Role of trust and satisfaction in consumer decision making in the industry of financial services

Yuliya Dubinyuk
Iowa State University

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Role of trust and satisfaction in consumer decision making in the industry of financial services

by

Yuliya Dubinyuk

A thesis submitted to the graduate faculty in partial fulfillment of the requirement for the degree of MASTER OF SCIENCE

Major: Business

Program of Study Committee:
Sridhar N. Ramaswami (Major Professor)
Carl W. Roberts
Howard E. Van Auken

Iowa State University
Ames, Iowa
2005
This is to certify that the master's thesis of

Yuliya Dubinyuk

Has met the thesis requirements of Iowa State University

Signatures have been redacted for privacy
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Abstract

Industry of financial services, similarly to many other industries, has been experiencing a lot of changes within the past decade due to the introduction of the distractive innovation - Internet technology. This, along with the need for more sophisticated methods that allow sustainable growth, directed researchers' and business strategists' attention toward exploring relationship marketing concept and consumer decision making models and finding factors that make the most impact on consumers' final choices.

This study proposes a model which includes trust and satisfaction with brokers' services as the two main factors which affect consumers' choice of a channel of the financial services. Even though, studies found during the literature review which were conducted by a number of scholars in the fields on marketing, management, economics, sociology and organizational behavior suggested that variables of competence, integrity, responsiveness, and consistent values had influence on trust and satisfaction in a consumer-services provider relationship, findings of this study showed that only integrity had a statistically significant positive effect on factors of trust and satisfaction. Competence was found to be positively affecting only consumers' satisfaction with a broker. Satisfaction with a broker was also found to be negatively related to consumers' use of an online channel of financial services. In the end, both low trust and low satisfaction were found to result in consumers' intent to use an online channel.
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Chapter 1. Introduction

1.1. Rationale

More and more people are giving preference to online financial transactions. They open accounts and do their banking online, make payments and transfer funds between accounts on their own. And now they are even able to trade on the market online in real time. They don’t have to have a broker to do all of that. There are all sorts of financial software available for regular household users as well as professional stock market traders to aid in the process. People can find almost any information about companies and market situation with Internet resources with each source being only a few mouse clicks away. Why would they choose to have a broker manage their finances? Or why would they trust an e-business and manage their funds online on their own?

Such web-based e-businesses like E-Trade, AmeriTrade, Datek, Scottrade, and others make a variety of services available to consumers online. They provide trading and investing opportunities along with information about market situation, retirement and planning services, banking and credit cards, mortgages and home equity, all with highly rated customer service support, competitive prices, and convenience of having it all available right there, at consumer’s home, or office, or any other place in the world where there is a computer and connection to the Internet.

How did these companies get there? Why do they provide all of these services online? Why is there no need for a broker’s presence?
Technology made it possible to run complex programs and have a variety of databases available in real time through the Internet. Security measures are high and make it relatively safe for people to send information through special channels. It is argued that in some cases sending information over a secure channel with encrypted path online is actually safer than transmitting it over the phone or making a purchase in a local store with your credit card. And having that information stored in your broker’s office may be even riskier. If this is true then some people may doubt reliability of their broker or his competence and ability to use and protect sensitive information.

And what about broker’s ability to act in the best interest of the client? Are brokers performing well enough for what they are paid? If I feel like I have sufficient understanding of the industry and know where to find information to support my financial decisions and choices, I don’t think I’d want to spend extra money on a broker who’d simply confirm my strategy or would push a button to add another stock to my portfolio. On the other hand, I may be willing to pay a broker to manage my investments if I’m too busy making money and have little or no time to either do in-depth research or complete every single transaction myself. However, I might not trust a broker to act in my best interest. I may also doubt his expertise. And I may not feel satisfied with the outcomes of his actions.

Having conducted a number of informal interviews with people who have used brokerage services and have had some experience with online financial services providers, we came to a conclusion that many of them have asked themselves similar questions. Their consequent decisions were made based on a variety of factors including past experience, emotional attachments, and evaluation of the risk.

An extensive literature review showed that a number of studies were conducted with intent to reveal true motivations and factors affecting consumers’ decision-making process related to the choice of financial services as well as the use of the financial services provided by the businesses that operate through the Internet versus those of the brokers.

Spending millions on advertising and promotional campaigns, financial services providers hope to attract new clients. However, attracting a client is only half a problem. The bigger issue is winning client’s loyalty. So, what is it that allows financial services providers the ability to sustain a strong client relationship?
It was believed that the customer satisfaction with products and services was a good measure that predicted customer loyalty and reflected overall ability of a business to sustain growth. McEwen and Fleming (2003) say that satisfied customers are not necessarily the good or loyal customers. They argue that customer satisfaction doesn’t count unless there is an emotional attachment to the product or service. Many also agree that trust is one of the major factors that affect relationship between a financial services provider and a client.

Thus, objective of this study is to explore the factors which affect trusting relationship along with satisfaction and as a consequence influence client’s choice of the channel if financial services. We will explore factors, propose a model, and test it with the data obtained from a survey of financial services users.

As a result, a better understanding of the factors that influence consumer’s decision making and choice of financial services will provide managers and business leaders with a list of factors to pay closer attention to and which will help drive their business success up with a sustained customer base built with an emphasis on a long-term relationship of trust and satisfaction. Also, exploration of the conceptual principals and empirical testing of the model of trust in this work makes contribution in the academic world in that it gathers already existing knowledge on the topic of trust and provides a framework for developing a model of trustworthiness in the industry of financial services – how clients perceive brokers and agents. In addition, results of the empirical testing of the concept uncover important issues and questions to study further in the future.
1.2. Terms and Definitions

The following are definitions of terms and concepts as they are defined in business literature in relation to the industry of financial services and in particular those meanings of the definitions which we refer to in this study.

Financial services in this study refers to services provided by a broker or an online financial services provider. These services include management of client’s savings, investments accounts, insurance plans, property, and other financial matters.

Broker, also an agent, here denotes a financial planner or an insurance agent that advices an individual with their financial matters and has an authority to act on behalf of this individual in the course of the agent’s or broker’s business or profession. Broker (agent) is paid commission for his or her services.

Definitions of a client, customer, and a consumer, in this thesis are interchangeable and all refer to an individual who uses financial services provided by a broker (agent) or by other financial services provider such as an online channel.

Traditional channel of financial services in this study refers to the services provided by a broker on an agent – a human being – in conducting financial transactions, planning, and managing the client’s funds.

Online channel of financial services we defined here as an online broker such as E-Trade, AmeriTrade, Datek and others that allow an individual to manage their financial matters themselves.

Since there is no one clear, all inclusive definition of trust, here are some examples of what other researches defined it to be. Mayer et al. (1995) described trust as “willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor”. According to Cuthbertson-Johnson et al. (1994) trust, in conditions of our modern society, is based on security, predictability, and a sense of control. An individual considers all of these issues when making a decision to trust someone or something, especially when it is related to his or her financial well-being.

In this study we defined trust as a belief or an attitude towards trustee’s actions, with a desire to receive beneficial results, whose competence and integrity are assessed by
historical evidence of their performance upon which, under conditions of risk, a trustful or distrustful action is taken.

Trustee is a broker or any other financial services provider that has an authority to act on behalf on a client in managing client’s finances.

Trustor is an individual or an organization that holds funds or assets and that grants another party – trustee – the right to manage these funds or assets on the trustor’s behalf for the benefit of the trustor.

1.3. Organization of this Study

This study is composed of five chapters which include: introduction, literature review, methods and results, discussion, and conclusion. Also, references and appendixes are listed in the end. Each section of this work presents information as flows.

Chapter 1 introduces a reader to the topic of relationship marketing in the industry of financial services. Some questions and issues are raised which business people are currently faced with and are considered to be crucial for success in this industry. A list of terms used in this paper is given along with a brief review of the organization of the study.

