

Consumer Perceptions of SME Information Credibility

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Executive Summary

In a digital environment characterized by heightened competition, small and medium-sized enterprises (SMEs) must emphasize credibility to foster trust and ensure customer retention. This policy paper investigates the elements that shape consumer perceptions of trustworthiness in SMEs, concentrating on aspects such as transparency, communication methods, and demographic differences. Utilizing both quantitative and qualitative research methodologies, the study reveals that transparency in business practices significantly bolsters consumer trust, particularly among younger and middle-aged demographics. Essential practices identified include straightforward pricing, truthful advertising, and active engagement on social media, all of which are crucial for establishing credibility. The analysis also points to specific sectors, such as Finance, Aerospace, and Defence, that are perceived as less trustworthy and offers strategies to enhance transparency within these fields. The results indicate that factors such as age and gender are critical in influencing trust perceptions, with women and older individuals demonstrating a greater tendency to evaluate business practices critically. Furthermore, the research highlights the significance of communication channels, noting that websites and newsletters are regarded as more credible than social media platforms, although consistent engagement on social media can improve trust perceptions. The recommendations advocate for the implementation of customized communication strategies tailored to specific industries and audience demographics. SMEs operating in sectors with lower trust levels should prioritize transparency in their operations, while businesses should utilize reliable communication channels, such as websites and email newsletters, to strengthen their credibility. Future research is recommended to further explore the relationship between transparency and customer loyalty, as well as its implications across various demographic groups.

1 Introduction

In the contemporary landscape characterized by an abundance of information, consumers exhibit heightened discernment regarding the sources of their trust. For SMEs, which typically lack the extensive brand recognition and resources

available to larger corporations, the establishment and preservation of credibility are vital for their continued existence. The transition towards digital communication, coupled with increasing apprehensions about misinformation and the demand for transparency, has underscored the necessity for SMEs to cultivate ethical and dependable communication practices (Serman and Sims, 2023). Empirical studies suggest that transparent operational practices, effective communication, and attentiveness to consumer feedback are fundamental components in building trust (Chong and Patwa, 2023). Nevertheless, in a context rife with fake news and disinformation, SMEs encounter distinct challenges in sustaining the credibility of the information they disseminate. In contrast to larger organizations, SMEs often function on more limited platforms and depend significantly on customer reviews, social media engagement, and direct interactions with consumers, rendering their reputations particularly susceptible to shifts in public opinion (Winarko, 2018). This policy paper seeks to investigate the criteria consumers utilize to evaluate the trustworthiness of information provided by SMEs, analyzing the effects of factors such as transparency, industry context, and demographic differences on trust levels (Ur Rehman et al., 2024). Through a thorough examination employing both quantitative and qualitative research methodologies, the study illuminates strategies that SMEs can implement to enhance their credibility in a swiftly changing market. Specifically, this paper emphasizes the significance of transparency in influencing consumer trust across diverse industries, as well as the effects of various communication channels and demographic variables, including age and gender (Coleman et al., 2016). The insights derived from this research provide SMEs with actionable strategies to not only bolster their credibility but also to cultivate enduring customer loyalty (Wang et al., 2023). The suggestions offered are intended to assist SMEs in adopting business practices that are more transparent and focused on consumer needs. This approach is designed to enhance their ability to establish robust and trustworthy relationships with customers within a competitive global marketplace.

2 Approaches and Results of Research

2.1 Methodology

The key objective of this study is to enhance the perceived credibility of SMEs by understanding key trust-building factors to foster greater consumer trust. It utilises mixed methods, combining broad quantitative data collection for initial insights with in-depth qualitative interviews. A mixed-methods approach to quantitative insights and qualitative depth was used. The research targets of the research was customers of SMEs, focusing on individuals with different demographic factors. The sampling method used for this is convenience sampling, which was best suitable with the given time frame. Quantitative data was gathered through Qualtrics and analysed in various statistical ways, including Chi-tests and analyses using Python, while qualitative data from interviews underwent thematic analysis. All the data was collected and processed in accordance with Buas protocols, both locally and on GitHub, following an extensive data management plan, which was drafted in the beginning. Ethical considerations ensure informed consent of the participant, anonymity, and the option to

withdraw. Adherence to FAIR principles (Findable, Accessible, Interoperable, and Reusable) was maintained, and all data processes were documented in a data management plan to support transparency and reproducibility.

