

In whom can I trust?

Determinants of consumer trust for different service providers

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Abstract

This study examines how consumer trust is developed across multiple consumer interaction channels (front line employees, self service channels and marketing communications), how these are influenced by management policies and consumer previous experience, and the outcome of consumer loyalty. Two different consumer contexts are examined, insurance and mobile telecommunications, and an online survey undertaken with 657 US consumers. Structural equation modeling confirmed the overriding importance of management policies as an antecedent to trust and the significance of all three consumer interaction channels. The impact of these three interaction channels differed in the two contexts. The study contributes by incorporating multiple channels and management practices and managerial implications are proposed.

Keywords: *Consumer trust; consumer loyalty; services marketing; marketing channels*

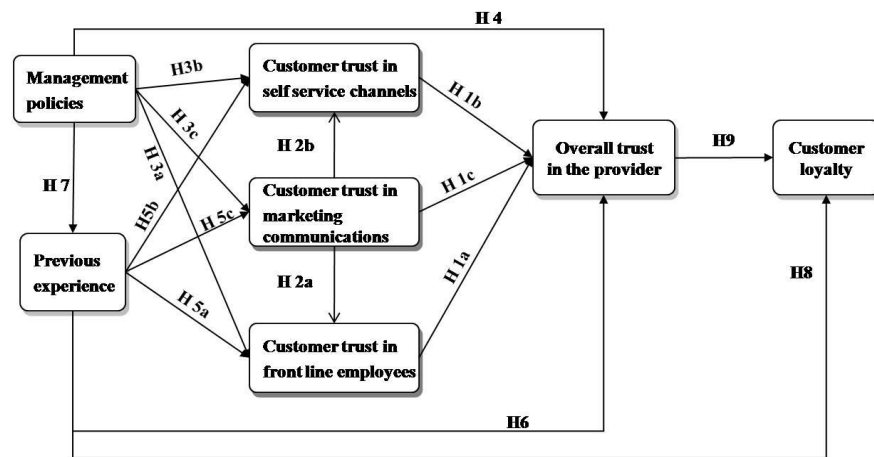
1. Introduction

Especially post financial crisis, trust has become even more of an issue for consumers - a number of trust indices consistently put Financial Services at the foot of the trust 'league table', (45%, compared to 79% for Technology – Edelman 2012). Trust is a central concept in relationship marketing theory, leading to positive relationship outcomes, such as commitment (Morgan and Hunt 1994), sales effectiveness (Crosby, Evans and Cowles 1990) and consumer loyalty (Sirdeshmukh, Singh and Sabol 2002). However, several shortcomings of the extant literature emerge. Many studies on trust have a fragmented research approach - studying either antecedents or outcomes of trust and using different definitions of the construct (Coulter and Coulter 2003; Yousafzai, Pallister and Foxall 2005); solely relating to one target of trust such as the organisation (De Ruyter, Moorman and Lemmink 2001) or the salesperson (Guenzi and Georges 2010). Given the multiple encounters between the consumer and the organisation (Payne and Frow 2004), it is probable that consumers develop trust in different "agents" of the organisation. Experience-based factors may also be central to influencing the trust formation process (Elliott and Yannopoulou 2007). There is little evidence however on how previous consumer experience influences consumer trust (Arnott 2007), as would be implied by the literature on consumer experience (Payne and Frow, 2004) and service recovery (Tax, Brown and Chandrashekran 1998; Vázquez-Casielles, Alvarez and Martin 2010). Therefore, our objective is to examine the formation of overall trust in a firm from previous consumer experience, management policies and consumer interaction channels and the role of trust in building consumer loyalty.

2. Research Framework and Hypotheses

Consumer trust is generally characterised by three sets of attributes, namely competence, integrity, and empathy. We adopt the definition of consumer trust as "a willingness to rely on an exchange partner in whom one has confidence", (Moorman, Zaltman and Desphande (1992: 315). The central premise of our research framework is that overall trust develops based upon consumer interactions with the service provider through three different channels (interpersonal contact with frontline employees; remote contact with self-service technology; contact with the provider's marketing communications); through previous consumer experience (both direct and indirect (third party)); and through their evaluations of the trustworthiness of their service provider's management policies and practices. Figure 1 shows the proposed hypotheses, (all relationships assumed to be positive).