Chapter 2 contains discussion of the studies and conceptual frameworks related to the nature of trust, satisfaction, commitment, and consumer behavior proposed by other scholars. A number of different views on trust are considered to gain a better understanding of the topic from many angles and to emphasize issues which were studied by researchers in different fields. Also, relationships between trust and consumer satisfaction and commitment are discussed.

Chapter 3 gives an overview of the model which was proposed in this research. Then methodology of sampling design, questionnaire, and data collection methods are discussed. In the end in this chapter results of the empirical study are presented.
Chapter 4 is devoted completely to the discussion of the survey results and implications they had on the model. Limitation of the study and recommendations for future research are then listed. Also, recommendations are given for managers according to the studied theoretical concept and in relation to the obtained empirical result of the study.

Finally, a list of reference sources is provided in the appendix along with details of the data method (surveying tool) which was used in this study.
Chapter 2. Literature review

2.1. Nature of Trust

We use the word 'trust' quite often in our everyday life. We say that we trust our friends to be true to us, we trust our employers to be fair to us, we trust our bankers to handle our earnings, we trust our government to protect us, we even trust our car every day on the way to the office. And sometimes we say that we don't trust anyone but ourselves. So, what is trust? Does it have the same meaning for all these different matters? What effect does it have on our lives? What are the implications?

Searching for answers to these questions we found that the concept of trust has been explored in a wide range of academic disciplines and from a number of different perspectives. Scientists in philosophy, sociology, economics, organizational theory, and even in mathematics have conducted research to understand the concept of trust and tried to describe it in many different ways.

Apparently, there is no one universally accepted, clear, and all inclusive definition of trust. However, for the purpose of this research we can synthesize our own interpretation of the definition based on the variety of definitions provided by academicians and emphasize those characteristics of trust which are most relevant in understanding the relationship between individual consumers and financial services providers.

First, let's look at a number of definitions of trust and then examine dimensions and forms of trust as identified by researchers in different fields.
Probably the most noticeable contribution in understanding the concept of trust comes from Morton Deutsch, Niklas Luhmann, and Bernard Barber. Their extensive work and publications on the topic of trust serve as a foundation for the model proposed in this research study. The next few paragraphs contain discussion of the works and formulated concepts belonging to these researchers in a chronological order.

Deutsche (1962) defines trust in the following way:

a) The individual is confronted with an ambiguous path, a path that can lead to an event perceived to be beneficial (Va+) or to an event perceived to be harmful (Va-);
b) He perceives that the occurrence of Va+ or Va- is contingent on the behavior of another person; and
c) He perceives the strength of Va- to be greater that the strength of Va+.

If he chooses to take an ambiguous path with such properties, I shall say he makes a trusted choice; if he chooses not to take the path, he makes a distrustful choice.

(Deutsch, 1962, p.303)

First of all, it stands out from this definition that trust is used by an individual to support a choice of a path when the result depends on the behavior of another person. Also, the choice may be either positive or negative – trustful or distrustful – and consequently result in either taking the “ambiguous path” or not taking it.

Another observation worth noticing is that trust is subjective and is based on the individual’s perception. Every person sees the world in a different way which leads to a different assessment of benefits of the result (Va+) and harmfulness of the result (Va-).

Deutsch regards trust as a confidence, a confidence in that the result of the actions would bring a desirable outcome. This confidence may be supported with the evidence or may be partially substituted by gambling or taking a risk. Many researchers agree that risk and dependence on actions of others are the main conditions for the question of trust to enter the picture.
Rousseau et al. (1998) suggest that trust is a “psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behavior of another under conditions of risk and interdependence.”

Risk is a perceived probability of loss (Chiles and McMackin, 1996). Risk creates an opportunity for trust, a substitute for a control mechanism.

Since perceived risk is a calculated probability under conditions of uncertainty (Luhman, 1993), we can clearly see its relationship to trust for subjective trust refers to assessed probability of having a desirable outcome. Hence, perceived risk and subjective trust can be viewed as mirror images of each other (Das et al., 2004).

Here we conclude that when an individual considers possible outcomes of his or her engagement in some business over which he or she doesn’t have a 100% control, this individual evaluates a possibility of a negative outcome as a risk factor which takes on a form of a probability. Trusting in occurrence of a positive outcome in this case would be like gambling.

Now, let’s consider Luhmann’s view on trust. The main idea behind his work (1979) is that trust is a means for reducing complexity of the world. Luhmann suggests that complexity of the world becomes a problem for those who try to interact with the world or attempt to adapt to it. Thus, “where there is trust there are increased possibilities for experience and action, there is an increase in the complexity with its structure, because trust constitutes a more effective form [than, for example, utility theory] of complexity reduction” (Luhmann, 1979, p.8).

Luhman’s concept of trust also includes risk. His assumption is that decisions made by people living in the world where everything is connected and depends on one another to some extent involve risk. He suggests that risk is required for trust to come into play (Luhmann, 1990).

Interpersonal relations are often characterized by dependence on actions of one another (Gambetta, 1990, Rempel et al., 1980). This occurs when interests of one party can’t be satisfied without reliance on another party. Two conditions allow dependent relationship to arise: a trustor has a need which he or she wants to be fulfilled, and a trustee has a potential to satisfy this need.
Since one can’t always monitor actions of another, trust becomes a substitute for a control mechanism. Thus, Moorman, Zaltman, and Deshpande (1992) suggest that trust is “a willingness to rely on an exchange partner in whom one has confidence” (p.315).

Interdependence is likely to increase over time. Given a history of positive intentions and results achieved during the length of the dependent relationship, a more trusting relationship is likely to develop (Rempel et al., 1985). By choosing to trust in this situation an individual willingly accepts vulnerability (Mayer et al., 1995).

According to Rousseau et al. (1998), a form that trust takes can change depending upon variation in degree of risk and interdependence.

Finally, Luhmann distinguishes between an individual and a social levels of trust which is needed to understand the whole picture. Social system is composed with the individual personality variables. Each personality affects society as well as society as a whole has affect on every individual. Thus, trust is a social phenomenon which incorporated interactions of trusting individuals (Luhmann, 1979).

Bernard Barber’s contribution in understanding and conceptualizing trust is worth noticing as well for he tried to combine theoretical work with empirical evidence to clarify the meaning of trust as an important factor for proper functioning of society and give it firmer foundation for further exploration. He built upon research accomplished by Talcott Parsons and Niklas Luhmann.

Barber states in his work The Logic and Limits of Trust that “All social interaction is an endless process of acting upon expectations, which are part cognitive, part emotional, and part moral” (Barber, 1983, p.9). He then concentrates on three kinds of expectations to define trust as follows:

1) The most general is expectation of the persistence and fulfillment of the natural and the moral social orders.

2) Second is expectation of technically competent role performance from those involved with us in social relationships and systems.
3) And third is expectation that partners in interaction will carry out their fiduciary obligations and responsibilities, that is, their duties in certain situations to place others’ interests before their own.

(Barber, 1983, p.9)

Having said this Barber suggests that there are two different aspects present in relationships, namely, a technically competent role performance, and fiduciary obligations and responsibilities which are to be carried out as expected. While we can monitor competence of those who perform certain professional functions using control mechanisms or looking into history of their performance, we have much less power over those who are supposed to fulfill their fiduciary obligations and responsibilities which are defined by sets of widely accepted norms in society.

It becomes apparent that for trust to be granted we first have to believe that our trustee is competent enough to perform in accordance with expectation. And second, we should be certain to some extent that whoever we grant our trust to supports social norms and responsibilities (Barber, 1983). In order to assess trustees’ competence one searches for supporting evidence. This closely corresponds to cognitive trust as opposed to affective level of trust as identified by McAllister (1985).

The evidence can be found in a form of knowledge or information. For example, R.J. Lewicki and D.A. Stevenson (1997) looked at the problem of trust development between parties in negotiation. Their research supports the idea that open communication along with information sharing creates better conditions for development of trusting relationship between the parties which plays a very important role in the tactics used in negotiation and consequently the resulting outcome.

