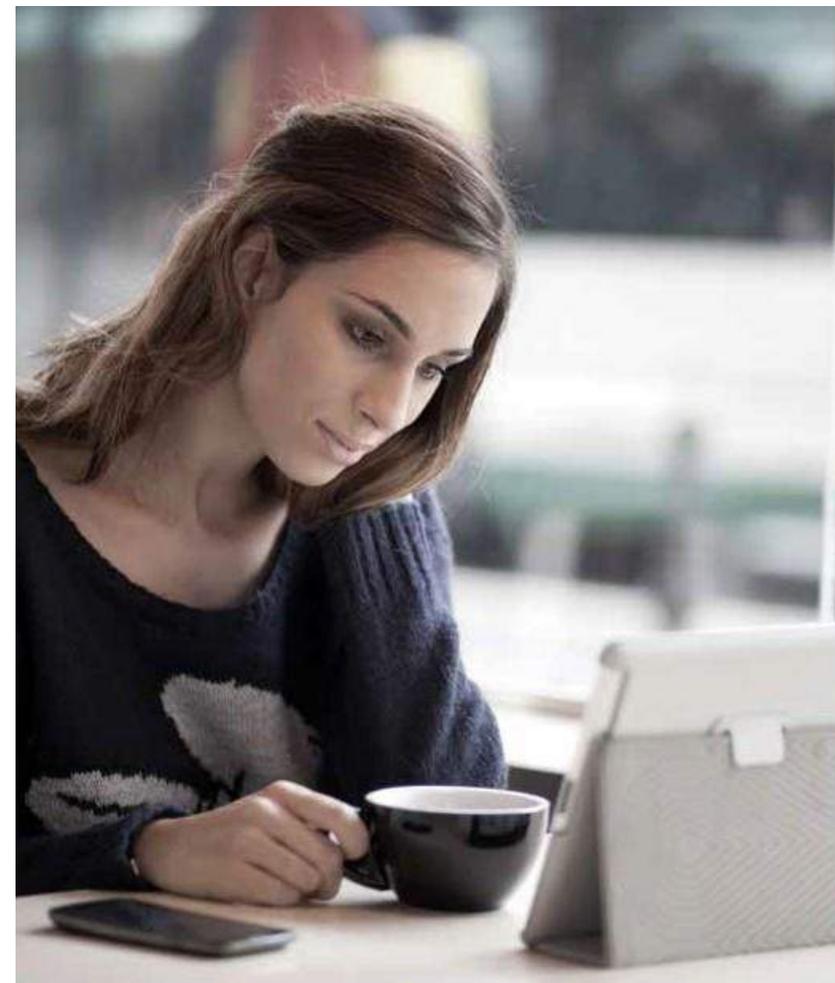
**The way we shop is changing radically.** Consumers have been using the Internet to purchase books, music, holidays and DVDs for a long time. But now fashion sales are following suit. And food is increasingly being purchased online, with 26% of consumers having groceries delivered to their front door in 2012 (Source: The Wall Blog).

This growth is being driven in large part by a surge in smart phone usage. During the weekend of Friday November 29th to Monday December 2nd 2013, the busiest shopping weekend of the year in the Western world, dubbed Black Friday in the press, mobile sales accounted for 30% of total transactions. This was triple the previous year's figure.

**This report takes stock of the changing face of online consumer buying habits, developments in the online marketplace and incoming Government regulations regarding customer claims are affecting the evolution of the digital shopping space.**

## Methodology

In April 2014, Youstice interviewed 3,000 adults aged between 18 and 65 about their online purchasing behaviour. The exclusive survey covered three key markets – the UK, France and Germany. In each country, 1,000 respondents were questioned at length about their shopping habits.



## Why Take A Closer Look At Online Consumer Behaviour?

### Market Trend 1 - Big Spending British

Online shopping is particularly popular in the UK. In 2013, communications regulator Ofcom carried out a survey of Internet shopping around the world. It found that the UK came top of the list of countries surveyed. In 2012, UK shoppers spent £150 more on online shopping than they did the previous year. The country's average annual online outlay increased from £1,017 to £1,175. According to the report, almost three quarters of British citizens (73%) buy goods for delivery via the Internet at least once a month, while almost one in four (24%) make a purchase every week.

