This is an electronic reprint of the original article.
This reprint may differ from the original in pagination and typographic detail.

Sunikka, A.; Peura-Kapanen, L.; Raijas, A.

Empirical investigation into the multi-faceted trust in the wealth management context

Published in:
INTERNATIONAL JOURNAL OF BANK MARKETING

DOI:
<https://doi.org/10.1108/02652321011013599>

Published: 01/01/2010

Document Version
Peer reviewed version

Please cite the original version:
Sunikka, A., Peura-Kapanen, L., & Raijas, A. (2010). Empirical investigation into the multi-faceted trust in the wealth management context. *INTERNATIONAL JOURNAL OF BANK MARKETING*, 28(1), 65-81.
<https://doi.org/10.1108/02652321011013599>

Original Essays

Anne Sunikka, Liisa Peura-Kapanen, Anu Raijas (2010) Empirical investigation into the multi-faceted trust in the wealth management context. *International Journal of Bank Marketing*, 28(1):65-81.

Special Issue: Trust in financial services: new theories and insights

Guest editor(s): Dr Harjit Sekhon

This article is © Emerald Group Publishing and permission has been granted for this version to appear here ([please insert the web address here](#)). Emerald does not grant permission for this article to be further copied/distributed or hosted elsewhere without the express permission from Emerald Group Publishing Limited.

The home page of the publisher: www.emeraldinsight.com.

The original article can be found: <http://www.emeraldinsight.com/journals.htm?issn=0265-2323&volume=28&issue=1>

Empirical Investigation into the Multi-faceted Trust in the Wealth Management Context

Anne Sunikka^a, Liisa Peura-Kapanen^b and Anu Raijas^b

^a Helsinki School of Economics

^b National Consumer Research Centre, Helsinki

Type of Paper

Research paper

Purpose

The purpose of this paper is to study the many manifestations of trust in the wealth management context in Finland. This empirical paper examines and contrasts how trust is perceived by financial experts and consumers in wealth management in general, and in the investment context, in particular.

Design/methodology/approach

Qualitative methods; focus group discussions and interviews were employed.

Findings

Financial experts and consumers emphasised different facets of trust. The level of trust towards financial service providers and financial advisors, and the level of involvement in investing served to differentiate the consumers into four distinct groups. These are presented and discussed.

Research limitations/implications (if applicable)

Although the methods utilised were purely qualitative and the study was limited to Finland, the results offer interesting and new scientific knowledge about perceived trust, and how it can be used in market segmentation and developing customer service.

Practical implications (if applicable)

The four quadrant matrix can assist financial companies in building customer relationship and in improving the customer service.

Originality/value

Qualitative research provides insights into consumers' thoughts that are difficult to obtain with quantitative data gathering and analysis. In our study, consumers expressed their opinions and thoughts in their own words. Furthermore, the dyadic comparison of opinions of consumers with experts' views about consumers' motives and behaviour contributed to a deeper understanding of the relationship between consumers and financial service providers

Keywords

Trust, Financial Services, Involvement, Wealth Management, Customer Matrix

1. Introduction

The financial service sector has grown rapidly during the last 20 years; new actors have entered the market, the industry has internationalised, information and communication technology (ICT) has made new solutions possible, and new financial instruments have been developed. These developments are challenging, and therefore it is not surprising that consumers face several difficulties in understanding the complexity of financial services: instruments are often complicated, and comprehending and comparing financial instruments is time-consuming and requires expertise and effort (e.g. Bell and Eisingerich, 2007; Harrison et al., 2006). Because of the complexity of financial issues, consumers often rely on financial advisors to help them with their financial questions, particularly regarding matters that include high risk. Lately, additional information sources and channels, especially the internet, have also become increasingly important.

The next growth area for financial service providers (FSPs) is expected to be wealth management services for 'ordinary' customers; that is, those with moderate wealth. For the purposes of this study, we understand wealth management broadly as those activities focusing on financial issues relevant to households, not just saving and investing. Heffernan et al. (2008) suggest that rather than selling relatively loosely-linked wealth management products, FSPs should focus on offering personalised solutions that promote customer relationship and trust.

The aim of this paper is to understand and describe trust in the wealth management context. We do this by firstly comparing the opinions and perceptions of dyadic groups of consumers and financial experts. Secondly, we draw out the different facets of trust that these two groups of informants regarded as important. Thirdly, based on the empirical data, we construct a matrix relating to consumer behaviour in the investment context. This is a two dimensional matrix: the first dimension represents trust in the FSP and in the financial advisor and the second the extent of involvement in investing and knowledge about investing.

We organise the paper as follows. We first review the literature about trust, involvement and related concepts, with a focus on the financial industry. Thereafter we outline the methods of the study, following which the results are reported. A discussion of the findings is then presented. Finally we conclude the paper with limitations of the study and consider the potential for future research.

2. Previous research

Trust has been defined in various disciplines each emphasizing different dimensions. Only few studies have combined perceptions and definitions from several disciplines (e.g. Blomqvist, 1997; Mayer et al. 1995; McKnight and Chervany, 2001) in order to produce a comprehensive understanding. Several studies have discussed trust in services (Coulter and Coulter, 2003; Sillence et al., 2006), including some that have considered the financial context (Balasubramanian et al., 2003; Cox, 2007; Ennew and Sekhon, 2007; Harrison, 2003; Heffernan et al., 2008). Trust is seen as one of the most important components in customer relationships (e.g. Crosby et al., 1990; Coulter and Coulter, 2003; Morgan and Hunt, 1994).

