

Making a First Impression as a Start-Up

Strategies for a successful digital innovation launch

Digital innovations by start-ups need to overcome low initial trust perceptions for their survival. High quality customer ratings, a comprehensive benefit communication, and a revenue model considering privacy concerns are key.

As digitalization continues to advance, consumers increasingly have access to digital innovations – many of them developed by start-ups. Consumers' first perception of these digital innovations and their confidence in the trustworthiness of the start-up gain increasing importance. Innovation is generally subject to uncertainty, and this uncertainty is even greater for a service of a digital nature. More than 90 percent of start-ups that develop digital innovations fail. In practice, this means that start-ups seldom get a second chance and that it is essential to gain the trust of consumers at initial touchpoints.

There is no second chance to make a first impression

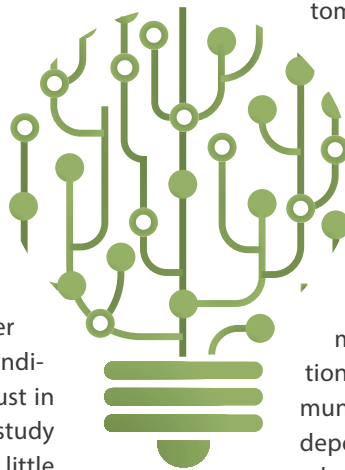
Assistant professor Elisa Konya-Baumbach, Professor Sabine Kuester, and a team of fellow Marketing researchers have recognized the significance of the "first impression" for digital innovation start-ups. They conducted five consumer experiments explaining how start-ups can indicate trustworthiness and increase initial trust in order to boost consumer adoption. Their study aims to close an important research gap, as little is known about whether and how business model design strategies can help to improve consumers' initial trust in digital innovations from start-ups. The group of researchers finds three specific design strategies for business models to be effective to overcome low initial trust perceptions and to increase adoption of digital innova-

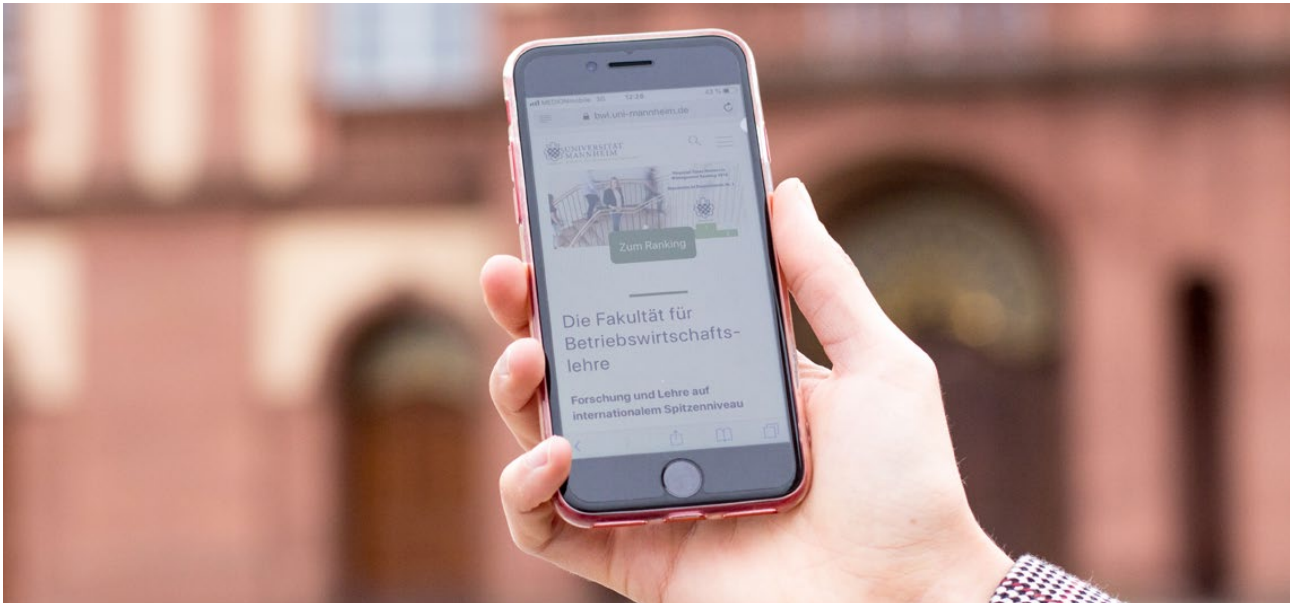
tions. Accordingly, they have three recommendations that digital innovation start-ups should put into practice.

Three practical advices to increase initial trust

First, the study by Konya-Baumbach and her fellow researchers points out the meaning of customer ratings. The results show that positive customer ratings have a significant impact on the initial trust perception and adoption intention of customers - regardless of their total amount. Hence, quality beats quantity: Start-ups should definitely highlight and indicate some positive customer ratings on their website, in app stores, or press releases, rather than investing money to achieve a high number of positive reviews.

Second, when communicating the benefits of their digital innovations, start-ups should bear in mind that some benefits are more helpful than others in increasing initial trust while other benefits are more effective in boosting adoption intention. Start-ups should carefully tailor the communication of benefits to the target audience, depending on their primary goal: encouraging adoption intentions via increased initial trust perceptions or directly. Since start-ups mostly depend on both directly boosting short-term adoption to reach a critical mass of consumers and establishing a sustainable high adoption rate via overcoming low initial trust in the long-term, they might consider communicating both benefits at the same time. As an example, an insurance





could promote both original benefits, such as personal service, and digital benefits, such as transparency.

Third, when deciding on a revenue model for their digital innovations, start-ups should be aware that selling their users' data to third parties can permanently damage their trustworthiness. For example, if start-ups consider offering a "free" service option in the realm of a databased revenue model to attract consumers and encourage them to switch to a paid service option, the "free" service option can potentially backfire. By charging a monetary price for their service rather than using consumer data, there will be less privacy concerns with regard to the digital innovation by the start-up. Fewer privacy concerns imply higher initial trust perceptions, which drive digital innovation

adoption rates as compared to charging a "data price". Thus, start-ups should aim to follow a monetary revenue model and, more importantly, should clearly state that they refrain from private data collection and use if the creation of initial trust is the main objective of the start-up. In this case, start-ups should even use their strong privacy policy as a unique selling proposition in their marketing communications, as some successful companies already do in practice.

Konya-Baumbach, E., Schuhmacher, M. C., Kuester, S. und Kuharev, V. (2019). Making a first impression as a start-up: Strategies to overcome low initial trust perceptions in digital innovation adoption. International Journal of Research in Marketing: IJRM, 36, 386-400.

About Elisa Konya-Baumbach

Since May 2016, Elisa Konya-Baumbach is an Assistant Professor at Professor Kuester's chair of Marketing & Innovation. She was a visiting scholar at the S. C. Johnson School of Management at Cornell University, USA, in 2017 and at Stern School of Business at New York University, USA, in 2014.

Elisa Konya-Baumbach's research focuses on consumer psychology and behavior

as well as marketing and adoption of digital innovations. She is particularly interested in consumer decision making and innovation adoption. For her dissertation project examining the launch of e-innovations, she won prizes by the Marketing Foundation of the University of Mannheim as well as by the employers' association Suedwestmetall.

