



The effects of 3rd party consensus information on service expectations and online trust

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ABSTRACT

The marketing literature has recently explored a number of ways in which trust can be communicated by Internet retailers, including 3rd party consensus ratings. This paper explores the impact of consensus sequences over time and across high and low ranges, rather than the mere valence of ratings as presented in past research. Second, effects are compared across products with variant levels of risk. Two experiments investigate service quality inferences, expected satisfaction, and trust beliefs for online retailers as outcomes of 3rd party consensus information (i.e., agreement among a firm's past customers). Results indicate that online trust beliefs vary positively with consensus ratings and trust is higher when ratings trends increase rather than decrease. Service quality inferences and expected satisfaction are shown to mediate these relationships. More interestingly, results of study two suggest sequence direction becomes insignificant when ratings do not approach certain range limits (e.g., high, moderate, low cut-offs). Comparisons across products varying in risk show that consensus ratings are more important when consumers evaluate high risk products. Implications for both researchers and practitioners are offered.

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1. Introduction

In recent years, fraud and poor service performances have reduced trust in online retailers. [Fraud Watch International \(2008\)](#) indicates 31% of buyers have lost money purchasing online and over 80% think they will become a victim in the future. Moreover, 21% of Internet users report never trusting information from E-tailers, causing 29% of online shoppers to reduce the frequency with which they purchase online and an additional 25% of users to stop buying products online entirely ([Consumer Reports Webwatch, 2005](#)). However, Internet retail sales are still growing due to the influx of new consumers, comprising nearly 41% of Internet purchases ([Vara and Mangalindan, 2006](#)). Consumers at all levels of Internet experience are cautious when making Internet purchases ([Penn et al., 2005](#)), yet web newcomers are typically less tech-savvy than veteran users and are likely to require more specific evidence of trustworthiness prior to purchase. Consumer ratings at infomediary sites (e.g., [epinions.com](#)) and retailer websites (e.g., [Yelp.com](#) ratings) enhance consumers' ability to form trust judgments, which are critical in differentiating virtuous and fraudulent E-tailers. Research indicates that consensus information (i.e., aggregated customer ratings) is indeed a means by which both Internet-only and hybrid retailers, and familiar and unfamiliar brands, can enhance trust beliefs online ([Benedicktus et al., 2010](#)).

This paper supports an intuitive, yet untested mediation model establishing service inferences and expected satisfaction as the path by which consensus ratings enhance trust online. This research also investigates moderating influences on the generalizability of the mediation model. First, changes in ratings over time can impact consumers' perceptions and beliefs. In this vein, this paper explores the impact of consensus sequences over time and across high and low ranges, rather than the mere valence of ratings as presented in past research. Second, effects are compared across products with variant levels of risk. Previous investigations focus on relative effects of consensus ratings, but are limited to a single product category (e.g., [Aiken and Boush, 2006](#); [Benedicktus et al., 2010](#)).

2. Conceptual background

Trust is a primary element of relationship marketing and essential antecedent of purchase behavior ([Morgan and Hunt, 1994](#)). Herein, trust is a belief which influences reliance on an exchange partner, particularly when the partner has the ability to exploit the trustor's vulnerability ([Moorman et al., 1993](#)). [Koehn \(2003\)](#) suggests that online trust develops through consumers' processing of calculative (information-based) trust cues. Calculative trust involves the prediction of a seller's intentions through evidence of the seller's previous behavior. Consumers evaluate whether the consequences of the other party engaging in opportunistic behavior are greater than the rewards ([Williamson, 1993](#)). On the Internet, this process involves examination of information related to the firm's overall reputation.

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Consensus information provides consumers an objective account of company performance from aggregated reports of customer experiences. Both E-tailers and intermediaries ask customers to rate factors such as transaction outcomes and employee friendliness. Consensus-takers also include feedback websites (e.g., Yelp.com) and buyer advocates (e.g., JDPower). Through these infomediaries, consumers view consensus information cross-sectionally or in time series and in percentages, star/mean ratings (e.g., 3.5 out of 5.0).

Consensus information is a broad persuasive cue and primary choice heuristic (Chaiken et al., 1989). The heuristic nature of consensus is so strong that consensus greatly reduces the complexity of consumers' decision-making, resulting in fewer searches for alternatives (Senecal et al., 2005). Research also suggests reputable auction sellers are more likely to sell goods and services and can charge price premiums (Resnick and Zeckhauser, 2002).

Recent evidence indicates that consensus information may have broad and powerful effects on purchase intentions and trust. The websites of retailers featuring third party feedback mechanisms are more trusted than those that do not (Bolton et al., 2004). Most recently, third party consensus information is equally important in determining purchase intentions and trust beliefs across both familiar and unfamiliar brands and works with other trust cues to combat the suspicion that plagues the online purchase environment (Benedicktus et al., 2010). Several studies cited above substantiate the effects of 3rd party ratings on trust (e.g. Aiken and Boush, 2006); similar results are expected in this research.