In their definition of trust McKnight and Chervany (2001) consider its separate facets; disposition to trust, institution-based trust, trusting beliefs, and trusting intentions. These aspects lead to trust-related behaviors. Table 1 presents descriptions of the various facets of trust.

Table 1: Descriptions of different facets of trust (based on Mayer et al., 1995; McKnight et al., 1998; McKnight and Chervany, 2001).

Concept	Definition
Disposition to trust	This construct derives primarily from disposition or trait psychology. It is the extent to which one displays a consistent tendency to be willing to depend on others in general across a broad spectrum of situations and persons.
Institution-based trust	The construct comes from sociology; people can rely on others because of structures, situations, or roles that provide assurances that things will go well. This consists of structural assurance and situational normality.
- <i>Structural assurance</i>	Socially or legally sanctioned institutions impose norms of performance and integrity of economic agents (i.e. guarantees, contracts, regulations, promises, legal recourse, processes, or procedures).
- <i>Situational normality</i>	Everything seems to function normally and to be in proper order.
Trusting belief	The trustor's perception that the trustee has attributes that are beneficial to the trustor. The main elements are belief in competence, benevolence and integrity.
- <i>Belief in competence</i>	One believes that the other party (trustee) has the ability or power (e.g. technical capabilities, skills and know-how) to do for one what one needs done.
- <i>Belief in benevolence</i>	One believes that the other party (trustee) does well to the trustor in a dyadic relationship, aside from an egocentric profit motive.
- <i>Belief in integrity</i>	One believes that the other party (trustee) adheres to a set of principles that the trustor finds acceptable (e.g. makes good faith agreements, tells the truth, acts ethically, and fulfils promises).
Trusting intentions	The trustor's willingness to depend on a trustee in a given situation.

Trusting beliefs are trustor's cognitive beliefs that result from observing the trustee's actions, and attributing the causes of the behaviour to the trustee's internal trust-related characteristics (Komiak and Benbasat, 2004; McKnight and Chervany, 2001). These cognitive beliefs represent cognitive trust. However, a rational choice perspective is not enough because decisions based on trust usually involve both reasoning and feeling (Komiak and Benbasat, 2006). Several studies distinguish between the cognitive and emotional/relational facets of trust (e.g. Dimitriadis and Kyrezis, 2008; Ennew and Sekhon, 2007, Heffernan et al., 2008). Emotional trust is defined "*as the extent to which one feels secure and comfortable about relying on the trustee*" (Komiak and Benbasat, 2004, 187).

Due to the complexity and long-time horizon of many financial services, consumers often feel uncertainty about choices relating to financial matters. Harrison (2003) has listed the characteristics of financial services: high intangibility, information asymmetries between FSPs and consumers, and a heavy reliance on the credence qualities of products and services that can lead to uncertainty. Consumers' trust in FSPs, that is, in companies, advisors, products and services, reduces uncertainty and the perceived risks attached to financial decision-making. It is particularly in financial services that customers utilise ICT for conducting their financial tasks. In the 21st century, the focal area of banking research has been the adoption of online banking (e.g. Branca, 2008; Casaló et al., 2007; Colgate and Smith, 2005; Herington and Weaven, 2007; McKechnie et al. 2006), and the investigation of trust and perceived risks associated with online applications (e.g. Balasubramanian et al., 2003; Casaló et al., 2007; Grabner-Kräuter and Faullant, 2008).

Information is a central element in decision-making (e.g. Bastardi and Shafir, 1998). This is because more information generally increases confidence (Gill et al., 1998). If information is accessible, and the consumer is able to manage the information, the degree of uncertainty is lower (Beckett et al., 2000). People are selective about their information sources: some prefer oral information, some written; some lay, and others authoritative information. The perceived reliability varies between the sources of information. When searching for information for decision-making purposes, consumers evaluate the cost of this activity and the quality of the information. The cost of this search is influenced by the access of information; ease of access; the quality, relevance and nature of the information, and a person's ability to search for such information (Hertzum et al., 2002). In the case of financial services, consumers are often dependent on FSPs for advice because consumers lack the necessary know-how for making independent decisions.

The definition of trust in the financial services context put forward by Ennew and Sekhon (2007, 63) was considered to be relevant to this study: "Trust is individual's willingness to accept vulnerability on the grounds of positive expectations about the intentions or behavior of another in a situation characterised by interdependence and risk". The definition encapsulates both the cognitive and emotional elements of trust (cf. Komiak and Benbasat, 2004). It also emphasises the importance of financial decisions that have a significant influence on the well-being of consumers, especially in the case of complex and long-term savings and investment instruments.