Figure 1. Conceptual Framework and



Hypotheses

2.1 Different targets of trust

The study encompasses three types of interactions between consumers and firms, which are posited to be separate ‘targets’ of trust: front line employees (FLE), self-service channels (SST) and marketing communications (MC). The FLE’s may be salespeople, consumer contact staff, or other employees who can facilitate trust in that person, (Guenzi and Georges 2010) or display empathy, (Coulter and Coulter 2003), or integrity or ethical behaviour, (Roman 2000). Evidence from the e-trust literature suggests that trust becomes more important in environments lacking interpersonal contact (Mukherjee and Nath 2007) and trust in electronic channels, such as e-commerce websites, ATM’s or kiosks (Hwang and Kim 2007) may represent a different source of trust (Meuter et al. 2000). Marketing communications represent another, direct and indirect, way of interacting with the service provider brand, either through an explicit claim or implicitly by virtue of the information it conveys that may facilitate trust in the service provider (Soh, Reid and King 2009; Brodie, Whittome and Brush 2009). In addition it could be envisaged that trust in marketing communications could elicit a higher level of trust in front line employees or self-service technologies.

2.2 Trust building process

We consider a two-stage process – (a) a management policy stage, (Yousafzai, Pallister and Foxall 2005) and (b) an experience-based stage that forms from the previous interactions as well as indirect experience or testimonials from others (Johnson and Grayson, 2005; Yousafzai, Pallister and Foxall 2005). Management policies are practices that govern the interactions between consumers and the firm such as company principles, statements, contracts, regulations, and guarantees, for instance responding to consumer needs and expectations (operational benevolence) or tackling service failures and resolving problems (distributive justice). We also test the mediating effects of MPP acting through the three interaction channels as well as its direct influence on trust-building. Secondly, trust is regarded as an outcome of both personal experience, (Sirdeshmukh, Singh and Sabol 2002), and referred, or indirect, experience that comes from word-of-mouth (testimonials or recommendations - Yousafzai, Pallister and Foxall 2005; Grewal, Levy and Kumar 2009). The growth of social media and social networks has added a further dimension to referred or indirect experience, (Bercerra 2011; Pennanen 2011; Hennig-Thurau et al. 2010; Hansen

2012). We expect both a direct effect of previous experience on loyalty and an indirect effect through overall trust.

2.3 Consumer trust and loyalty

Consumer loyalty was the most frequently cited outcome from our review of over fifty sources, (Aurier and N'Goala 2010). A consumer is willing to remain loyal to an organisation only if the consumer trusts the organisation and the risk and uncertainty related to the purchase are minimised (Walczuch and Lundgren 2004). Based upon Hypotheses 1a, 1b, 1c and 9, we also propose three mediating hypotheses where overall consumer trust mediates the effect of trust in the three channels.

3. Research model and methodology

Two service industry examples were selected, insurance and mobile telecommunication network providers. These two examples were chosen as 'service-rich' businesses where consumers have long term relationships, often with multiple interaction points, where relationships tend to exhibit higher degrees of risk due to their intangible nature and potential for uncertainty and opportunistic behavior. Interviews were conducted with 20 marketing directors and then data was collected from an online US consumer panel using stratified random sampling obtaining 657 full responses from a sample that was nationally representative. The measures for each construct were adapted from existing scales and/or developed based upon the trust literature, using seven point scales. A two-step approach was undertaken - firstly, the measurement model was estimated, then the structural model was examined. We conducted confirmatory factor analysis (CFA) using AMOS 18.0 with maximum likelihood estimation to test the measurement models first, separately for insurance policies and mobile network services. The model fit indices were within their common benchmarks for insurance policies ($\lambda^2_{(277)} = 722.58$, $p < 0.001$, $\lambda^2 / df = 2.61$, $RMR = .033$, $CFI = .980$, $TLI = .976$, $RMSEA = .050$) and mobile network services ($\lambda^2_{(277)} = 720.60$, $p < 0.001$, $\lambda^2 / df = 2.60$, $RMR = .044$, $CFI = .978$, $TLI = .974$, $RMSEA = .050$) suggesting a good fit to the data. Discriminant validity was assessed with two methods: nested model chi-square difference test and common methods variance.

4. Results

Most of the paths were significant at $p < 0.001$, thus providing support for eleven hypotheses across both contexts. Furthermore, in the telecommunications context, another two hypotheses were supported at $p < 0.001$, while, in the insurance context one other hypothesis was supported at $p < 0.001$. Since differences emerged regarding the hypotheses that were supported in the two contexts, new models were estimated in each context by dropping two insignificant paths. The re-estimated models demonstrated relatively good fit, both for the insurance context ($\lambda^2_{(286)} = 805.40$, $p < .001$, $\lambda^2 / df = 2.82$, $RMR = 0.044$, $CFI = .977$, $TLI = .973$, $RMSEA = .053$) and for the telecommunications context ($\lambda^2_{(286)} = 766.825$, $p < .001$, $\lambda^2 / df = 2.68$, $RMR = 0.051$, $CFI = .976$, $TLI = .972$, $RMSEA = .051$). It was concluded that overall trust represents a partial mediator of the influence of consumers' trust in FLE and SST on their loyalty to their telecommunications provider and a complete mediator of the influence of