The Cheskin Research & Studio Archetype / Sapient in their eCommerce Trust Study (1999) examine the concept of trust as a dynamic process. An assumption that trust is greatly based on previous experience serves as a foundation for evaluation of factors which influence consumers’ trust in e-commerce at the time of a transaction.

Evidence may also be expressed through predictability and dependability. According to Boon and Holmes (1991), “trust is a state involving confident positive expectations about
another's motives with respect to oneself in situations entailing risk” (p.194). Trust depends on “the extent to which one person can expect predictability in the other's behavior in terms of what is ‘normally’ expected of a person acting in good faith” (Gabarro, 1978). Both of these definitions assume some set of rules or moral code of actions which a trustor can use to determine what can be expected in any particular situation.

This predictability can also take on a form of statistical probability which a number of researchers tried to measure. D. Gambetta (1988) describes trust in terms of “a particular level of subjective probability with which an agent assesses that another agent or group of agents will perform a particular action” (p.217). Of course, we know that there is not such a thing as 100% confidence that someone would perform actions beneficial to us under any circumstances. However, by saying that we trust someone it means that we believe there is a high probability of desirable actions to take place so that we are willing to engage in some kind of business with that someone. Coleman also refers to trust as to a probability. This raises a question of perceived risk since it is estimated as a probability of a desired result not taking place. In order to trust one must first take a risk (Deutsch, 1960).

It is also important to note that in calculus-based trust perceived positive intentions result not only from the existence of deterrence but also derive from credible information regarding the intentions or competence of another (Barber (1983) sited in Rousseau et al., 1998). This links predictability and knowledge to support an evidence-based trust as a cognitive dimension of the trust construct.

Emotions and feelings is what the affective dimension of trust is derived from (Lewis and Weigert, 1985, McAllister, 1995). As Solomon (2000) argues, the emotion-based trust does not need to be based on evidence or warrant. However, affective trust is developed over time and creates some sort of a bond between trustor and trustee in a long-term relationship.

People tend to trust those who they identify themselves with. In order to become a part of a particular group, one needs to accept rules and laws of behavior promoted by that group. One also has to treat members of the group they way he or she wants to be treated by others. As in the case with many Japanese firms, trust may result from a deep dependence and identity formation (Ouchi, 1998). This suggests that effective level of trust is similar to that of an interpersonal trust.
Another way to look at the construct of trust is to see it in terms of its dimensions. Many researchers agree that trust is a multidimensional construct. Das and Bing-Sheng Teng (2004) distinguish between subjective and behavioral trust. They attempted to sort out definitions of trust proposed by other researchers to show how subjective trust is related to risk and where behavioral trust stands in this picture. This framework plays an important role in understanding the model of trust proposed in this thesis.

Subjective trust is “a belief, attitude, or expectation concerning the likelihood that the actions or outcomes of another individual, group, or organization will be acceptable or will serve the actor’s interests” (Sitkin and Roth, 1993, p.368). It is a psychological state experienced by an individual, a perception, which is based on some evidence, prior experience, or certain conditions of the situation.

Subjective trust is characterized by assessment of probability of accuracy of some particular outcome. In this subjective trust is a mirror image of a perceived risk (Das and Bing-Sheng Teng, 2004).

Behavioral trust is often associated with cooperation, which is an outcome of “the placement of trust”, or “an action on the part of the trustee that would not have been possible otherwise” (Coleman, 1990, p.97). Similarly, Deutsch’s (1962) definition of trust contains a description of a situation which an individual is faced with as an ambiguous path. If he or she chooses to follow the path, that would be a manifestation of behavioral trust. In a sense, trust is a substitute for control, which reflects a positive attitude about another’s motives (Bradach and Eccles, 1989, Rousseau et al., 1998, Zaheer and Venkatraman, 1995).

Voluntary acceptance of vulnerability is another characteristic of behavioral trust. As Mayer et al. (1995) stated, the higher the degree of accepted vulnerability the greater the amount of trust grunted to the trustee. “Trust is reliance by one person, group, or firm upon a voluntarily accepter duty on the part of another person, group, or firm to recognize and protect the rights and interests of all others in a joint endeavor or economic exchange” (Hosmer, 1995, p.393).

In conclusion, we define trust as:

a belief or an attitude towards trustee’s actions with a desire to receive beneficial results whose competence and integrity are assessed by
historical evidence of their performance upon which, under conditions of risk, a trustful or distrustful action is taken.

2.2. **Industry of Financial Services: Satisfaction and Trust**

In today's fast moving financial services industry, it is important not only to attract new customers but also to maintain current relationships. It is argued that trust and commitment, are "key" factors of success in providing financial service (Morgan and Hunt, 1994). So, let us explore how trust relates to customer loyalty in this industry and what actually affects consumer's trust as well as satisfaction.

To be competitive in a global marketplace, firms adopt long-term strategies which emphasize exploration and satisfaction of customer needs while differentiating themselves from competitors and abiding to legal rules and regulations of local authorities. All this leads to the need of development of effective relationship marketing strategy.

Grönroos (1994) (quoted in Adamson et al., 2003, p.347) defines relationship marketing to be a process of attracting, maintaining, and enhancing: "...relationship with customers, and other partners at a profit, so that the objectives of the parties involved are met..." and "...achieved by a mutual exchange and fulfillment of promises" (p.355).

Since commitment and vulnerability go together, one would give preference to a trustworthy relationship. As stated by Spekman (1988) trust is a "cornerstone of a strategic partnership" (p.79). Thus, in order to retain customers, financial institutions have to consider factors affecting trust which leads to commitment in their relationship with clients.

Model developed by Morgan and Hunt (1994) and tested by Adamson et al. (2003) shows that relationship terminating costs, relationship benefits, shared values, communication, and opportunistic behavior are the factors affecting commitment and trust in banking relations. At the same time, trust positively relates to commitment in a relationship and leads to higher degree of cooperation and lower propensity to leave.
Customer satisfaction, on the other hand, while not being directly included as a variable in this model also has impact on development of a long-term beneficial relationship in business. A number of researches (Grönroos, 1982, 1984; Cronin and Taylor, 1994; Dabholkar, Thorpe, and Rentz, 1996; Parasuraman, Zeithaml, and Berry, 1985, 1988, 1994; Teas, 1993) conceptualized assessment of services quality as an indicator of customer satisfaction. Parasuraman et al. (1988), in particular, developed SERVQUAL – a framework that allowed measuring consumer’s perception of service quality by comparing their ratings of perceived service and expected service. This model provided assessment of satisfaction with service quality through five factors – characteristics of service experience, which are:

1) Reliability
2) Responsiveness
3) Assurance
4) Empathy
5) Tangibility

Even though Cronin and Taylor (1994) and Teas (1993) argue that SERVQUAL has an inconsistent factor structure and that expected service measure is not a good predictor of the satisfaction, many agree that the five factors do relatively good job in explaining perception of service quality if each one the factors is clearly defined and attributed to something specific.

Thus, for the purpose of our study we can clearly state that service quality and satisfaction a client has with financial services obtained from a broker depends on client’s perception of a broker as assessed by the factors similar to those of SERVQUAL model, with only one exception - tangibility - being related to the outcome of the services which is expressed in financial gains (or losses).

It is important to note a difference between factors which affect trust in a short-term and in a long-term relationship.

In a short-term relationship a one-time trade or purchase greatly depends on costs, and convenience of a transaction which calls for transactional trust. As mentioned earlier, to trust means to depend on the trusted others’ actions which in turn is to assume some risk associated with business transaction and results in vulnerability [Hosmer, 1995]. Also, Mayer
at al. (1995) described trust as “willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor”.