2.2 Key Findings

2.2.1 Quantitative Analysis

The quantitative analysis reveals clear patterns in consumer perceptions of SME trustworthiness across different communication channels, industries, and demographics. In-person interactions hold the highest credibility among channels, with email newsletters and websites also scoring high, suggesting a strong consumer preference for more traditional or formal communication methods. Social media, while popular and moderately trusted, raised some credibility concerns due to its informal and interactive nature, whereas SMS and phone calls were rated the least credible, likely due to their perceived intrusiveness. Interestingly, email newsletters emerged as the most preferred channel, despite credibility concerns around other digital channels. Overall, consumers expressed favorable views of SMEs, with positive ratings indicating moderate to strong trust; moreover, frequent social media engagement correlated with higher perceived credibility, suggesting that active digital presence enhances consumer trust. An analysis by industry using ANOVA uncovered significant differences in trustworthiness perceptions between industries. Chi-Square tests on gender and age revealed few differences in trust perceptions overall, especially in technology-related sectors, where older consumers (notably those in the 55+ age group) showed distinct attitudes compared to younger groups. Transparency was significantly linked to trust, with younger and middle-aged consumers placing higher importance on transparency. Notably, "Honest Advertising" was the most valued transparency practice, followed by clear pricing and detailed product information, with slight yet statistically insignificant gender differences in preference. Information verification behaviors also varied, with younger consumers more likely to verify SME information and female respondents showing a stronger inclination towards verification, underscoring transparency and engagement as effective strategies for SMEs aiming to build credibility across diverse consumer groups.

2.2.2 Qualitative Analysis

Based on all topic-specific questions posed in our study, professional presentation and transparency emerged as the strongest indicators of SME credibility, while industry type significantly influenced trust levels. Consumers were generally favorable towards SMEs with high standards in digital presentation and ethical transparency, yet opinions diverged across specific credibility factors. For instance, social media presence was valued but did not universally equate to trust, highlighting the varied perceptions across communication channels. Further analysis found that these differences in credibility perception often correlated more with industry type than with consumer demographic factors.

Notably, the factors influencing credibility—such as professional presentation, customer engagement, and transparency—were found to be interrelated. Improvements in one area (e.g., transparency) frequently enhanced consumer

2.2.3 Comparative analysis

The quantitative and qualitative analyses of SME credibility reveal both complementary and distinct insights. The quantitative analysis reveals professional presentation and transparency as the strongest drivers of credibility, with industry type also playing a significant role in consumer trust. While social media presence was valued, it didn't guarantee trust, revealing varied perceptions across communication channels. Interestingly, credibility factors like professional presentation, transparency, and customer engagement were often interrelated; improvements in one area tended to bolster trust in others, advocating a holistic credibility approach. In contrast, the qualitative findings add depth by emphasizing how consumer expectations for transparency vary by industry, with finance and renewable energy demanding high standards in ethical practices, pricing clarity, and operational transparency. Key challenges, such as overcoming consumer skepticism and ensuring data accuracy in reviews, also emerged in the qualitative analysis, underscoring the importance of consistency across platforms. Additionally, while quantitative results showed strong correlations between transparency and trust, qualitative responses highlighted the nuanced ways consumers prioritize these traits based on the channel and industry context. Both analyses affirm the value of a multi-dimensional approach to credibility, indicating that SMEs that consistently deliver professional, transparent, and accurate communication across channels are more likely to build consumer trust and foster long-term loyalty.

3 Conclusions

In an increasingly digitalized and information-rich environment, SMEs face unique challenges in establishing credibility and fostering trust among consumers. This study confirms that credibility perception is heavily influenced by transparency, professional presentation, and consumer engagement, with nuances across demographic groups and industries.

- **1. Transparency as a Trust-Building Pillar**

Transparency emerged as a critical factor in consumer trust across various demographic segments, with younger and middle-aged consumers showing the highest agreement on its importance. Transparent practices, such as honest advertising, clear pricing, and ethical standards, were consistently valued across age groups and genders, with a particular emphasis on transparency in industries like finance and renewable energy. SMEs prioritizing open and honest communication in these areas tend to gain higher levels of consumer trust.