Saving and investing is characterised as a high involvement area of financial services compared to other financial services (e.g. Aldlaigan and Buttle, 2001; Foxall and Pallister, 1998). Relatively little research has been directed to this area of financial services (see, however Balasubramanian et al., 2003; Ding et. al., 2007; Falk et al., 2007). Mittal (1989, 150) defines involvement in the purchase decision as "*the extent of interest and concern that a consumer brings to bear on a purchase decision task.*" Zaichkowsky (1985, 342) understands involvement as "*a person's perceived relevance of the object based on inherent needs, values and interests*". Involvement is conceptualised as a uni-dimensional concept (Zaichkowsky, 1985); a two-dimensional concept with rational and emotional dimensions (Foxall and Pallister, 1998) or multi-dimensional concept (Laurent and Kapferer, 1985). Involvement is considered to be either enduring, that is, there is a persistent relationship, or situational, in other words a temporary phenomenon in which the interest of the consumer declines with the passage of time (Pallister et al., 2007).

Even though trust has been studied by researchers from several disciplines, it has often been defined fairly narrowly. This may explain why the results of previous studies have often been contradictory. The aim of this paper is to understand and describe different facets of trust in the wealth management context. In the financial services sector, especially relating to complex wealth management services, consumers' trust in FSPs and financial advisors combined with consumers' involvement in wealth management are important determinants of consumers' financial behaviour.

3. Methodology

A two year exploratory research project with scientific research institutions and financial industry practitioners was set up in Finland in 2006. The main objective of the project was to gain a deeper understanding of the motives of consumers underlying wealth management behaviour, and to examine the opportunities for a new kind of wealth management service targeted at private customers. The project consisted of several, qualitative and quantitative studies.

The Finnish financial market is characterised by high online penetration: according to Statistics Finland (2008) 72% of the population uses an online bank application. Finnish bank customers are, in general, highly satisfied with their banks (EPSI Finland, 2008) and in a comparison of the 27 EU countries have the highest confidence in banks (Eurobarometer, 2008).

We present the results of a qualitative study that aims at understanding and describing trust. In this study, wealth management was viewed broadly. A distinctive feature of the study was the dyadic research methodology: we collected data from two independent sources, from consumers and financial experts, and compared the results of these two sources. Dyadic research has mainly focused on the B2B environment (Holmlund-Rytkönen and Strandvik, 2005; Paulin et al., 1997), but there are also examples in B2C research (Pollak, 2001; Wright et al. 2000), and in the financial context (e.g. Diacon, 2004; Törngren and Montgomery, 2004). We asked consumers and financial experts about consumers' perception of wealth, the motives for accumulating wealth, and the perceived risks related to wealth management. In addition, customer service, including face-to-face and electronic service options, were discussed.

We commenced our research with focus group discussions of consumer panelists (6 groups, 33 participants, 16 males and 17 females, an average age of 50 yrs, age range 27 – 78 yrs), and continued with expert interviews (11 interviews, 8 males and 3 females, average age of 41 yrs, age range 30 – 46 yrs, mostly working in managerial positions). The focus was on uncovering how the financial experts perceived consumers' opinions related to wealth management. For clarity, in the following, the term "financial expert" is employed for the interviewees. Focus group participants described representatives of the FSP who work at the customer interface as "financial advisors". We acknowledge that the material retrieved from interviews and focus group discussions are not similar. In interviews, an interviewer can be more in control of the process of interviewing, whereas in focus groups, the discussion flows fairly freely and the participants focus on issues they find important. In addition, the discussants use their own expressions. In choosing focus groups as our data collection instrument, free associations and interaction between the participants were the aspects of principal interest. Both the consumer focus group discussions and expert interviews lasted an average of 1.5 hours. They were recorded and transcribed for analysis. The texts were analyzed by two researchers, first separately and then jointly, and NVivo 8 software was employed for coding the recurring themes of the discussions and interviews. Furthermore, 28 of 33 consumers filled a short questionnaire regarding their interest and experience with some financial instruments. Because the gathered data was in Finnish, the quotations presented in this article were freely translated into English.

Trust and the different manifestations of trust emerged as important issues. Consumers brought up trust spontaneously in their discussions, even though the moderator did not specifically ask about it. In other words, the importance of trust became apparent as an emerging theme when the content of the textual material was analyzed. It was for this reason we decided to focus on trust: how it is perceived, and how it influences consumer behaviour in the financial service sector, with particular reference to the investment context.

4. Results

The dyadic comparison of the empirical material revealed the similarity of the perceptions and opinions of consumers and financial experts about wealth management. As most of the central themes in wealth management were seen fairly similarly in both groups we concluded that the financial experts interviewed understood the motivations and expectations of their customers fairly well. However, when discussing saving and investment, we found a remarkable difference between the groups relating to trust; especially which facets of trust are important to the two groups. Financial experts emphasised the institution-based trust that can be found within the financial services infrastructure; that is, trust in protective structures – guarantees, contracts, regulations, promises, legal recourse, processes, or procedures. They referred to several in-house surveys that confirmed consumers' high degree of trust in financial institutions.