*"Adjusting for population, the UK spends £307 per head more than Australia, the second highest ranked country in the survey, and £615 more than the average."*

Unlike citizens in many countries, Britons feel secure when paying for products online and are used to receiving parcels at home. In part, this is due to a long history of catalogue shopping in the UK.

The UK's pre-eminent position in online shopping is likely to continue for the foreseeable future. **Over the next two years, the British e-commerce market is predicted to grow at an annual rate of 11%. By 2016, the sector will be worth €59 billion** (Source: Forrester).

### Market Trend 2 - Crumbling Bricks and Mortar

**Even when shoppers are not purchasing online, they are using their mobile devices to compare prices.** This phenomenon, known as showrooming, is putting added pressure on traditional bricks and mortar retailers. Simply put, showrooming is the practice of checking merchandise in store and then purchasing it online, usually at a cheaper price. Although the practice has been around since the advent of the Internet, it has really gathered pace since the advent of smart phones.

**"More than half of smart phone users (55%) currently use their devices to show room"** (Source: Retail Customer Experience).

In fact, showrooming is predicted to bring about the demise of the traditional high street store as we know it. Consultancy firm Capgemini recently surveyed 16,000 digital shoppers across 16 developing and mature markets. **More than half of the respondents – in all territories – said that they expected physical stores to become show rooms by 2020.**

With increasing numbers of shoppers gravitating to the Internet, it is only a matter of time before online sales outstrips spending in bricks and mortar stores.

## Consumer Trends Setting The Scene

Including the growth in Internet penetration, there are ten consumer trends which provide the context for the importance of online dispute resolution services in the coming years.

### Net Growth.

The world has been, and continues to be, transformed immeasurably by the Digital Revolution. Internet penetration among young Western consumers is near 100% saturation, with “silver surfers” and developing economies fast catching up; meanwhile, smartphones and tablets are creating a culture of constant connectivity. It is vital for this growing mass of online shoppers to have some way of knowing they are safe buying products they can’t touch or see from a person they’ve never met.

### Digital Globalisation.

Between 2011 and 2012, the worldwide web gained an extra 10 million users from Brazil, 31 million users from India, and 54 users million from China. From the BRIC and MINT countries in total, the number of internet users grew by 122,000,000 in just that one year alone, with steeper growth yet to come in the years ahead. A reliable, global online dispute resolution service will be increasingly important both for these new global digital consumers, and for existing digital consumers buying from these developing economies.

### Peculiar Payments.

Advances in technology are heralding changes in the conception of currency and payment. New forms of digital exchange are emerging: from PayPal to buying with a Tweet; from Bitcoin to Facebook Credits. This state of flux in payment methods will introduce an element of uncertainty and unreliability, and a potential lack of trust. The security of a familiar online dispute resolution service will enable consumers to exchange currencies with ease.

### Leave it to OS.

There is a small, but growing, trend towards leaving our decisions in the hands of machines, or just brands, which are better equipped than us to make a good choice. Smart, diet-tip-dispensing fridges have been with us for a couple of years already, and Google has just announced the release of its new driverless car! While we’re a long way off from HAL 9000 and Skynet, consumers are increasingly used to outsourcing any boring or effortful tasks. Online dispute resolution could be the next price comparison.

### Etsy Etc.

Before the industrial revolution, consumers were typically in direct contact with the producers of the goods they bought. Now, the digital revolution and its culture of connectivity have resulted in something of a return to form. Through sites like eBay and Etsy, consumers are able to connect directly with producers. While this lets shoppers fulfil their need for customised and niche goods (soap in the shape of an Xbox controller, anyone?), an increase in sellers means a decrease in reliability, familiarity, and trust. Online dispute resolutions will be essential for shoppers to feel secure in these purchases.