H1. Firms with high consensus are more trusted than firms with low consensus scores.

2.1. Consensus ratings create attributions of service excellence

In online buying situations, consumers lack specific information to enable accurate predictions for service inferences and pre-purchase satisfaction expectations. Attribution theory provides a theoretical framework for explaining these inferences. Einhorn and Hogarth (1986) suggest that individuals make constant judgments about the likely causes of events. These attributions are explanations that account for previous outcomes (Heider, 1958), which guide decisions between alternative actions. Attributions form when people are given information about prior outcomes (Weiner, 1985). One failure is likely to be attributed to chance, or some cause outside of the firm's control. However, as the number of failures increases, consumers assign a more stable attribution to the firm (Maxham and Netemeyer, 2002). Thus, consumers are likely to attribute the agreement of a firm's previous customers to a characteristic of the firm within the firm's control. For example, McDonald and Slawson (2002) find that reputation signals advertising accuracy, delivery proficiency, and effective postpurchase communication. Consumers apply these attributions as they form assumptions such as responsiveness, service delivery times, and maintenance of high service standards. In this context, consumers should interpret a high consensus score from a 3rd party infomediary as evidence that the firm reliably satisfies customers and has an aptitude for exceptional service.

H2. Consumers' service quality inferences for firms with high consensus ratings are superior to service quality inferences for firms having low consensus ratings.

H3. Consumers have greater satisfaction expectations for firms that have high consensus ratings than for firms with low consensus ratings.

2.2. Consensus information sequences operate as 'sequences of outcomes'

Consensus ratings are often displayed to consumers over multiple periods; thus varying as a function of time (i.e., ratings increase,

decrease, or remain stable). Outcome sequences are typically evaluated based on reference points, which can be part of the sequence or derived from external criteria (e.g., normative expectations; Kahneman and Tversky, 1979). Thaler (1985, p. 201) notes that individuals "respond more to perceived changes than to absolute levels." Overall, consumers avoid purchasing when performance declines, thus diminishing sequences should result in less trust (Matsui et al., 1987). Diminishing trends indicate that the firm increasingly ignores customer needs and thus does not behaving in a trustworthy manner.

H4. Consumers have higher trust in firms having improving sequences of consensus than in sellers having diminishing consensus scores.

From an attribution perspective, firms with diminishing ratings have an unstable capacity for satisfaction; thus consumers believe that satisfactory outcomes are more likely when they purchase from a firm with improving consensus. When ratings decline, consumers may infer that the firm lacks customer-oriented employees, has decelerating delivery times, or is becoming increasingly less effective in post-purchase communications.

H5. Consumers' service quality inferences for firms with improving consensus sequences are superior to inferences for firms having diminishing consensus scores.

H6. Consumers expect to be more satisfied with firms having improving sequences of consensus than with sellers having diminishing consensus scores.

2.3. The service path to trust: mediation hypotheses

If consumers display higher trust, expect a greater probability of satisfaction, and infer superior service quality (Hypotheses H1–H6), then a mediation path should connect Satisfaction Expectations and Service Quality to Trust (i.e., Fig. 1). Consistent satisfactory experiences and excellence in service delivery are repeatedly associated with consumer trust in the marketing literature (Chiou and Droge, 2006; Leisen and Hyman, 2004; Tax et al., 1998). Functional service quality components (i.e., effective communication, prompt service) are particularly important for building trust (Caceres and Paparoidamis, 2005). Lastly, the widely accepted effects of service quality assessments on satisfaction imply that the service inferences construct should precede satisfaction expectations in the current model (Cronin et al., 2000; Gotlieb et al., 1994).

H7. (a) Service quality inferences and (b) expected satisfaction mediate the effects of consensus ratings on trust.

H8. (a) Service quality inferences and (b) expected satisfaction mediate the effects of sequence direction on trust.

H9. Service quality mediates the effects of (a) consensus information and (b) sequence direction on expected satisfaction.

3. Pilot study: consumers' perceptions of consensus sequences

In order to establish thresholds for consensus ranges and to determine appropriate manipulations for the consensus sequences, a questionnaire was given to 78 undergraduate students. Subjects were asked to consider percentages that would best represent high, moderate, and low levels of 3rd party feedback ratings and to then fill in the upper and lower limits (cut-offs) for what they considered to be high, moderate, and low ranges of consensus scores on the diagram shown in Fig. 2. Conceptually, the lower limit of the high range should equal to the upper limit of the moderate range; and the lower limit of the 'moderate' range should equal to the upper limit of the low range. Responses not meeting this criterion were not considered for analysis.

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