The most common characteristics of the trustee that were remarked upon in the focus group discussions were those of competence, integrity and benevolence. This is consistent with previous studies (e.g. Crosby et al., 1990; Mayer et al., 1995). Among consumers, opinions about trust diverged. The characteristics of the financial advisor (the trustee), and the relationship between the financial advisor and the consumer were the facets of trust in which the variety of opinions among the consumers was the greatest. The study revealed the complexity of trust: many consumers expressed trust in their own financial advisors, but distrusted financial advisors in general. This general distrust was attributable to negative publicity in the mass media - consumers themselves might have had some negative experiences, but mostly they had read or heard about occasions that caused them to doubt the competence, integrity and benevolence of FSPs and financial advisors.

Wealth management instruments are considered to be high-involvement instruments (Aldlaigan and Buttle, 2001; Foxall and Pallister, 1998). However, in the discussions, consumers' involvement in making investments differed considerably. Based on Zaichkowsky (1985), we defined involvement as consumers' interest in investing, and willingness to immerse in information search and learning about the subject.

In the spirit of Weber's (1949) ideal types that depict the underlying characteristics that determine consumer behaviour within a particular environment, we divided consumers into four groups using trust in the FSP, and particularly in the financial advisor, and involvement in making investments as separate dimensions. In contrast to Beckett et al. (2000) who constructed a consumer matrix based on earlier research, we arrived at the matrix after the analysis of consumer focus group discussions and expert interviews. According to the empirical results, involvement and customers' willingness to acquire information and expertise were brought into the involvement dimension, and trust in the FSP and a financial advisor represented another dimension. Figure 1 depicts the consumer matrix, and is followed by a discussion of the characteristic of each quadrant.

Trust	high	2. Civil duty saver Low involvement High trust	4. Convenience-driven investor High involvement High trust
	low	1. Uninterested bystander Low involvement Low trust	3. Cost-aware investor High involvement Low trust
		low	high
		Involvement	

Figure 1: Consumer matrix in the investment context.

1. Uninterested bystander (low trust, low involvement)

The uninterested bystander group had a variety of reasons for being passive in the investment markets. The most obvious of these were the lack of funds, time, knowledge or desire to learn. Few participants talked of their distrust of bank managers in general, and attributed the change in the role of bank managers to the increased use of computers in the management of financial affairs.

In the 1970's, bank managers were considered as friends and partners in cooperation, but it has changed nowadays because consumers can do anything and everything with computers. (consumer, male, 67)

A participant who valued owner-occupier housing more than financial wealth explained that she did not believe that the negotiations with the financial advisor are of high quality, and she also distrusted the financial instruments that are offered by financial advisors.

I am suspicious of funds and shares. I have my ethical values and I do not want to invest in companies that reap benefits from child labour or discriminate against females. (consumer, female, 33)

Financial experts regarded this consumer group as lazy and inefficient. However, they also realised that finance-related issues are not the most important in consumers' everyday life. They pointed out that savings and investment products are so called "push products" in comparison to, for example, mortgages, which they consider to be "pull products".

2. *Civil duty saver* (high trust, low involvement)

The majority of the low involvement consumers trusted their financial advisors. Civil duty savers are people who are bounded rational (cf. Simon, 1957), and their heuristic rule is to trust financial advisors.

I would be willing to give my financial affairs into the care of somebody. I would appreciate somebody who would take a total view of my assets. Since I do not know anything about financial things I cannot even start asking... (consumer, female, 25)

These consumers were usually not willing to enhance their knowledge by engaging themselves in information search and learning about financial affairs. Some of them said that they do not even remember in which instruments they had invested.

A financial advisor persuaded me to invest in funds. However, I do not quite remember in which fund I invested my money - I am not really interested in financial affairs... (consumer, female, 70)

The investment sums are often debited directly from consumers' account and civil duty savers do not have to undertake any action; they have done their "civil duty" and have invested money rather than left it in their account.

From the perspective of financial experts, face-to-face meeting with financial advisors facilitate the learning process of consumers, and financial advisors are the most influential source of information regarding financial matters. Financial experts stressed that consumers should view the information found on the internet with scepticism, and they should not follow the examples of friends or self-proclaimed gurus on discussion boards without considering their own situation in life.

The first source of information, the reliable one, is the financial expert...In important decisions, one turns to an expert for confirmation ... (expert, female, 36)

3. *Cost-aware investor* (low trust, high involvement)

The need for continued information search and learning were emphasised by the cost aware investors. The typical activities of this group are the active following of several investment

instruments, resulting in expertise that raised the confidence of an individual consumer concerning their own ability to act. The cost aware investors represent the closest group to the rational actor portrayed in economic models. They use several information sources, but are reluctant to trust the recommendations of financial advisors. Rather, they prefer turning to the internet since it offers impartial information and efficient tools for information gathering and carrying out of transactions.

The internet is a splendid source of impartial information – I compare different writings found on the internet. (consumer, male, 44)

Cost-aware investors often commented that they do not trust the expertise of financial advisors (trust in competence), and they also believe that financial advisors are mainly interested in their own commissions, rather than have the customers' benefits in mind (trust in benevolence).

I don't believe that one can get impartial advice from banks, since they are earning high commissions from selling their own products. (consumer, male, 50).

Pushy marketing practices and unclear ways of presenting fees and returns also diminished trust.

When I think about how I started...it was difficult to get to the truth from all the marketing talk. They (banks) are, after all, selling funds and they get their share and they have won anyway...I had to find what is the truth in my mind...(consumer, male, 33)

Even experts admitted that commission rates in Finland are higher than in most of the other developed countries and predicted a trend for lower rates.