In this situation degree of perceived risk correlates highly with knowledge an individual has about the transaction specifics. According to Ganzaroli at al. (1998), the more a buyer knows about steps of the business transaction and the more he or she is aware of the possible outcomes, the more in control that buyer would feel. This translates into a reduced level of perceived risk of the business transaction. Of course, it’s possible to argue that at some point a buyer may acquire too much knowledge about the possible negative outcomes of the transaction which would cause a level of perceived risk to rise high.

While dealing with a broker an individual may not see all the technical aspects of transaction thus being unaware of a number of possible risk causing factors. But when engaging in online trading or even managing a bank account provided by e-business, one may run into a variety of questionable procedures. Financial institutions that provide services online know that security, privacy and overall reliability is of most important for their customers. They try to design and maintain their web sites in a way which communicates trustworthiness.

With this in mind, Cheskin and Studio Architype/Sapient conducted a study in 1999 in which they identified six fundamental factors which communicate trustworthiness in e-commerce. These factors include: brand identity, ease of navigation, fulfillment or consumer satisfaction, presentation, technology, and seals of approval.

However, whenever a long-term relationship is considered, such factors as customer service and financial institution’s reputation play a more important role.

Previous research shows that regular interaction with a company representative, or a broker in our case, provides basis for development of a trusting relationship. Give that the satisfaction with the outcomes of this relationship is high this may result in customer commitment (Ganesan and Hess, 1997). Interpersonal trust in this situation has stronger effect on commitment than organizational trust does. This suggest that a greater value of affective or emotional trust is involved which leads us back to factors of perceived
benevolence, shared values, and integrity which contribute to the perception of the overall trustworthiness.

Interpersonal relations often involve dependence on one another and can be characterized as trusting behavior given some willingness to assume vulnerability to actions of others. Thus, Rotter (1967, p.650) wrote that “interpersonal trust [was] an expectancy held by an individual or a group that the word, promise verbal or written statement of another individual or group [could] be relied upon.”

Gambetta (1988) included notion of vulnerability into his definition of trust. He stated that trust was “the probability that a person with whom we are in contact will perform an action that is beneficial or at least not detrimental is high enough for us to consider engaging in some form of cooperation with him” (Gambetta, 1988, p.217). Meeker (1983) also viewed trust as related to cooperative behavior. These definitions of trust stressed aspect of cooperation between people as an important aspect of development of a trusting long-term relationship which will also be discussed later in this chapter in relation to financial service providers.

Butler and Cantrell (1984), as sited by Hosmer (1995), in their research on management of organizations developed a model of five factors which influence interpersonal trust in relationships between people of different ranks within an organization. These factors are:

1) Integrity – a reputation of a trusted and honest individual
2) Competence – skills and technical knowledge required for an adequate performance of the tasks related to an individual’s job
3) Consistency – predictability and reliability in handling different situations
4) Loyalty – benevolence and willingness to support and encourage others
5) Openness – willingness to share information and ideas freely

Rempel and Holmes (1986) concluded that predictability, reliability, and responsiveness are all equally important personal characteristics which influence trust in relationships between people in society.

In addition to cooperation interpersonal trust also assumes some outcome produced as a result of a trusting relationship which also is present in cognitive or subjective trust
discussed earlier in this chapter. Zand (1972) suggested that trust in organizational behavior is an expectation of an individual towards some outcome resulting from a behavior of others and willingness to accept vulnerability since this individual doesn’t have total control over the other or situation in general.

In conclusion, we can see that factors which influence trust and satisfaction in a client-services provider relationship proposed by different scholars describe quite similar dimensions, all related in some or another way to the construct of trustworthiness, with exception of tangibility which contributes to measurement of satisfaction with service quality. We will address importance of this particular factor to our research when discussing choice of variables of our theoretical model.

Finally, commitment in a business relationship is measured by degree of cooperation between parties and propensity to leave (Morgan and Hunt, 1994). We will concentrate our research on analyzing commitment from a point of view of propensity to leave, which in our case can take on a form of choosing an online channel instead of broker’s financial services. This would be a manifestation of a behavioral trust which was discussed earlier in this chapter.

2.3. **Concept of Trustworthiness**

Even though we can’t measure trust in units, we can measure its value in terms of trustworthiness (Dasgupta, 1988).

Perception of trustworthiness alone would not be enough to assure that financial services provided by a broker would produce an outcome desired by an individual. It would rather mean that the individual believes that there is a possibility for such an outcome to occur. Conlon and Mayer (1994) found that one’s willingness to trust others was significantly influenced by other’s behavior and performance.

Some researchers concentrated their studies only on one or two factors of trusting beliefs, or trustworthiness, such as credibility and benevolence when addressing trust in
buyer-seller relationship (Conlon and Mayer, 1994, Deutsch, 1960, Ganesan and Hess, 1997, Kee and Knox, 1970,). Others looked at a great number of factors and variables such as expertness and reputation reliability, openness and caring, moral integrity, shared values, fairness (Butler, 1991, Cook and Wall, 1980, Giffin, 1967, Hart et al., 1986, Gabarro, 1978, Liberman, 1981, Ring and van de Ven, 1992). All of them tried to understand what influences development of trust between people in general, in consumers, toward e-businesses, and within and between organizations. So, which ones are important in the industry of financial services and in a broker-client relationship? Let us now explore factors that influence perception of trustworthiness and pick ones that are of most interest for this study.

While Cook and Wall (1980) and Deutsch (1960) considered ones intentions and motives to be important in development of trust, Ring and Van de Ven (1992) concluded that trust is dependent upon confidence in other’s goodwill as well as other’s behavior. Interpersonal trust based on benevolence demonstrate personal care and concern thus making a relationship more emotional but at the same time may place a party at a greater risk on behalf on another party. Ganesan and Hess (1997) suggest that interpersonal benevolence has a stronger effect on trust and commitment in a buyer-seller relationship than any other factor of trustworthiness.

In a broker-client relationship benevolence may be observed at times when, for instance, a client has a family crisis and his broker would allow a delay in payment or would make an investment decision for a client having his client’s best interest in mind while not asking a client to turn his attention away from family and think about the investment. As a result an action like that allows a client to feel closer to his broker on a personal level in this otherwise business relationship and leads to development of greater trust between the two people.

On the other hand, credibility-based trust is derived from consistency, stability, and control of actions of a party, which are usually role prescribed characteristics (Rempel et al., 1985). Sitkin and Roth refer to trust as a “belief in a person’s competence to perform a specific task under specific circumstances” (p.373). Earlier we also considered Barber’s
(1983) definition of trust where he suggests competent role performance as an expectation necessary for to trust be possible.

In a business relationship, we have means to monitor actions of others to some extent based on our own observations or judgments and conclusions of others, we have ability to analyze information about our partner and come up with some predictions. This reflects cognitive dimension of trust. As a result, we attribute credibility to those who are knowledgeable, experienced, and skillful and who we can trust. Thus, we see broker's competence as a necessity for expected performance and satisfaction of our needs.

Integrity, though, suggests consistent reliable and honest manner of behavior on part of trustee (Meyer et al., 1995). Butler (1991) talks about integrity, consistency and fairness as those impacting trust. Although, being consistent in actions doesn’t necessarily prove trustees integrity, being consistent in positive and not self-interest-serving-only action would result in a perception of integrity which relates to trustworthiness. Gabarro (1978), and Hart et al. (1986) also suggested that integrity contributes to arising trust in a relationship between individuals.

McFall (1987) distinguishes between personal and moral integrity. While personal integrity comes to place when an individual follows some set of principles which includes honesty, sense of justice, consistency of actions, and so on, moral integrity gains value when these principles are accepted by others and trustor specifically. Heart et al. (1986) also argued about shared values being an important in perception of trustworthiness. Thus, interpersonal relationship between a broker and a client is of most interest for the purpose of this study, we will distinguish between general perception of integrity and shared values when evaluating broker’s trustworthiness.