consumers' trust in marketing communications on loyalty. For the insurance example, it was concluded that overall trust represents a partial mediator of the influence of consumers' trust in SST on their loyalty to their insurance provider and a complete mediator of the influence of consumers' trust in frontline employees and marketing communications on loyalty. Table 1 shows the the final path coefficients of the final structural model and the final structural models are shown in Figures 1 and 2 (Standardised coefficients).

Table 1: Final structural parameter estimates (Unstandardized)

Path	Insurance			Telecommunications		
	Estimate	t value	P	Estimate	t value	P
MPPs → Previous Experience	.707	24.910	***	.645	20.529	***
MPPs → Trust MC	.537	11.742	***	.698	16.354	***
Personal Experience → Trust MC	.403	7.647	***	.235	5.126	***
MPPs → Trust FLE	.502	11.177	***	.448	7.852	***
Trust MC → Trust FLE	.367	7.977	***	.458	7.752	***
MPPs → Trust SST	.472	9.408	***	.444	10.936	***
Trust MC → Trust SST	.338	6.562	***	.442	7.767	***
MPPs → Overall Trust	.221	5.199	***	.185	3.287	.001
Trust FLE → Overall Trust	.435	9.752	***	.214	4.336	***
Trust MC → Overall Trust	.246	5.933	***	N/A	N/A	N/A
Previous Experience → Overall Trust	.106	2.769	.006	N/A	N/A	N/A
Previous Experience → Loyalty	.572	10.514	***	.612	11.242	***
Overall Trust → Loyalty	.453	8.734	***	.254	4.408	***
Trust SST → Loyalty	.199	4.868	***	.150	3.008	.003
Previous experience → Trust SST	N/A	N/A	N/A	.361	7.621	***
Trust SST → Overall Trust	N/A	N/A	N/A	.164	4.430	***
Trust FLE → Loyalty	N/A	N/A	N/A	.141	2.615	.009

*** significant at $p < 0.001$

Figure 1 Final structural model for insurance

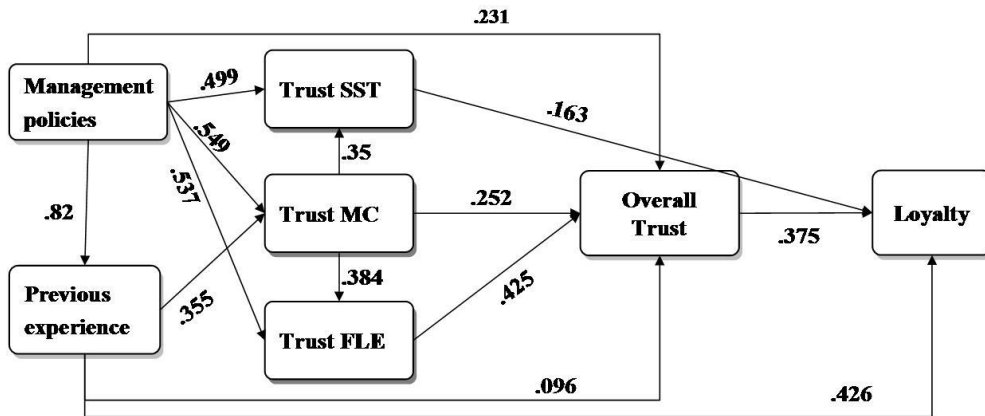
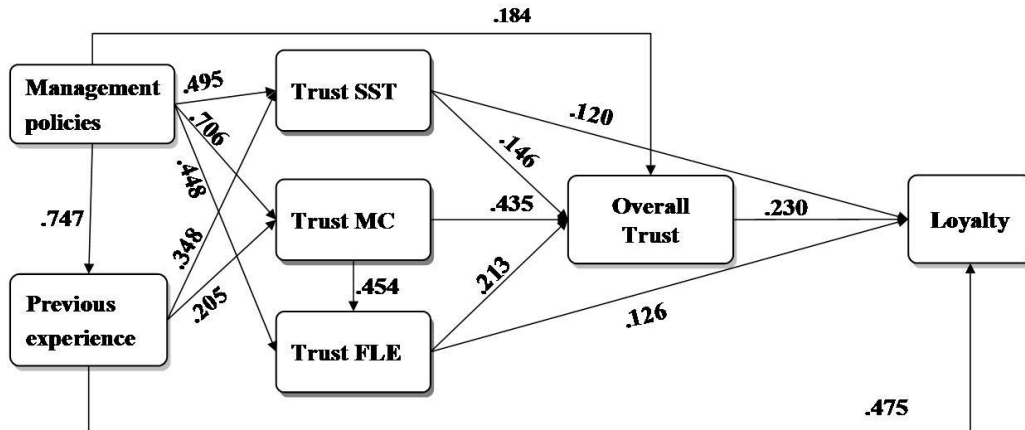