### Savvy Shoppers.

As the growth of stores like ALDI and Poundland attest, it is now cool to be careful with money. Frugality has been driven by the recession, by life-simplifying technologies like price comparison sites and budgeting apps, and by a public sense of disdain for greed after events like the banking crisis and the British expenses scandal. Consumers are ostensibly more sensitive now to perceived inequity and poor value in their purchases. There is an opportunity for online dispute resolution services to assure shoppers they can take action if they feel short-changed.

### Waste Not, Want Not.

Psychological research generally shows that attitudes are a very poor indicator of behaviour, and this appears to be especially true when it comes to environmentalism. However, people are being more careful with resources and reducing waste - mostly because of the financial benefits over any environmental concern. This trend will arguably make it less likely that shoppers will not bother to return a faulty or unsatisfying purchase.



### Connected Complainers.

In 2008, Canadian musician Dave Carroll caught a United Airlines flight to the States. Upon arrival, his acoustic guitar had been broken by clumsy baggage handlers. United Airlines treated Carroll very poorly, so, he uploaded a song about his experience to YouTube. It currently has over 14 million views, and, at the time, knocked \$180m off the brand's share price. The free flow of information - particularly due to social media sites - has led to an age of transparency, in which companies' misdeeds do not stay quiet for long, if at all. A good online dispute resolution service can stop these disasters before they begin.

### Great Expectations.

The recession forced brands to get competitive, and an upshot of this has been a significant increase in the quality of brand-consumer relationships. Customer service is increasingly first class - many brands are using personalisation and going the extra mile. O2 Priority is an excellent example. So, consumers expect excellent service and are more and more dissatisfied when they do not get it. An online dispute resolution service will make sure purchases come off as happily as possible.

### Dangerously Disloyal.

With the advent of search engines, followed by price comparison sites, and now services which even, for example, automatically move your savings into the account with the best interest rate, it has become easier than ever for shoppers to switch. If a service isn't good enough, for most brands consumers can very simply go elsewhere. It is extremely important for retailers, therefore, to ensure that consumers are not put off by a lack of trust or by a bad experience; and online dispute resolution services can help ensure that very thing.





# Contemporary Consumers Still Led By Primitive Purchasing Habits

With the radical changes occurring in the world of information technology, it is easy to lose sight of our evolutionary psychology roots and to believe that humans have begun to transcend their primal urges.

The fact that 8.5% of all online “clicks” (more than shopping, more than email, and more than all social media sites combined!) are accounted for by adult sites tells us something important (SimilarWeb, 2013).

While consumers may be using incredibly advanced technology to do their shopping, they are still subject to ancient, innate psychological biases. In fact, there is research to suggest that online shopping increases the use of cognitive biases due to information overload (Spann & Tellis, 2006).

The Triune Brain Theory (MacLean, 1990) is a somewhat outdated concept, but its basic premise has been confirmed by neuroscientific research (Panksepp, 2003). The model states that the human brain is the result of evolution, with the older, automatic “mammalian” or “reptilian” brain being responsible for innate drivers like emotion, and the newer, deliberative “human” brain being associated with language, planning, and reasoning. While the newer brain has advanced functions, being new, it is relatively slow, inefficient and uninfluential. The emotional brain has ensured our survival over successive evolutionary phases, and so it takes precedence over any rational processes.