When exploring antecedents and outcomes of trust between people in business organizations, Mayer et al. (1995) also studied a concept of trustworthiness. Ability, benevolence, and integrity were identified as the main factors contributing to the perception of trustworthiness. They suggest that trustworthiness is a continuum and that each one of the factors can vary along the continuum while contributing to the overall perception of trustworthiness.
Mayer et al. (1995) identified propensity to trust as "a stable within-party factor that will affect the likelihood the party will trust" (p.715). People are different in their propensity to trust. This may depend on their prior experience, cultural background, personality type (Hofstede, 1980). One individual may be willing to trust others until he ends up having negative outcomes. Another one may be looking for some evidence proving a high probability of a trusting relationship. Rotter (1967) defined trust propensity as an individual’s personal tendency to believe in others’ trustworthiness. Even though trust propensity is a likelihood of perceiving subjective trust, it does not necessarily translate into an action upon it, or a behavioral trust (Das and Bing-Sheng Teng, 2004).

However, McKnight and Chervany (2001) conclude that propensity to trust “will affect trust in a specific other (interpersonal trust), but only when a novel situations arise in which the other and the situation are unfamiliar” (p.45). Murphy (2003) provided empirical results in support of this assumption. In this study he evaluated each respondent on their propensity to trust and distrust on a scaled developed by Schoorman et al. (1996). Then he used ability, benevolence, and integrity as factors perception of which affects consumers trusting beliefs. As a result he found that only in people with low online purchase experience their propensity to trust had any relationship to their perception of ability and benevolence of online vendors.

Finally, even though, factors of trustworthiness – ability, benevolence, and integrity – are related, Mayer et al. (1995) argued that each one of them may vary independently while contributing to the overall perception of trustworthiness. Murphy and Blessinger (2002) while studying trust-building strategies in e-commerce used model of trustworthiness which contained ability, benevolence, and integrity as dimensions of trustworthiness. Their results showed that a number of strategies used were able to enhance overall consumer perception of trustworthiness of vendors while addressing each one of the specified dimensions.

In some cases reliability and dependability built over time with information available from within the relationship forms basis for emotional attachment (McAllister, 1995). In this case historical data gathered over the term of the relationship contributes the evidence in support of gained trust. This particular point plays important role in understanding the model of trust in this thesis research.
Thus, we believe that:

competence, integrity, responsiveness, and consistent values are all factors which affect client’s perception of broker’s trustworthiness and thus affect their overall satisfaction and trust in relation to their broker’s performance, which has implications on client’s commitment to the relationship and results in some particular choice of the services provider.

Now let’s turn to practical use of knowledge gained with literature review and to the next stage of this study which is development, testing, and analyzing the model of factors that affect client’s satisfaction and trust in relation to their choice of a broker versus an online channel - their financial services provider - and client’s commitment to the developed relationship.
Chapter 3. Hypotheses, Methods and Results

3.1. Model Formulation

Considering specifics of the financial services industry and especially seeking to explain what factors which influence clients’ satisfaction with a broker, their perception of broker’s trustworthiness, and resulting commitment to a relationship, we explored a number of definitions and factors proposed by research in a variety of academic fields. As discussed earlier in relation to research work conducted by Das and Bing-Sheng Teng (2004), our model has two dimensions, namely:

1. Subjective
2. Behavioral

Here factors that affect attitude and perception of trustworthiness make up subjective dimension of our model. As defined by McAllister (1995), cognition-based trust, along with affect-based trust, provide a strong basis for development of a higher level of trust which is also supported by a better functioning and more satisfying relationship and consequently is reflected in customer commitment. Thus our proposed model includes factors which contribute to both cognition- and affect-based perceived trustworthiness and satisfaction. These factors are:

a. Competence
b. Integrity
c. Responsiveness
d. Consistent Values
Competence refers to broker’s ability to perform certain financial operations and other functions to fulfill consumers’ expectations in that regard. Broker’s skills, competences, and characteristics pertinent to his field of influence, financial services in particular, are what determine one’s competence or ability as Mayer et al. (1995) called it.

Integrity means that a broker has a good reputation, is known as one who acts in a reliable and honest manner, and is consistent in positive not self-interest-serving-only actions. Butler (1991) sees fairness and openness as characteristics of integrity. While Gabarro also stresses importance of integrity in one’s character as a factor of trustworthiness.

Responsiveness suggests that a broker demonstrates personal concern towards his or her client and is responsive to client’s needs while willing to place them in front of his/her own. This conveys some attachment to the trustor (Mayer et al, 1995) and reflects positive intentions (Deutsch, 1960, Kee and Knox, 1970).

Consistent values signifies broker’s genuine acceptance of moral principals as well as honest communication and sense of justice which is consistent with client’s principals of moral integrity. This factor relates to Integrity but is different in that a stronger relationship and greater level of trust between broker and a client can develop if broker has values consistent with those of a client and acts in such a way that conveys this assumption (McFall, 1987).

All the four factors of trustworthiness contribute to the client’s satisfaction with a broker or an agent in that:

1) an individual’s satisfaction with a broker is reflected in the rating of the broker’s competence by an individual after he or she had a chance to observe results of this broker’s performance over the period of their relationship and/or compare that to received references and assessment of broker’s competence made by others,

2) assessment of broker’s integrity and consistency of values, which an individual formed over the term of their relationship, also has an ability to reflect client’s satisfaction according to what was expected and how it affected the relationship in the end,
3) satisfaction with broker’s responsiveness is affected by his or her ability to build a more personal relationship with a client over the time and show a non-selfish interest in increasing client’s wealth.

Finally, actions or intention to act upon the perception of trustworthiness corresponds to the behavioral dimension of the model of trust (Das and Bing-Sheng Teng, 2004). At the same time, usage and / or intention to use online channel in the future based on satisfaction with previous experience reflects degree of client’s propensity to leave. That is why our model includes Online Behavior / Intent variable, which is defines as:

1. Online channel usage
2. Future intent to use online channel

The outcome reflects how committed an individual is to the relationship with a broker and how likely he or she is to consider other possibilities in satisfaction of the need in financial services.

Two other variable are being added to the model – usefulness and effectiveness – as a variables that capture comparative evaluation of online channel. These are control variables which reflect the differences in comparison of the online and traditional channels as perceived by the respondents. Since clients may not view both channels as equal in terms of providing particular benefits, such as reduction of transactional costs, convenience, risk management, providing investment education, access to valuable information and more.

The following is a picture which shows all the variables and components considered in our proposed model and also relationship between these as suggested by arrows.
The idea pictured in Figure 1 is that if a broker is rated highly by the client on the competence, integrity, responsiveness, and consistent values, there is a good possibility that a high degree of trust develops between the two people which will result in client's preference for a relationship with this broker instead of an online channel.

Proposed hypothesis are as follows:

**H1:** There is a positive relationship between a) perceived competence, b) perceived integrity c) perceived responsiveness, and d) consistent values of a broker and client’s trust.

**H2:** There is a positive relationship between a) perceived competence, b) perceived integrity c) perceived responsiveness, and d) consistent values of a broker and client’s satisfaction.
H3: Degree of client’s satisfaction with a broker has negative influence on client’s online behavior: a) usage of an online channel, b) intention to use online channel in the future.

H4: Degree of trust (trustworthiness) developed by client towards a broker has negative influence on client’s online behavior: a) usage of an online channel, b) intention to use online channel in the future.

H5: Individual’s comparative evaluation of online channel affects their online behavior / intent in that both channels’ perceived a) usefulness and b) effectiveness positively relate to the choice of that particular channel (either traditional, a broker, or online – Internet based provider).

As a result the model describes a relationship between consumer’s perception of a broker’s trustworthiness and their satisfaction with a broker which influences consumer’s choice or preference for an online channel of financial services. Since trust is believed to be a very important factor in building a reliable and lasting business relationship and have a great influence on commitment in relationship, as model shows, the more an individual trusts his or her broker and the more satisfied he or she is with the broker the less chance there is that he or she would use online channel for financial management purposes.

