Creating Trust and Satisfaction On-Line: How Important Is ADR? The UK EBay Experience

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Abstract
According to the latest figures from the Interactive Media in Retail Group Index (IMRG), UK online shopping is currently growing 130 times faster than high street sales.\(^1\) Ease, of access, greater customer choice and competitive pricing are some of the obvious reasons why the current generation of consumers increasingly logs on to shop. But what attributes make consumers seek out a particular online retailer? Is it prices pure and simple, brand, privacy and security guarantees, trust marks or seals, or something else entirely? In recent months, eBay has undertaken an enormous campaign to educate its buyers and sellers as to the types of dispute mechanisms available to its users. Academics such as Rule\(^2\) have claimed that the existence of ADR mechanisms inspires trust and confidence in consumers on line. The University of Edinburgh’s AHRC Centre conducted an on-line survey assisted by focus groups and email interviews to gain insight into these questions and in particular, to explore UK consumer satisfaction with dispute resolution on one of the most frequently visited online sites in the UK, eBay.co.uk.

Since its launch in October 1999, ebay.co.uk has amassed over ten million users\(^3\), who buy from and sell to other users, while EBay holds itself out as a neutral third intermediary\(^4\). What makes EBay stand out from the myriad of other online auction sites and what keeps its users coming back? One of the significant advantages that eBay has over its competitors is its range of online alternative dispute resolution (ADR) mechanisms, from negative feedback, through a range of specific protection programmes, to full scale on-line mediation via Square Trade. Is ADR truly the secret behind eBay’s high levels of customer use and satisfaction? Does the average customer use it, or even know these opportunities exist? Are the customers who do

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engage with ADR processes satisfied? What are their outcomes? From October 2005 to end January 2006, the AHRB Centre surveyed 400 UK eBayers on these issues.

Out of the 400 surveyed, around two thirds reported experiencing problems with their eBay transactions. Very few of these involved fraudulent use of accounts or bad feedback; most were simple disputes over price, description or non-payment. 157 users reported using eBay's Standard Purchase Protection Programme Process, eBay's Unpaid Item Process or eBay's Item Not Received or Significantly Not as Described Process. Of those who made use of these ADR mechanisms however, over a third still described the outcome of their disputes as unsatisfactory, and less than half of respondents reported positive satisfaction with eBay's dispute handling regime in general. Yet a staggering 93% of respondents said they were very or fairly satisfied with the majority of their eBay transactions. A similarly high 97% said they were satisfied with the majority of all their online transactions.

Interestingly, of those who had problems but did not participate in any of the dispute resolution processes, the majority of respondents reported a preference for resolving their disputes by contacting the other party directly without the help of eBay, with very few choosing to turn to bodies outside eBay such as the police, trading standards, credit card companies or the courts. Responses also indicate extensive use of negative feedback, by almost 60% of sellers in disputed transactions, and around 40% of buyers.

Does this imply that the potential for disputes, and dispute resolution are not significant influences in the choice to use on line auction sites compared to factors like price and range of choice? That buyers and sellers prefer self help to ADR or the law when a dispute arises? If so what are the implications for the correct regime of legal protection for on line buyers and sellers?