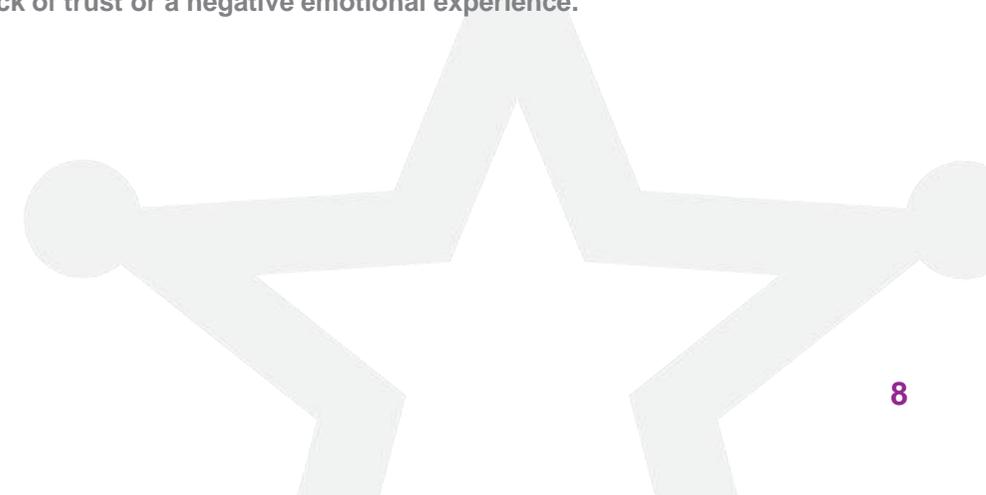
Not only is the older, emotional brain more influential in decision-making, but the rational brain is extremely limited in its processing power. For example: our short-term memories can only hold around seven “bits” of information at a time (Miller, 1956); the best guess is that only 0.0004% of all sensory information is processed consciously (Wilson, 2009); and consumers can make the best decision in as little as a third of a second (Milosavljevic, Koch & Rangel, 2011).

Far from being rational profit-maximisers, consumers tend to be cognitive misers. They rely on heuristic and emotional cues to make their decisions in just a split second - and if a choice is too difficult, they will simply avoid it.

## The upshot of all this for online retailers is threefold:

1. Consumers typically base their choices on the basis of emotion, not utility, and a bad experience can influence their patronage for life
2. Being cognitive misers, consumers can decide to buy or not to buy on the basis of a single, tiny cue, like a watermark
3. Despite it being the rational thing to do, many consumers are unlikely to return a product as it is simply too cognitively effortful as things stand

The main take-away is that online shoppers are not careful, deliberate maximisers, but rather, automatic satisficers. They make their decisions less on the basis of actively liking a particular store, and more on the basis of avoiding a store which does not meet a particular criteria. **In order to succeed, e-tailers need to make sure there are as few barriers to purchase as possible, like lack of trust or a negative emotional experience.**



## Key Findings

### Online Shopping Habits

The interviewees were first questioned about the types of products they purchased online. More than half (52%) of the total said that they bought items from online gift, electrical and entertainment retailers once a month or more regularly. Around three in ten (29%) reported purchasing goods from online fashion and styling retailers. Almost a quarter (24%) said that they used online grocery retailers once a month or more. Those surveyed indicated that clothes (59%), entertainment products (55%) and electronic items (46%) were the goods that they purchased the most.

### Fashionable but cautious Germans

The survey found that there were significant regional differences in the types of goods purchased online. A high percentage of respondents in Germany and France said that they had never purchased groceries online (63% in Germany and France, compared to 33% in the UK). However, German consumers were particularly comfortable purchasing fashion and style items online – 28% of German respondents said that they purchased these goods on a monthly basis compared to 22% in the UK.

British consumers were found to be twice as likely to purchase online gifts (16%), compared to shoppers in France (2%) and Germany (5%) combined.

We then asked our interviewees if they did any research before shopping online. More than eight in ten (84%) said that they did some sort of background research, with nearly two thirds (61%) checking customer reviews online. Another quarter asked friends and family for recommendations before selecting a retailer.

Customer feedback was a particularly important consideration in Germany, where 65% of respondents reported checking reviews, as opposed to 61% in the UK and 55% in France.

### What does this mean?

These findings are a salient demonstration of the automaticity and irrationality of consumers' online shopping behaviour. Since consumers are cognitive misers and lack the conscious "brainpower" to process all of their decisions carefully and deliberately, they instead rely on heuristics. These are cognitive shortcuts which drive behaviour from the subconscious; "red = stop" is a good example of a heuristic drivers use without thinking.