3.2. Population and Sample

Because of the nature of the product that was studied (namely, financial services), the target population was defined as educated, upscale professionals. This definition was used based on several focus group discussions that were held with a wide variety of consumers across the country. These discussions suggested to the researchers that the early adopters of the e-commerce medium for financial services were households with higher disposable
income. A mailing list organization was used to procure a list of potential sample members that corresponded to the population definition. The list contained more names than were used for the survey (for purposes of cost reduction). About 430 population members were selected for receiving a mail survey that was designed specifically for the study. Of the surveys distributed, 138 were completed and returned for a response rate of about 32%. The demographic profile of the overall sample suggests that it is comprised of 67% men and 33% women. More than three quarters of the respondents (77.4%) were between the ages of 25 and 54, and the vast majority had a college education. Household incomes were fairly normally distributed with the majority of respondents in the $51,000 to $100,000 range.

3.3. Survey Design and Data Collection and Analysis

Standard measures were used for capturing the various constructs specified in Figure 1. Competence was defined in terms of expertise and knowledge. Brokers not only need knowledge of different financial instruments, but also need market knowledge to purchase the right mix of stocks, bonds, and other instruments. A three item scale comprising of these elements was developed to measure broker competence. The Cronbach alpha coefficient for this scale was 0.821.

An area where brokers have been viewed negatively in recent years is integrity. The scandals on Wall Street as well in firms such as Enron, WorldCom, and a host of others have shaken the faith of the public regarding the integrity and honesty of financial intermediaries. It is important that brokers deal with customers in an open and forthright manner and represent them the best way they can. To capture integrity, the survey included three questions relating to a broker’s frankness, openness and claim falsification. This scale has good internal consistency property, with an alpha value of 0.775.

Another expectation of customers from brokers is that the latter are responsive to their needs and requirements. A two item scale that tapped into timeliness and responsiveness
was used to measure this construct. These two items showed high correlation and the Cronbach alpha value for the scale was 0.836.

The final predictor of trust is similarity between the broker and the customer. Studies in demography have evaluated whether similar demographic profiles result in greater levels of trust. In this study, we were interested in determining if similar interests and values could result in greater trust. This scale was developed based on three items: similar interests, similar values, and similar thinking. As with other constructs, the similarity scale had excellent consistency property, with a Cronbach alpha value of 0.875.

A factor analysis of the predictors yielded four factors that explained 77.5% of the total common variance. This result is reported in Table A and suggests that the four predictors may not suffer from discriminant validity problems.

<table>
<thead>
<tr>
<th>Table A. Rotated Factor Matrix for Exogenous Variables</th>
</tr>
</thead>
<tbody>
<tr>
<td>Variable</td>
</tr>
<tr>
<td>-------------</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>COMP 1</td>
</tr>
<tr>
<td>COMP 2</td>
</tr>
<tr>
<td>COMP 3</td>
</tr>
<tr>
<td>INTEG 1</td>
</tr>
<tr>
<td>INTEG 2</td>
</tr>
<tr>
<td>INTEG 3</td>
</tr>
<tr>
<td>RESP 1</td>
</tr>
<tr>
<td>RESP 2</td>
</tr>
<tr>
<td>CON 1</td>
</tr>
<tr>
<td>CON 2</td>
</tr>
<tr>
<td>CON 3</td>
</tr>
</tbody>
</table>

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
Rotation converged in 5 iterations.
These predictors were expected to be related to trust. Trust was defined as willingness of customers to rely on the broker to protect their financial interests particularly in situations characterized by vulnerability of one party to the actions of the other party. Trust is measured for this study using a four-item scale. This scale has a consistency index of 0.788.

Trust, satisfaction and online channel evaluations are expected to influence online channel intent and behaviors. Satisfaction with current financial intermediaries is evaluated with a three item scale, while online channel evaluations are based upon criteria that consumers use to compare online versus offline channels. These were identified during the exploratory phases of research. Two broad criteria were used in the comparison: usefulness and effectiveness. Usefulness is measured along cost, convenience, fit with lifestyle and control, while effectiveness is measured using return and risk elements. The reliability values for the three predictors (satisfaction, usefulness, and effectiveness) are 0.817, 0.915 and 0.715, respectively.

Finally, use of the online channel is measured using two indicators. The first indicator evaluates the degree to which consumers have used online service for managing their financial transactions. It specifically measures the percent of investments in stocks, bonds, and mutual funds made using the online channel in the previous 3 years. The second indicator evaluates consumer intent to use the online channel.

All of these measures are explained and listed in Appendix.

After the data were coded they were processed in SPSS – statistical package software. Prior to performing any manipulations, data were tested for possible errors and inconsistent values. Necessary actions were taken to ensure uniformity of sampling distribution as well as elimination of outliers.

When data were ready for further analysis several regression models were built to test identified earlier hypothesis and check for relationship between dependent variables and the predictors.
3.4. Results

The following table provides correlation values among the endogenous variables in the proposed model. Most of the correlations (those above 0.17) were significant at the $p < .05$ level.

**Table B.** Pearson correlation coefficients for six variables

<table>
<thead>
<tr>
<th>Variable</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Online channel usage</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 Intent to use online channel</td>
<td>0.39</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 Usefulness of online channel</td>
<td>0.34</td>
<td>0.28</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 Effectiveness of online channel</td>
<td>0.25</td>
<td>0.36</td>
<td>-0.23</td>
<td>1.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 Satisfaction with current channel</td>
<td>-0.42</td>
<td>-0.35</td>
<td>0.23</td>
<td>0.17</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>6 Trust of current channel</td>
<td>-0.16</td>
<td>0.11</td>
<td>0.09</td>
<td>0.09</td>
<td>0.41</td>
<td>1.00</td>
</tr>
</tbody>
</table>

The next two tables report results pertaining to prediction of consumers' online channel attitudes (intentions) and behaviors (usage). Table C shows that $R^2 = 0.243$ for the model suggesting that the independent variables in this model explain 24.3% of the variation in the dependent variable. Online channel usage is influenced mostly by satisfaction with current (traditional) financial intermediaries and perceived usefulness of the traditional channel. Interestingly, trust (or the lack of it) in financial intermediaries does not affect online channel usage of consumers. Perceived effectiveness of the online channel also had a weak association with usage of the channel.
Table C. Standardized coefficients for ‘online channel usage’

<table>
<thead>
<tr>
<th>Variable</th>
<th>Standardized Coefficient (Beta)</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satisfaction</td>
<td>-.382</td>
<td>.000</td>
</tr>
<tr>
<td>Trust</td>
<td>.092</td>
<td>.386</td>
</tr>
<tr>
<td>Usefulness</td>
<td>.220</td>
<td>.023</td>
</tr>
<tr>
<td>Effectiveness</td>
<td>.165</td>
<td>.090</td>
</tr>
</tbody>
</table>

R Square = .243

Table D reports results of the prediction model for consumers’ intention to use the online channel in the future.

Table D. Standardized coefficients for ‘intention to use online channel’

<table>
<thead>
<tr>
<th>Variable</th>
<th>Standardized Coefficient (Beta)</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satisfaction</td>
<td>-.355</td>
<td>.001</td>
</tr>
<tr>
<td>Trust</td>
<td>-.225</td>
<td>.039</td>
</tr>
<tr>
<td>Usefulness</td>
<td>.172</td>
<td>.079</td>
</tr>
<tr>
<td>Effectiveness</td>
<td>.246</td>
<td>.013</td>
</tr>
</tbody>
</table>

R Square = .220

Here $R^2 = 0.220$ for model D shows that this model explains as much as about 22% of variance in the dependent variable and is statistically significant at $p < 0.001$. Also, all four predictors were related to the dependent variable, the strongest ones being satisfaction with financial intermediaries and effectiveness of the online channel, followed by trust in the financial intermediary and effectiveness of the online channel.