Figure 2: Final structural model for telecommunications



5. Discussion

Firstly, our results indicate the overriding importance of management policies in influencing previous consumer experience and as an antecedent to trust, directly influencing overall trust and also acting indirectly through building consumer trust in front line employees, self service channels and marketing communications. This indirect influence is stronger than the direct influence, suggesting that organisations need to place their efforts in building trust in the interaction channels in order to increase consumer trust. Secondly, consumer previous experience was also significantly associated with trust in marketing communications for both the insurance and mobile telecom service providers, in the self-service channels for telecom only and was insignificantly related to the frontline employees for both service providers. Thirdly, analysis of the impact across the three interaction channels showed different results in the two contexts, thus highlighting the importance of adapting the multichannel marketing approach to the specific context. Front line employee interaction was important in both contexts in building overall trust, especially in the case of insurance as compared to the mobile telecom providers. Finally, our results reveal that consumer loyalty is directly influenced both by overall trust and by consumer past experience in both contexts. The indirect effect of management policies upon loyalty was the highest of all the antecedent activities, both through their influence upon previous consumer experience and through their indirect effect upon the three interaction channels and in turn, overall trust.

6. Conclusions and implications

Our findings have potentially significant managerial implications, in particular regarding the implementation of customer oriented policies at every touch point and ensuring that every service encounter provides a satisfactory customer experience. The relatively strong mediating effects of both management policies and previous customer experience reinforce the critical importance of getting the core service offer right, especially at ‘significant moments’ (insurance claims for example, or monthly mobile billing ‘shocks’, that can both have a high real and emotional cost). It also reinforces the importance of front line employees and suggests that even more attention should be placed upon HR policies, company culture and core values.

As part of the overall research study, over twenty interviews were conducted with marketing directors or directors of customer marketing in major service organizations and also from the consumer survey respondents were asked to recommend up to three specific actions which could improve trust in their service provider. Encouragingly, the major management implications mirrored the results from the research model and they were also very consistent across the two service contexts.. The most cited recommendation was to improve customer communications (MC, SST and FLE) such as proactive communication; policies that are simpler and easier to understand; avoiding confusing small print; simpler tariffs (mobile telecoms); warnings and notifications of new services. Secondly, providing customer care (MPP and FLE) such as putting customers first above profit; listening to customers and making them feel valued; personalized services; accurate and true answers to queries; release from the ‘contract trap’ (mobile telecoms); offering existing customers the same or better benefits as new customers. Thirdly, ensuring the highest level of competency and conduct amongst employees (FLE and MPP), such as employees that are better trained friendly and courteous; direct contact with a dedicated account manager; staff who handle a claim from the start to the end. Fourthly, improved transparency in all dealings (MPP), such as hidden charges or costs; not increasing premiums while a claim is pending; transparency in how customer funds are deployed; transparent pricing; and transparent charges for data (mobile telecoms). Fifthly, improving security and privacy (MPP), such as better fraud controls; proper adherence to data protection; , not providing personal data to third parties; contacting customers if suspicious activities are detected. Although some of these practical implications may be specific to these two service sectors, it is nevertheless interesting to note the extent to which they reflect the findings from the theoretical model.

7. Limitations and Further Research

More research is needed to identify the potentially distinct role of different types of management policies in building overall trust, as well as the role of moderating variables such as relationship age, interaction frequency and indirect experiences in driving the formation of customer trust. Although overall trust has a significant positive effect upon loyalty in both service examples the absolute values indicate that although this shows the importance of trust there are obviously other factors which influence loyalty in addition to trust. Similarly, in the mediated model the partial mediation in the case of front line employees and self service channels indicates again that other variables were present. The cross-sectional design does not allow investigation of the customer trust forming/destroying process through multiple interactions in time.

The paper is specific to the US insurance and mobile telecom network service providers. Schumann et al. (2010) investigated four trust measures in the banking sector

across eleven countries and found significant differences between these countries. The current study could be extended to other service industry contexts as well as to other countries for cross-cultural comparisons. Specific management policies could be further investigated independently. Finally, a longitudinal design could be envisaged to track the customer trust building process through time.

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