- **2. Impact of Communication Channels on Credibility**

The results indicate that certain communication channels are perceived as more trustworthy than others. Websites and email newsletters rank highly in credibility, while social media, although popular, received mixed credibility perceptions. This indicates that SMEs must strategically leverage channels that enhance consumer trust, particularly in sectors where skepticism is higher. Social media engagement, however, remains a significant tool for visibility and consumer interaction, especially when updates are frequent and responses are timely.

- **3. Demographic Influences on Trust Perception**

Age and gender significantly influence trust perceptions, with women and older age groups showing a more critical stance towards business practices. These findings highlight the need for SMEs to consider demographic factors in their communication strategies, crafting messages that address specific concerns and values prevalent within different consumer segments.

- **4. Industry-Specific Credibility Challenges**

Trust levels vary significantly by industry, with finance, renewable energy, and technology sectors encountering the greatest skepticism. This industry-specific variation suggests that SMEs within these fields must employ more stringent transparency and ethical practices to overcome consumer doubts and foster a sense of reliability. The study's ANOVA analysis further emphasizes that industry-related credibility concerns outweigh demographic influences, indicating that SMEs should prioritize industry-focused credibility strategies.

- **5. Integrated Approach to Enhancing Credibility**

Findings suggest that SMEs benefit most from a holistic approach to building credibility. By combining transparency, professional presentation, and active consumer engagement, SMEs can improve consumer trust across multiple dimensions. The research reveals that improvements in one area, such as transparency, often positively impact perceptions in others, underscoring the interrelated nature of these credibility factors.

In conclusion, enhancing credibility through a multi-dimensional approach can significantly benefit SMEs, leading to stronger customer loyalty, increased engagement, and an improved market reputation. This study underscores the importance of aligning business practices with consumer expectations for transparency, ethical standards, and tailored communication to foster trust and ensure long-term customer relationships.

4 Recommendations

Recommendations

Based on the findings, the following recommendations are proposed to help SMEs enhance their credibility and build stronger, trust-based relationships with consumers:

1. **Adopt Transparent Business Practices**

SMEs should prioritize transparency in their operations to meet consumer expectations for honesty and ethical standards. This includes:

- *Clear Pricing Policies:* Clearly communicate all costs to avoid hidden fees and build trust, particularly among younger and middle-aged consumers.
- *Ethical Standards Disclosure:* Provide detailed information on sourcing, suppliers, and production practices, especially for industries like finance and renewable energy, where consumers demand higher ethical transparency.

- *Honest Advertising:* Avoid exaggerated claims and ensure that all marketing materials accurately represent the products or services offered.

2. Tailor Communication Strategies to Demographic Preferences

Different consumer segments have varied preferences for communication channels and credibility markers. SMEs should:

- *Leverage High-Credibility Channels:* Use websites and email newsletters as primary communication channels for essential information, given their high credibility ratings.
- *Targeted Social Media Use:* Maintain an active and responsive social media presence to engage younger audiences, while being mindful of credibility concerns. Regular updates and responsiveness to comments can improve consumer trust in this platform.
- *Demographic-Specific Messaging:* Recognize that women and older consumers may be more discerning, and craft messages that align with their values, focusing on ethical practices and transparency.

3. Enhance Digital Presentation and Professionalism

A professional, user-friendly website serves as a cornerstone of credibility. SMEs should ensure that their digital presence reflects the quality and reliability of their brand:

- *Website Design and Navigation:* Invest in a well-designed, professional website that is easy to navigate and provides essential information clearly. This can significantly boost consumer confidence.
- *Consistency Across Channels:* Maintain consistent branding, tone, and information across all digital channels to foster reliability and reassure consumers of the SME's authenticity.

4. Emphasize Transparency in Customer Reviews

Given that customer reviews are a critical factor in trust assessment, SMEs should encourage and manage customer feedback effectively:

- *Encourage Detailed Reviews:* Prompt customers to provide specific, detailed reviews that highlight their experiences, as this level of specificity increases perceived authenticity.
- *Engage with Feedback:* Respond to both positive and negative feedback transparently to show commitment to customer satisfaction and continuous improvement.

5. Implement Industry-Specific Credibility Strategies

SMEs in sectors with lower baseline trust levels, such as finance, renewable energy, and technology, should adopt credibility-enhancing practices that address sector-specific concerns:

- *Increase Transparency in Riskier Sectors:* Provide more detailed explanations of processes, safety protocols, and regulatory compliance for industries where consumer skepticism is high.