The next result evaluates trust as the dependent variable and consumers’ perceptions of financial intermediaries as the predictor variables. These include perceptions relating to competence, integrity, responsiveness, consistent values, and satisfaction.
**Table E. Standardized coefficients for ‘trust’**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Standardized Coefficient (Beta)</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competence</td>
<td>-0.045</td>
<td>0.661</td>
</tr>
<tr>
<td>Integrity</td>
<td>0.380</td>
<td>0.001</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>0.055</td>
<td>0.547</td>
</tr>
<tr>
<td>Consistent Values</td>
<td>0.015</td>
<td>0.885</td>
</tr>
<tr>
<td>Satisfaction</td>
<td>0.231</td>
<td>0.024</td>
</tr>
</tbody>
</table>

R² = 0.285 from table E suggests that this model explains about 29% of variance in the Trust, statistically significant at p < 0.001. Only coefficients of integrity and satisfaction variables passed test on statistical significance, p < 0.001 and p ≤ 0.024 respectively.

Finally, model F was tested. Here satisfaction with financial intermediaries was assigned status of a dependent variable while competence, integrity, responsiveness, and consistent value perceptions were used as independent variables.

**Table F. Standardized coefficients for ‘satisfaction with intermediaries’**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Standardized Coefficient (Beta)</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competence</td>
<td>0.308</td>
<td>0.002</td>
</tr>
<tr>
<td>Integrity</td>
<td>0.316</td>
<td>0.003</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>0.078</td>
<td>0.383</td>
</tr>
<tr>
<td>Consistent Values</td>
<td>-0.018</td>
<td>0.859</td>
</tr>
</tbody>
</table>

R² = 0.298

The above result indicates that close to 30% of variance in the satisfaction variable is explained by this model, which is statistically significant at p < 0.001. Regression coefficients for variables competence and integrity passed the test of statistical significance with p ≤ 0.002 and p ≤ 0.003 respectively. Regression coefficients for responsiveness and
consistent values variables were not statistically significant according to this model with $p \leq 0.383$ and $p \leq 0.859$ respectively.
Chapter 4. Discussion

4.1. Analysis and Discussion of the Results

Building trust, achieving higher levels of satisfaction, and maintaining a lasting relationship with clients is not an easy task for any business. Competitive environment makes bankers, brokers and agents consider complex strategies, which involves relationship marketing and is believed to be a key to building a strong, long-term relationship and has an ability to increase the level of commitment consumers have, especially when dealing with the financial services providers.

They say it costs five times more to attract a new customer that it does to retain one they already have. It becomes an even more important issue for providers of the financial services since the industry is quite mature and consumers have so many options to choose from. Thus, exploring the impact the factors of trust and satisfaction with broker’s services – the main building blocks of relationship marketing - have on consumer’s choice of the financial services providers has value not only for academic world but most importantly for business decision makers.

Findings of this research suggest that customers’ satisfaction with brokers’ services rather than their trust has more effect on consumer’s choice of the channel of financial services. In the tested model satisfaction explains approximately 38% and 36% of variation in online channel usage and intention to use online channel respectively. Satisfaction with a broker also affects consumer’s perception of broker’s trustworthiness. This suggests that there are other factors affecting consumer’s choice of the channel of financial services which
were not included in this particular model. Also, this result implies that other factors account for more than 50% of the total predictive power in case with the choice of financial services provider.

These other factors, for example, may be related to the general views consumers have on the online channel. Even though we have included respondent’s evaluation of the online versus traditional channel in terms of effectiveness and usefulness as control variables in the model, which proved to have some impact on the consumers’ decision to use a particular channel, the other factors that affect the choice may be related to consumer’s psychological state of mind, their habits, or reflect some trends and conditions in social life of people.

For instance, feeling of being in control related to the decisions made regarding financial management may be associated in consumer’s mind with the use of an online channel to directly manage their finances instead of doing it through the intermediary such as a broker. Satisfaction of having enough knowledge to make their own decisions and manage their finances themselves without a need for an adviser may be more important to the group of the consumers sampled in this research than the relative value of the outcome of the transactions they performed or even a potential relationship they could have developed with a broker.

Also, choosing an online channel as means of managing their personal finances may be viewed as a consumer’s way of intruding innovation and technological advances into their life. This also is in no way related to the consumer’s satisfaction with a broker or their perception of broker’s trustworthiness.

Two variables – intermediary’s competence and integrity - had statistically significant effect on satisfaction. This result supports the anticipation we had when developing the model. Since consumers’ satisfaction is closely related to the outcome of the relationship, broker’s competence to perform well in what they are paid for and their ability to produce a desirable outcome for their client is an important variable in the consumer’s decision making model. Also, broker’s integrity was found to affect both satisfaction and trustworthiness, which doesn’t disagree with statements made by other researches nor does it contradict common sense.
Surprisingly, trust was found to have little effect on the decisions consumers make regarding the choice of a channel of financial services. In case of the consumers' intent to use an online channel standardized regression coefficient beta was found to be -0.23, which suggests that if a client does not have high trust towards their broker – provider of financial services – he or she is more likely to intend to use an online channel instead.

Even though we didn't find statistically significant proof of the actual usage of an online channel as a result of low trust towards a broker, findings that support the effect trust has on an intent to use the online channel are significant enough to show that there is a connection between the consumer's perception of a broker's trustworthiness and their consequent decision making intentions.

Another important finding is that out of four variables that were identified as those which could potentially influence the construct of trust tree variable – competence, responsiveness, and consistent values – appear to have no statistically significant effect on the perceived trustworthiness. At the same time perception of broker's integrity does contribute to both trust and satisfaction. And it is not surprising, since after all the scandals and publicity corporations such as Enron and others created with their dishonest conduct and reports of false earnings statements consumers now pay much closer attention for the business people's integrity. Our society advocates moral standards which require every business to be honest and open about their actions. This in turn affects consumers' evaluation of the business entities as well as those who are associated with the businesses and is then reflected in consumers' desire to engage in any relationship with any particular business or business representative for that matter.

The fact that according to the findings of this study there was little statistically significant affect broker's competence, responsiveness, and consistent values, as assessed by clients, had on their trust or rather perception of trustworthiness of a broker contradicts beliefs expressed by other researches which were previously tested and proved to be true. However, limitations of this study which are discussed in the next section of this chapter may shed some light on why this result was obtained.

Figure 2 depicts results of the study and shows statistically significant relationships between the variables which were identified during the first stages of the study as factors
affecting perception of trustworthiness as well as satisfaction and their effect on the consumer’s decisions as a consequence of perception and resulted attitude which led to preference of a particular channel of financial services.

**Figure 2.** Final model – factors affecting the choice of an online channel

Findings of previous research suggest that commitment is influenced by satisfaction with the outcomes of the existing relationship (Moorman et al, 1993). In our model we measured commitment – customer loyalty – in relation to the broker’s services with customer’s choice of the channel of financial services. Switching to usage or intent to use an online channel for financial services provides proof of low commitment on the part of an individual customer.

In this research work we have been concentrating factors that influence perception of trustworthiness of a financial services provider as a main predictor of the consumer’s choice of services (using an online channel vs. broker’s services). Doney and Cannon (1997) found in their study on trust in buyer-seller relationship that unless there is some level of customer satisfaction with their (customers’) previous experience with a particular ‘seller’ or services
provider, neither transactional nor relational trust influences the decision to ‘buy’, which in our case reflects a decision to engage in a relationship with a financial services provider. Thus, finding that satisfaction had a much greater impact on consumer’s choice of the channel of financial services than trust does goes in line with conclusions made by Doney and Cannon in their research (1997).