In this case, the rule-of-thumb consumer's use without thinking is, "If everyone else is doing it, it must be good." This is called social proof (Cialdini, 1993). As an example, sales of a product on a website have been found to be increased by 10-20% simply by including a consumer review of the product (De Vries and Pruyn, 2007).

Social proof is a particular concern for e-tailers in the age of social networking. Customers can share the news about a bad retailer with more speed and efficacy than ever before - so it is vital that brands keep their customers happy at all stages of the purchase.

### Pricing Is Still Key

The survey found that competitive pricing was an important factor in selecting a retailer. Eight in every ten (80%) said that pricing was a factor before buying a product or service. Over half (54%) looked at the availability of stock and over four out of ten respondents (43%) based their decision to purchase on whether the retailer had an easy returns service.

Across all territories, brand reputation was important for all respondents. The ability to follow up an order was a key factor for a third of all respondents. However, German interviewees were more concerned about the availability of customer service compared to their counterparts in France and the UK.

We were also interested in finding out which types of retailers were the most trusted across all three markets. Online grocery retailers were found to have the highest level of trust in the UK, France and Germany. However,

German shoppers placed more trust in fashion and style retailers compared to their counterparts in the UK and France (65% compared to 45% and 55%). Considering that German consumers tend to purchase more fashion items online this wasn't altogether a surprising finding.

## High street Customer Service Comes Up Trumps Over Online

Next, we asked our respondents to tell us which retailers provided the best after-sales customer service. Over six in ten said that offline sales channels such as department stores (69%) and independent high street shops (62%) offer the best kind of after-sales care. French interviewees rated native online retailers' after sales care higher than their counterparts in Germany and the UK. Around three fifths (64%) of respondents in France said that they got excellent after sales care from native online retailers compared to 61% in the UK and 54% in Germany.

### *What does this mean?*

From a psychological standpoint, a good customer experience is extremely important for repeat-purchase behaviour due to memory processes. The Peak-End Rule (e.g. Kahneman et al., 1993) states that people are most likely to remember two parts of any experience: (1) the end of the experience (i.e. the Recency Effect; "You're only as funny as your last joke"); and (2) the emotional peak of the experience. For example, children's happiness with their Halloween haul of sweets is influenced by the quality of the sweets they received at the end of the night, and by the receiving of, say, a really big chocolate bar at some point in the night (Do, Rupert & Wolford, 2008).

The implication for online retailers is clear. If a customer has a particularly bad service experience, this will be the primary thing they remember about the retailer because it will be very high in emotional intensity, and because it will likely be the last experience the customer has with the retailer. It therefore behoves online stores to make sure there is little room for negative emotional experiences in the sales and aftercare service; this way, the emotional peak of the consumer's experience might instead be a positive memory.

Looking at the importance of cross-channel consistency, just over a third (39%) said that they experienced an inconsistent service from online and offline retailers. The need for a consistent experience is likely to become more important as 'click and collect' services enter the mainstream. Almost half of our respondents (46%) said that they felt that 'click and collect' would simplify the retail experience for customers in the future.

Three quarters of the people interviewed (75%) said that they found online shopping less appealing than other methods to some extent because they couldn't question or appeal an order. However, three fifths (63%) of those surveyed said that they would purchase an item online if they found positive reviews on the Internet and if there was a clear and easy-to-access customer service section on the retailer's website. Six in ten (60%) respondents said that they would want to be provided with a visible customer service telephone number before purchasing online.

Lastly, four fifths (79%) of those surveyed said that their purchasing decisions would be influenced by a visible industry standard mark on a retailer's website. This is another example of the power of heuristic processes in online consumer decision-making.

### *What does this mean?*

An industry-standard watermark can act as an automatic cue to trust and use a website. For example, research has shown that people use the SSL padlock in their browser as a non-conscious cue (e.g. Jakobsson, 2007). In the split-second it takes consumers to make an online buying decision, the presence or absence of a watermark can make a huge difference.