I think that the commissions are lower in more developed financial markets. This is something to which people are increasingly paying attention, which will in time put pressure on the level of commissions. (expert, male, 44)

4. Convenience-driven investor (high trust, high involvement)

Convenience-driven investors trusted their own FSP and their financial advisors. One participant acknowledged that even though the commissions charged are fairly high, banks have to be compensated for their work. Wealthier investors pointed out that property brings worries because they have to manage that source of wealth frequently, and it is often on their mind. Some discussants had outsourced the management of their financial assets to a wealth management company, and were satisfied with the convenience that this brought.

I do not have to spend all the time following markets and getting nervous. Professionals take care of my assets and take their own share of the profits... I just want to be free from the anxiety! (consumer, male, 67)

This group of consumers also used a variety of information sources and had acquired both simple and complex financial instruments.

In our analysis of the data we found four themes that applied to the four different consumer types. These are: information sources and channels; self-estimation of financial expertise; relationship with the FSP; and complexity of financial instruments. Table 2 presents a summary of the results.

Table 2: Description of consumer groups according to investment behavior

	<i>Information sources and channels</i>	<i>Self-estimation of financial expertise</i>	<i>Relationship with financial service providers</i>	<i>Nature of financial instruments</i>
1. <i>Uninterested bystander</i>	- No information search since financial matters are not relevant	- Non-existent	- No relationship with a financial advisor	- None or simple instruments
2. <i>“Civil duty” saver</i>	- No desire for extensive search - Word-of mouth	- Limited knowledge	- Follows recommendations - Convenience more important than fees	- Rather simple instruments (e.g. regular investments in mutual funds)
3. <i>Cost-aware investor</i>	- Several information sources, internet important	- Fairly advanced	- Distrust - Prefers own decision-making - Fees and return important	- Several instruments, and complex
4. <i>Convenience-driven investor</i>	- Several information sources, including internet	- Fairly advanced	- Follows recommendations - Partial distrust - Convenience more important than fees	- Several instruments, and complex

5. Discussion

Trust is found to be paramount in shaping consumers' financial behaviour (e.g. Balasubramanian et al., 2003; Heffernan et al., 2008). In our study, different facets of trust were relevant to financial experts and consumers in the wealth management context in general, and in the investment context, in particular. *Dispositional trust* represents a personality trait that was not emphasised in our empirical data. *Trusting beliefs* and *trusting intentions* were intertwined in the consumers' discussions. Consumers talked about their interpersonal trust in the financial advisor, and how news in the mass media and personal experiences had made them doubt the competence, integrity and benevolence of financial advisors. Consumers also discussed their feelings, thus emphasizing not only cognitive beliefs but also the emotional aspect of trust. The financial experts emphasized the *institution-based trust* in the financial infrastructure and financial institutions, and referred to

structural assurance – trust that the established legislation and procedures had built up in the financial industry.

Consumers recognised the role of the financial advisor as a “servant to two masters” (the FSP and the customer), and believed that the financial advisor was more loyal to the employer than to customers. A financial advisor is, in effect, an agent to two principals, the employer and the customer. The principal–agent perspective aims to explain transactional arrangements between self-interested parties with incongruent goals in the presence of uncertainty (Pavlou et al., 2007). The perspective has been traditionally employed in the examination of employment relationships (e.g. Eisenhardt, 1989; Rees, 1985) where one entity (the principal) delegates work to another (the agent) who performs the work according to a mutually agreed contract. Pavlou et al. (2007) discussed the characteristics of the principal-agent perspective and justified its use in the buyer – seller relationship. All the characteristics apply to the financial advisor-customer relationship, too. Based on the inherent information asymmetry in the financial advisor-customer relationship, the advisor typically has more information than the customer on the seller’s financial characteristics, on the offered products and services, and on procedures and practices. This may create a bias on the advisor’s part to act in his/her own self interest rather than in the best interest of the customer. The actions of the employer are vital in this respect since the employer pays remuneration for the work and employs supervisory schemes to guide the actions of the financial advisor. Both the compensatory mechanism and supervision should be implemented so that they encourage the financial advisor to think about the good of the customer.

Trust in engineering issues did not seem to pose a problem for consumers in an ongoing relationship with the FSP, and with traditional online services. None of the consumers commented about security or privacy when they were discussing internet-based services. In fact, web services provided by financial institutions were not a subject that was widely elaborated upon in the discussions.

Investment-related services have been found to require a high and enduring degree of involvement (Aldlaigan and Buttle 2001; Pallister 2007). However, according to our empirical study, some consumers might feel a situational involvement at the time of purchasing, but their interest can fade after the purchase decision and they do not then follow the performance of their investments. More seldom, consumers explained that they perceived investing as hobby and were emotionally involved.