Similarly to other industries, quality of customer experience with financial services providers and customer satisfaction with them plays a more important role in customer decision making that trust does on its own. Anderson et al. (2003), on the other hand, suggest that trust is a major factor affecting customer attraction and retention in banking business. With their study, in which they tested Morgan and Hunt’s (1994) theoretical model, they proved that customer’s propensity to leave is one of the outcomes of low commitment and trust. However, they agree that there are a number of other factors affecting trust and commitment in banking as well as outcomes resulting from customer’s perception of value of the relationship with their financial services provider.

Also, as Grayson and Ambler (1999) have found in their study of clients and marketing services providers that trust is more important in the beginning of a long-term relationship and that there is a dark side to it in the long run. Meaning that later on in a relationship trust does not have such a significant effect on commitment to a relationship or the choice of a particular agent. Since our model didn’t include length of a relationship with a broker as a factor that determines significance of trust, we can’t say for sure whether level of trust and its impact on the usage of traditional channel vs. online channel varies in time.

Results of this study support the idea that people choose online channel for the purpose of financial management because they want to and not because they don’t trust brokers. Managers and business strategy makers should consider online channel of financial services as another tool that consumers use for financial management.

Invention of the Internet brought into this world a disruptive technology. It has changed the way people think and do business. Invention of an airplane once had a similar effect. First, people treated it as a very expensive toy, and then they started exploring its capabilities and tried to make a better use of if. Some didn’t believe that flying in an airplane could be an every day event or that it could be used in any way to better the society or
business. And now we travel from place to place by air even though we still use cars, we transport goods in this way, and we seem to perceive it simply as another tool serving satisfaction of our needs.

As findings of this study suggest, brokers and other intermediaries that provide financial services should pay more attention to the consumers' trust and satisfaction with their services since these factors were found to have a significant impact on consumers' intent and use of an online channel of financial services. Also, financial intermediaries should worry about consumer's perception of their competence and especially integrity since these affect consumers' trust and satisfaction. By building strong long-lasting relationships with their customers brokers and other financial services providers have a good chance of sustaining growth and promoting success of their business.

In conclusion, we would like to state once again that perception of broker's integrity was found to have a statistically significant positive effect on both consumers' trust and satisfaction with broker's services while broker's competence was found to have positive influence only on satisfaction. And both trust and satisfaction had a statistically significant negative effect on consumer's expressed intent to use an online channel for financial services. Satisfaction also had a statistically significant negative effect on consumers' use of an online channel. All the other variables which were considered in the proposed model were found to have no statistically significant relationships with the factors and the outcomes of consumer decision making process.
4.2. **Limitations of the Study and Recommendations for the Future Research**

In this section we are discussing limitation of the study as well as provide recommendations for future research as it appears to be relevant to the studied topic and findings of the conducted study.

This study is based on cross-sectional survey data and caution is advices in drawing cause-effect inferences. Moreover, the association among constructs may be inflated due to common method variance. To reduce the inflation, we followed Heneman’s (1974) suggestion for enhancing the accuracy and validity of self-ratings by guaranteeing confidentiality and informing respondents that their responses will be used solely for scientific research and not for personal evaluation.

In addition, the study is based on data from a sample of investors in Ames and Midwest. Studies of a broader sample are needed to establish the generalizability of our findings.

Third, the actual data for online investment dollars and instruments traded for the sample were not available. It is possible that respondents may have either understated or overstated their use of the online channel. Future studies need to supplement survey information with secondary data of actual behaviors of consumers.

Inclusion of other variables into the model, which reflect consumer’s perceptions and attitudes towards brokers as well as the market environment as a whole and have affect on consumers’ choice of the channel, may be helpful in seeing a more complete picture of factors that influence consumer decision-making in the industry of financial services and can also provide evidence to aid in comparing the significance of the influence of each one of the factors.

Also, finding whether consumers perceive online channel to be a substitute for or a compliment to the broker’s services might be useful in understanding their choice of the online channel as a way of managing their financial situation.
Also, more exploration of the consumer’s need to trust, desire to be in control, and factors affecting this notion may prove to have significant results when it comes to explaining consumer choice of a particular channel of financial services.

Finally, a study similar to this may be conducted to compare results across different countries. This would provide managers with better understanding of the global consumer decision making process and may aid in development of more successful relationship marketing strategies which could result in greater achievements in business overall.

Thus, all of the above provides academicians with ideas for further exploration and research in consumer decision making which has implications for the relationship marketing in the industry of financial services and may result in findings that would help managers in their attempt to build stronger client relationships and allow businesses to sustain growth.

In conclusion, more research is needed to support these assumptions or prove that the originally proposed model actually works since similar variables that were considered in the models of trust building factors were found to have a statistically significant effect on perceived trustworthiness in studies conducted by other scholars.
References


Appendix
Survey instrument and items that contributed to the analysis of variables in the studied model

Perceptions of Agents / Brokers

We would like to know how you feel about brokers and agents in general. To what extent do you agree or disagree with the following statements about brokers and agents?

In general, I believe that brokers / agents:

<table>
<thead>
<tr>
<th>Competence</th>
<th>Strongly disagree</th>
<th>Somewhat disagree</th>
<th>Neutral</th>
<th>Somewhat agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Are very knowledgeable.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Know financial markets very well.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Can be considered to be financial experts.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Responsiveness</th>
<th>Strongly disagree</th>
<th>Somewhat disagree</th>
<th>Neutral</th>
<th>Somewhat agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provide timely service.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Are responsive.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Integrity</th>
<th>Strongly disagree</th>
<th>Somewhat disagree</th>
<th>Neutral</th>
<th>Somewhat agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Are frank in dealing with their customers.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Do not make false claims.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Are completely open in dealing with customers.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Consistent Values</th>
<th>Strongly disagree</th>
<th>Somewhat disagree</th>
<th>Neutral</th>
<th>Somewhat agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Have similar interest as their customers.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Have values that are similar to customer’s values.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Think like customers.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Trust</th>
<th>Strongly disagree</th>
<th>Somewhat disagree</th>
<th>Neutral</th>
<th>Somewhat agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Are only concerned about themselves.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Are not trustworthy.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>So not have customers’ best interest at heart.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Do not give customers personal attention.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>
Perception of Traditional Channel Members (continued)

Given below are more statements about brokers and financial agents. In your opinion, to what degree do you disagree or agree with these statements?

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly disagree</th>
<th>Somewhat disagree</th>
<th>Neutral</th>
<th>Somewhat agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>I'm not satisfied with financial intermediaries like insurance agents and stockbrokers.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>The less I deal with agents and stockbrokers, the better.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>If alternative channels were available, I would prefer them to using agents and stockbrokers.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

Intent

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly disagree</th>
<th>Somewhat disagree</th>
<th>Neutral</th>
<th>Somewhat agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>I see myself using online channels for conducting financial transactions to a greater extent in the future.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>I see no reason to sue the online channel more in the future for my financial investments.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>I am more likely to use online sources for obtaining relevant information in the future.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

Use of Online Channel

Please consider your non-retirement investments in the stocks / bonds / mutual funds in the last 3 years. What proportion of the investments in these three products did you made using the ... (percentage should add up to 100%).

Online channel   ____ %

Traditional channel   ____ %

TOTAL: 100%
Comparing Traditional Channel with Online Channel

We would like to ask you some questions about how you feel about traditional channel relative to the new online channel. In your opinion, which of the two channels is better in the meeting your requirements?

<table>
<thead>
<tr>
<th>Usefulness</th>
<th>Strongly disagree</th>
<th>Somewhat disagree</th>
<th>Neutral</th>
<th>Somewhat agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reducing cost of transactions</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Ease of conducting transactions</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Convenience</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Being a ‘hip’ way to conduct transactions</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Fitting with your lifestyle</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Giving you the opportunity for taking personal control</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Effectiveness</th>
<th>Strongly disagree</th>
<th>Somewhat disagree</th>
<th>Neutral</th>
<th>Somewhat agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increasing rate of return</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Managing risk level</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>