However, it is important to be aware of the power of persuasion knowledge (Friestad & Wright, 1994). When people suspect that someone is trying to persuade them, they become suspicious and less susceptible to influence. For example, research has found that price promotions are less successful when they say, for instance, "Save up to 50% off" (Hardesty, Bearden & Carlson, 2007).

This is why an independent watermark - as opposed to a retailer's own, private watermark - is so valuable. With a retailer's watermark, site visitors would likely be suspicious and cynical of its authenticity.

## Dealing With Complaints

### The Power of Written Word

The interviewees were then asked whether they called, emailed or visited retailers to complain. Respondents across all three countries had a preference for complaining via email, but the figure for Germany was particularly high – 74% said they preferred to complain using the written word. **French shoppers were the most likely to complain in person (20% compared to 19% in the UK and 15% in Germany).** Interestingly enough, none of the respondents seemed to favour complaining via social media.

*“Only 12% of UK interviewees and eight and seven per cent of French and German respondents said that they chose to complain in this manner.”*

We also wanted to find out whether shoppers were adversely affected by bad customer service. **Compared to their counterparts in France and Germany, UK shoppers were found to be more likely to forgive poor service.** Two fifths of UK shoppers (40%) said that they would never shop at a retailer that had delivered bad service. However, in France and Germany the figures were 66% and 64% respectively. However, despite being lenient towards bad customer service, UK shoppers were more likely to be wary of a repeat purchase at the same retailer (49% compared to 26% in France and 26% in Germany).

#### **What does this mean?**

An important psychological concept to return to here is the idea that emotions typically trump rationality - and this is extremely apparent when it comes to perceived unfairness.

Research has shown that consumers will punish perceived retailer unfairness even if it is ultimately detrimental to do so: for example, consumers have been found to avoid shopping somewhere after a bad experience, even if doing so means they are ultimately spending more money elsewhere (Xia, Monroe & Cox, 2004).

The implication for online retailers is that they should avoid evoking the powerful principle of unfairness at all costs; it is a particularly potent driver of consumption behavior, which consumers follow even when it is highly irrational, and against their best interests, to do so.



## It's A Matter Of Trust

The interviewees were also asked to compare their native retailers to Asian and American players. Shoppers in the UK, Germany and France all said that their own retailers were more trustworthy than companies in Asia.

*“More than half of UK shoppers (53%) said that they didn’t trust Asian retailers. The figures for Germany and France were even higher – 64% of German interviewees said that they didn’t trust Asian retailers, while 59% of French respondents said that they had no trust in Far East retailers”*

Interestingly enough, the figures for Italian and Spanish retailers were not **much better**. More than half of German shoppers (52%) had no trust in Italian and Spanish retailers. Just over two fifths of French shoppers lacked faith in these players (39%), while the figures for British consumers were a bit lower (41% had no trust in Spanish retailers and 40% had no faith in Italian retailers).

There is an important psychological principle to be aware of here. While most people tend to believe that attitudes drive behaviours, this is often not the case. For example, one large-scale study on environmentalism found that attitudes rarely predicted more than 10% of behaviour (Wright & Klÿn, 1998); and another paper found that a medium-to-large change in intentions was required for a small-to-medium change in behaviour (Webb & Sheeran, 2006).

In fact, it is more often the case that behaviours drive attitudes. Behavioural scientist Colin Camerer wrote that “the human brain is like a monkey brain with a cortical ‘press secretary’, who is glib at concocting explanations for behaviour, and privileges deliberative explanations over cruder ones” (Camerer, Loewenstein & Prelec, 2004). This means that our non-conscious brain makes the decisions, and our conscious brain post-rationalises them and mistakes this post-rationalisation for intention.

### *What does this mean?*

**The upshot is that online retailers should not aim to increase trust in order to influence consumer behaviour.** Instead, they should aim to influence behaviour through heuristic and emotional “nudges”, and trust will consequently follow as a function of familiarity. This is well documented in consumer research where, for example, trust, and other dimensions of brand attitude, vary simply as a function of brand size (Sharp, 2010).