Even though consumers are able to search and process information, several financial products are complicated and comparisons between them may be difficult, even for an

experienced investor. In addition, consumers have to search for several types of information that impact the performance of financial instruments: for example, financial figures of companies, growth figures in the economy, commissions and fees, reputation of financial service provider. Consumers might be unable to interpret such information and what it means in their personal situation, and therefore the abundance of complex information might serve to make consumers unwilling to learn about financial services (Diacon and Ennew, 2001). According to Huhmann and Bhattacharyya's (2005) comparative research on mutual fund advertising, FSPs appear to rely on marketing cues such as size and volume of text in order to catch the attention of consumers, rather than providing the information necessary for optimal investment decisions (e.g. risk-return trade-off, credibility information, sales commissions, management fees).

Only few previous studies have applied a dyadic research methodology to the financial services context. Diacon (2004) and Törngren and Montgomery (2004) described the importance of the comparison of the perceptions of consumers and experts. An essential feature of our study is the dyadic research methodology that we have applied in a new way. In the study, we asked consumers about their perceptions of wealth, motives for accumulating wealth, and the perceived risks related to wealth management. Furthermore, we were interested in uncovering what financial experts assumed consumers think about wealth-related issues. We then compared the results of these two sources. If the perceptions of consumers and experts differ widely from each other communication between the parties suffers. However, both groups shared common perceptions regarding most of the central themes relating to wealth management. The main differences were found in the facets of trust that consumers and financial experts emphasised.

In previous segmentation studies on consumer financial behaviour, the underlying assumption has been that there is a trusting relationship between the FSP and the customer, however trust has not been explicitly considered. This study makes a theoretical contribution by presenting a new conceptualization of consumer behaviour in the investment context. In the following, we compare our matrix with previous models proposed by Harrison (1994) and Beckett et al. (2000).

Harrison (1994) presented a two-dimensional map of consumer behaviour in the financial sector. The dimensions are labelled *perceived knowledge* (PK), which takes into account the individual's subjective assessment and how confident the individual feels about her/his knowledge, and the *degree of financial maturity* (FM) (Kamakura et al., 1991), which is dependent on the complexity of the financial products that the consumer has acquired. However, in our empirical data, we did not find consumers that fit the quadrant with low

levels of knowledge and own, nevertheless, complex financial instruments. We doubt the usefulness of the financial maturity dimension in the financial consumer segmentation.

Based on a review of the literature, Beckett et al. (2000) identified broad attitudinal factors: *uncertainty*, labelled as customer confidence, and *involvement* that influence consumer behaviour. Consumer confidence is largely determined by perceptions of risk, which are determined by the complexity of the product being purchased and the certainty of outcome associated with that product. The other key determinant of consumer behaviour is a consumer's interest toward a product or a service. In this regard involvement incorporates customer control, customer participation and level of contact. In the context of financial services, Beckett et al. (2000) placed uncertainty and involvement on a continuum from low to high, and constructed a two-dimensional consumer behaviour matrix that represents four ideal consumer behaviour patterns. These are: no purchase, repeat-passive, relational-dependent, and rational-active. Beckett et al.'s (2000) matrix combined each quadrant with a certain group of financial services, suggesting, for example, that repeat-passive customer behaviour is common in choosing simple services such as a current account, whereas relational-dependent behaviour is attached to purchases of more complex products such as investments or pensions. Our empirical data emphasised the role of trust in the relationship between the FSP and the customer; therefore trust in the FSP was chosen as another dimension in our matrix rather than consumer confidence. In addition, our matrix was constructed based on consumers' opinions about a particular type of financial services; investment instruments. When comparing the quadrants of the two matrices, we find many similarities in three of the quadrants. However, in Beckett et al.'s (2000) repeat-passive quadrant the nature of the financial product – cheque account or choosing a bank - is emphasised, and thus the somewhat illogical combination of low involvement and high consumer confidence can be explained. According to our analysis of the consumers' discussions, interest and knowledge constituted the same dimension.

A small number of recent quantitative survey studies have categorised consumers into segments based on their money attitudes or behaviour in investment markets (e.g. Fünfgeld and Wang, 2009; Keller and Siegrist, 2006; Loibl and Hira, 2009; Nilsson, 2009; Wood and Zaichkowsky, 2004). All of the quantitative models include either confidence (Loibl and Hira, 2009; Nilsson, 2009; Wood and Zaichkowsky, 2004) or interest in financial matters (Fünfgeld and Wang, 2009; Keller and Siegrist, 2006; Loibl and Hira, 2009) in their list of variables. Loibl and Hira (2009) used sources of investor information as segmentation base. Nilsson's (2009) study segmented socially responsible mutual fund investors, and trust in the actions of the FSP to behave in a socially responsible way was reported as one of the variables. In addition, Keller and Siegrist (2006) recognised the dynamic nature of segmentation; financial

strategies of consumers are, after all, dependent on life cycle and, to some extent, on the marketing strategies of FSPs. Whereas quantitative studies have examined frameworks with pre-selected variables, our results emerged from the data. In this regard, we did not initially set out to examine trust, but this was the principal theme that emerged as important for the participants.

Managerial implications

Financial service companies need to plan their marketing and customer service to serve different customer groups in a suitable way. The consumer behaviour matrix developed in this study can be a helpful tool in the segmentation and development of customer service.