- *Highlight Ethical and Sustainability Efforts:* In industries sensitive to ethical concerns, like renewable energy, emphasize sustainability practices and efforts to support responsible business operations.

6. Encourage Ongoing Consumer Verification

As the study indicates, many consumers verify SME information before making purchasing decisions, especially younger demographics:

- *Facilitate Verification:* Provide accessible and reliable sources for consumers to independently verify claims, such as certifications, third-party endorsements, or links to trusted information about the industry.
- *Promote Trustworthy Content:* Develop content that directly addresses consumer concerns and answers common questions, positioning the SME as a reliable source of information.

7. Prioritize Future Research on Demographic Influences and Communication Impact

SMEs should consider partnering with academic institutions or industry organizations to further investigate the complex relationships between transparency, demographic factors, and credibility across diverse consumer groups. This could provide valuable insights for continually adapting communication strategies in a rapidly evolving digital marketplace.

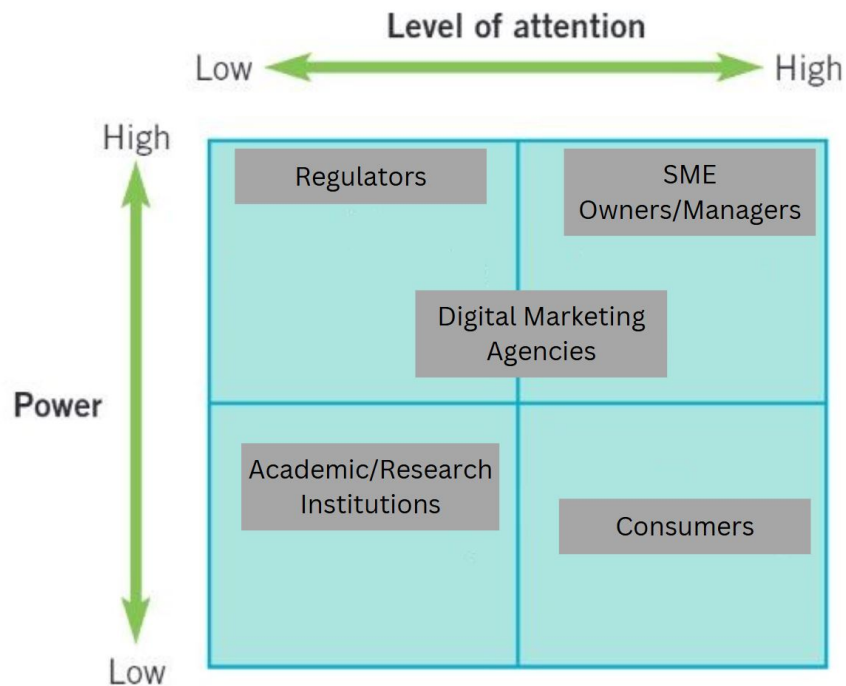
By implementing these recommendations, SMEs can effectively strengthen their credibility, enhance consumer trust, and foster loyalty in a competitive landscape, securing a more favorable market position.

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Appendix 1: Stakeholder Analysis



There are numerous stakeholder groups with an interest towards this research project. The main stakeholder group would be SME Owners/Managers, with a high level of attention and high power, as they are the ones for whom this research brings insights. They expect to discover how consumers perceive the information they receive from SMEs and what factors influence their perceptions, while in terms of needs they require clear findings and actionable recommendations. Another group in the same section would be Digital Marketing Agencies, as they are the group with the ability to take action based on the findings. They expect to discover what are the most influential in shaping customer perceptions of information credibility, and need actionable insights in order to adjust their marketing strategies. When it comes to stakeholder groups with high interest and little power, consumers are the leading group in that area. They expect to discover the main factors influencing their credibility perceptions, and need clear visualizations of what the main findings are. In the low attention / high power sector, the main stakeholder group is Regulators. They do not have much interest in the results of the study, but they possess the power to enact regulations and legislations impacting the ways of communicating of SMEs. Finally, in the low attention / low power sector, the main stakeholder group is Academic/Research Institutions. They could potentially be interested in the results of the research, and they are the ones with the power to approve the paper for publication or reject it. The main methods of communication and involvement of the stakeholders vary depending on the stakeholder group. The SME Owners/Management will be contacted during an event aiming to help

SMEs start using AI in their activities. The consumers will be contacted personally for qualitative research, and a survey will be used to involve them in quantitative research.