*“This is why shoppers have shown the highest levels of trust for online retailers in their own countries, and why online grocery retailers are the sector with the highest trust: it is simply a matter of familiarity. If e-tailers remove their barriers to purchase, the trust will come.”*



## Know Your Rights

Lastly, shoppers were asked if they understood what rights they had online.

*"On the whole, interviewees in all countries lacked an understanding of the difference between online and in-store shopping rights."*

Around a third (32%) of respondents said that they believed that their online and offline consumer rights were mostly the same. Almost half (49%) thought that their consumer rights were identical; 21% partly the same; and 9% completely different. None of the respondents appeared to realise that online shoppers have more rights than in-store consumers (Source: MoneySavingExpert.com).

## Follow up Complaints

We then looked at how consumers across France, Germany and the UK manage follow up complaints. To get a steer on the subject, we asked our interviewees how they would deal with problems arising from faulty goods. Nine in ten respondents (90%) said that they would consider a product faulty if it did not work or was broken. Almost an equal number (87%) told the survey organisers that they would deem a product faulty if it was damaged. Over half (57%) said that they would consider a product faulty if it did not match the description given upon purchase.

*"The majority of respondents (82%) told us that they expected to get a refund for faulty goods. Around seven in ten (71%) said that they wanted to get a free returns service in the event of receiving a faulty product."*

## Frugal Female shoppers

Consumers don't always request a refund for a product if they deem the value to be too low. We wanted to see if there was any regional variation in relation to this factor across the three countries surveyed. **The survey found that shoppers in the UK are losing out on more money compared to their counterparts in France and Germany – on average 22% more.** There was also a discrepancy

between male and female shoppers. In all the countries surveyed, women were found to be more frugal than men. **On average, male shoppers were losing out on 34% more money than that of females.** This is in line with evolutionary psychologists' thinking about women, traditionally assuming foraging roles (e.g. Jones, Braithwaite & Healy, 2003).

Finally, we asked our respondents to list the factors that might stop them from reporting a faulty product to an online retailer. **Over a third of the shoppers (34%) surveyed said that they would be prevented from reporting a product if the retailer was too difficult to contact - a noticeable example of the consumer as cognitive miser.** Over a quarter (27%) said they would be discouraged from reporting a faulty item if the retailer had a bad reputation for giving refunds and almost a fifth (17%) indicated that they would not follow up if the service was too impersonal.

## Perceptions of native versus foreign online Retailers

In the last part of the survey we asked shoppers to give their views on foreign retailers. **Around one fifth (43%) of respondents said that they would be happy shopping with an online foreign retailer if they had a unique product or a great deal.** However, more than one in ten (11%) indicated that they would not shop with an online retailer outside their country of residence.

Just over half of those surveyed (53%) said that competitive pricing was an important factor when choosing to purchase online from a foreign retailer. Slightly more than a third of respondents (33%) said that they wanted to be able to follow up on faulty items and non-deliveries with foreign retailers. For just over a quarter (26%), the availability of customer service and the ability to submit an order request were important aspects.

We wanted to find out if our respondents would trust a foreign online retailer more than a native high street store. All of the survey respondents – regardless

of location – favoured local bricks and mortar stores. In each of the countries surveyed, foreign online retailers registered low trust scores.

*“In the UK, just over two in five respondents (41%) said that trust was an important factor when purchasing from foreign online retailers. The figures for France and Germany were 43% and 51% respectively.”*

### **What does this mean?**

Despite the worldwide growth in internet users being a significant opportunity, online retailers hoping to expand their foreign customer base are fighting against ingrained psychological processes. For all of our lofty ambitions, we remain the descendants of tribal primates and we are still highly social animals. An upshot of this is that we tend to subconsciously prefer people who are similar to ourselves - despite our explicit protestations to the contrary (e.g. Greenwald, McGhee & Schwartz, 1998). For example, donations to the Asian tsunami significantly increased when the appeal used a victim of the same nationality as the donor (Kogut & Ritov, 2007), and the chance of getting change from a stranger increases when the two people are dressed similarly (Emswiler, Deaux & Willits, 1971).