A central issue is how to reach those customers who are not interested in financial matters. Financial education is often designed to meet the people who are already interested in financial matters. As Fünfgeld and Wang (2009) noted, marketing campaigns do not reach uninterested customers because such customers lack the preliminary motivation. In our study, the *uninterested bystander group* is the most heterogeneous and the reasons for staying passive are several. The “lazy” consumers need an easy and uncomplicated way to invest their assets. O’Donoghue and Rabin (1999) attach the label “hyperbolic discounting” to consumers’ passive behavior: people are impatient in the short term and patient in the longer term. Hyperbolic consumers want to start saving and investing eventually, but something always comes up in the short term that provides a better immediate reward. Saving can thus be subject to indefinite procrastination. Perceived distrust toward FSPs is more difficult to tackle, and accurate information, rather than marketing rhetoric, might be a more efficient method to convince consumers of the trustworthiness of financial companies. The task is challenging because both consumers’ attitudes and behaviour require change.

Civil duty savers are the fairly “easy” customer group for FSPs. For this group, making only little effort is important and consumers follow the advice and recommendations of their financial advisors (cf. Beckett et al.’s repeat-passive and Harrison’s financially confused). In addition, communication by word-of-mouth in their social environment is important. Selling situations are very sensitive; if difficult financial instruments are actively sold to trusting but fairly ignorant consumers, trust in the financial advisor might vanish if the financial instruments do not perform as promised (e.g. decrease in the value of short-term mutual funds that were marketed as safe havens in turbulent times).

Cost-aware investors have a fairly negative attitude towards financial advisors (cf. Beckett et al.’s rational-active and Harrison’s capital accumulators). These investors prefer using the internet as their information search and transaction tool. Because cost-aware investors are

recognised as experts by their peers, it is important that they are served well so that they have no reason to spread negative remarks either by word-of-mouth, face-to-face or through electronic channels. FSPs could serve this customer group better by providing advanced transaction and analysis tools for self-service, and thus increase the loyalty of this group.

Convenience-driven investors appreciate professional advice and new ideas from their financial advisors (cf. Beckett et al.'s relational-dependent). A feeling of distrust might be evoked if a financial advisor does not appear to know the latest financial instruments or market developments, or does not have opinions other than those that the financial company's software offers.

Financial companies need to focus on human resource policies, training and internal marketing. A special emphasis should be applied to the training of financial advisors because they are key persons in trust building. A difficult issue that FSPs need to face is that bonuses should, at least partly, be paid based on service quality and not purely on the 'number of deals'. In addition, financial advisors should be provided with tools that are helpful in their consumer encounters but do not restrict the flow of the discussions between the consumer and the financial advisor. Guaranteeing the quality of the consumer encounter is vital – but this is difficult because financial services are complex. Following the distrust perceived by some of consumers, one strategy might be to increase transparency concerning costs, returns and risks. The attempt to obscure costs by bundling services might not be welcomed by consumers who would have difficulty in trying to understand and compare the offerings from various financial companies. However, some consumers who focus on convenience might indeed welcome the simplicity of bundled services. In addition, clarification of investment related facts in tables and graphs might ease consumers' cognitive burden brought about by trying to understand complex issues.

5. Conclusions

Consumers and financial experts shared the majority of the perceptions and opinions about wealth management. The greatest difference in the meaning of trust emerged in the investment context. Financial experts emphasised the institution-based trust in the well-functioning financial infrastructure and financial institutions. Consumers, on the other hand, concentrated on the characteristics of the trustee. Trust in competence, integrity and benevolence were the facets that consumers mostly talked about. In our study, wealth management services were not automatically categorised as high involvement services, but the level of involvement differed among the discussants. When involvement was included in the matrix as a further dimension, four distinct consumer categories could be distinguished:

uninterested bystander, civil duty saver, cost-aware investor and convenience-driven investor. The four quadrant matrix can assist financial service providers in building customer relationship and in improving the customer service, especially their effort to move customers from low trusting quadrants to more trusting groups.

Limitations and future research

No research is without its limitations and we freely acknowledge the limitations that can be found in our study. The results gained through focus group discussions and interviews do not lend to generalization. In addition, Finnish financial markets have certain characteristics that are not shared by the majority of the domestic financial markets in other countries. The consumer focus group discussants were members of the Consumer Panel, but it is justifiable to use the Consumer Panel because the members in the panel are eager to speak out in consumer issues. Despite the limitations, the results offer interesting and new scientific knowledge about perceived trust, and how it can be used in market segmentation and customer service.

The objective of this paper was to understand rather than test hypotheses or offer generalizations. Therefore, although we have presented a categorization of consumers, we cannot categorically state how many consumers belong to each group. However, we suggest that our study creates a good framework for a wider quantitative study in which such questions can be empirically tested. In this regard further studies could focus on more extensive data gathering by collecting information on the general level of consumers' knowledge, involvement, and trust in the wealth management context.