Furthermore, being based in a different country, foreign retailers will also suffer from their psychological distance. While concrete constructs (e.g. images) are processed quickly, automatically and influentially by the emotional brain, more abstract constructs (e.g. words) are processed slowly and to a less influential degree by the rational brain. When something is psychologically distant, and abstract, it is less influential. As the old maxim says, “The death of one man is a tragedy; the death of millions is a statistic.”

## **Reputation is everything**

Foreign retailers seeking more business abroad would be well advised to focus on reputation.

*“Almost one in three respondents (68%) said that reputation would determine whether they shopped with an overseas online retailer.”*

In fact, more than two out of five interviewees (41%) told the survey that reputation was the most important factor in determining whether they used a foreign online retailer.

Lastly, we wanted to determine whether online customer service matched the experience shoppers had in-store. Judging from the answers given by our UK interviewees, **British online retailers are catching up fast with their bricks and mortar counterparts – 16% said that they provided better service than high street stores.** By way of comparison, 20% said that they thought the service was better in-store than online. However, the research indicates that French and German online retailers have some way to go before matching the same scores. In Germany, almost one in three interviewees (29%) said that they got a better service in-store (compared to 11% online).



## Building and Maintaining Trust in an Online World

It is clear from our findings that trust and reputation play a vital role in determining whether a shopper will purchase from an online retailer.

*“A large number of respondents – 41% – told us that reputation was the main factor in determining whether they purchased from a foreign online retailer.”*

And as our survey reveals, a lack of trust can torpedo a retailer’s success online. Many of the respondents we questioned said that they would not purchase from Asian retailers, because they did not have enough trust in them.

**So what can online retailers do to build trust and brand loyalty?** First of all, they can work hard to improve their customer service. Three quarters of our respondents said that they were put off shopping online because they couldn’t question or appeal an order.

**There are some simple things that online retailers can do to improve service.** They can put a customer service number on their website – 60% of our respondents said that they would not purchase an item online without this information. Eight in ten of respondents said that they would purchase online if there was a visible industry standard mark on the website. And nearly two-thirds (63%) said that they would purchase an item online if they there was a clear and easy-to-access customer service section on the retailer’s website.

**Online retailers should also take steps to resolve issues with customers.** Many of our respondents told us that they would be deterred from reporting a faulty product online. Some of the reasons cited included difficulty contacting a retailer; dealing with impersonal service and being discouraged from requesting a refund.

To build greater customer loyalty, retailers need to invest in cross border platforms like Youstice that allow them to resolve issues online. Youstice’s platform is a fully integrated solution for buyers, sellers, online markets and online dispute resolution providers. **By taking customer’s complaints seriously, online retailers can improve service, strengthen loyalty and increase revenue.**

**Finally, from a customer psychological perspective, Youstice is a powerful tool for both consumers and retailers in three main ways:**

1. It makes the returns process easier for consumers, who are generally cognitive misers and for whom a more frictionless process will produce significant benefits.
2. It provides a trusted, familiar watermark, which consumers will use as a heuristic cue in their split-second decision to patronise an online retailer, which is particularly important for foreign websites.
3. It helps to avoid highly emotional negative experiences, often felt in response to dissatisfying purchases and frustrating return processes, and, since most decisions are based more on emotions than on rational utility, this can remove yet another barrier to purchase for e-tailers.

## About Youstice

**Youstice** is the world's first online application that solves shopping issues across the globe in a fast and efficient manner. **Youstice** increases trust in transnational shops as it guarantees a fair, smooth and satisfying settlement of conflicts - for example, by enabling the rapid exchange of information in different languages to resolve online disputes quickly and efficiently.

**Youstice** provides retailers with a secure and trustworthy tool for resolving claims and disputes in the cross-border online trade. It provides retailers with the technical platform and legal expertise. As a result, disputes between retailers and consumers can be resolved quickly and without further complication.

[www.youstice.com](http://www.youstice.com)



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