References

- Aldlaigan, A. and Buttle, F. (2001), "Consumer involvement in financial services: an empirical test of two measures", *International Journal of Bank Marketing*, Vol. 19 No. 6, pp. 232-245.
- Balasubramanian, S., Konana, P. and Menon, N.M. (2003), "Customer satisfaction in virtual environments: A study of online investing", *Management Science*, Vol. 49 No. 7, pp. 871-889.
- Bastardi, A., and Shafir, E. (1998), "On the pursuit of useless information", *Journal of Personality and Social Psychology*, Vol. 75 No. 1, pp.19-32.
- Beckett, A., Hewer, P. and Howcroft, B. (2000), "An exposition of consumer behaviour in the financial services industry", *International Journal of Bank Marketing*, Vol. 18 No.1, pp. 15-26.
- Bell, S.J. and Eisingerich, A.E. (2007), "The paradox of customer education, customer expertise and loyalty in the financial service industry", *European Journal of Marketing*, Vol. 41 Nos. 5/6, pp. 446-486.
- Blomqvist, K. (1997), "The many faces of trust", *Scandinavian Journal of Management*, Vol. 13 No. 3, pp. 271-286.
- Branca, A.S. (2008), "Demographic influences on behaviour: An update to the adoption of bank delivery channels", *International Journal of Bank Marketing*, Vol. 26 No 4, pp. 237-259.
- Casaló, L.V., Flavián, C. and Guinalíu, M. (2007), "The role of security, privacy, usability and reputation in the development of online banking", *Online Information Review*, Vol. 31 No. 5, pp. 583-603.
- Colgate, M. and Smith, B. (2005), "Relationships and the internet: The mediating role of a relationship banker", *Journal of Financial Services Marketing*, Vol. 10 No. 2, pp.140-151.
- Coulter, K.S. and Coulter, R.A. (2003), "The effects of industry knowledge on the development of trust in service relationships", *International Journal of Research in Marketing*, Vol. 20, pp. 31-43.
- Cox, P. (2007), "Should a financial service provider care about trust? An empirical study of retail saving and investment allocation", *Journal of Financial Services Marketing*, Vol. 12 No. 1, pp. 75-87.
- Crosby, L.A., Evans, K.R. and Cowles, D. (1990), "Relationship quality in services selling: An interpersonal influence perspective", *Journal of Marketing*, Vol. 54 No. 3, pp. 68-81.
- Dimitriadis, S. and Kyrezis, N. (2008), "Does trust in the bank build trust in the technology-based channels?", *Journal of Financial Services Marketing*, Vol. 13 No. 1, pp. 28-38.
- Diacon, S. (2004), "Investment risk perceptions. Do consumers and advisers agree?", *International Journal of Bank Marketing*, Vol. 22 No. 3, pp. 180-198.
- Diacon, S. and Ennew, C. (2001), "Consumer perceptions of financial risk", *The Geneva Papers on Risk and Insurance – Issues & Practice*, Vol. 26 No. 3, pp. 389-409.
- Ding, X., Verma, R. and Iqbal, Z. (2007), "Self-service technology and online financial service choice", *International Journal of Service Industry Management*, Vol.18 No. 3, pp. 246-268.
- Eisenhardt, M. K. (1989), "Agency theory: An assessment and review", *Academy of Management Review*, Vol. 14 No. 1, pp. 57-74.
- Ennew, C. and Sekhon, H. (2007), "Measuring trust in financial services: the Trust Index", *Consumer Policy Review*, Vol. 17 No. 2, pp. 62-68.
- EPSI Finland (2008) EPSI Rating Customer Satisfaction, Finnish banks survey, available at: http://www.epsi-rating.com/index.php?option=com_content&task=view&id=69 (accessed 7 October 2008).
- Eurobarometer (2008), "Data protection in the European Union – citizens' perceptions", available at: http://ec.europa.eu/public_opinion/flash/fl_225_en.pdf (accessed 15 September 2008).
- Falk, T., Schepers, J., Hammerschmidt, M. and Bauer, H. (2007), "Identifying Cross-Channel Dissynergies for Multichannel Service Providers", *Journal of Service Research*, Vol. 10 No. 2, pp. 143-160.

- Foxall, G.R. and Pallister, J.G. (1998), "Measuring purchase decision involvement for financial services: comparison of the Zaichkowsky and Mittal scales", *International Journal of Bank Marketing*, Vol. 16 No. 5, pp. 180-194.
- Fünfgeld, B. and Wang, M. (2009), "Attitudes and behaviour in everyday finance: evidence from Switzerland", *International Journal of Bank Marketing*, Vol. 27 No. 2, pp. 108-128.
- Gill, M., Swann, W.B. and Silvera, D.H. (1998), "On the genesis of confidence", *Journal of Personality and Social Psychology*, Vol. 75, pp. 1101-1114.
- Grabner-Kräuter, S. and Faullant, R. (2008), "Consumer acceptance of internet banking: the influence of internet trust", *International Journal of Bank Marketing*, Vol. 26 No. 7, pp. 483-504.
- Harrison T. (1994), "Mapping customer segments for personal financial services", *International Journal of Bank Marketing*, Vol. 12 No. 8, pp. 17-26.
- Harrison, T. (2003), "Why trust is important in customer relationships and how to achieve it", *Journal of Financial Services Marketing*, Vol. 6 No. 3, pp. 206-209.
- Harrison, T., Waite, K. and White, W. (2006), "Analysis by paralysis: the pension purchase decision process", *International Journal of Bank Marketing*, Vol. 24 No.1, pp. 5-23.
- Heffernan, T., O'Neill, G., Travaglione, T. and Droulers, M. (2008), "Relationship marketing. The impact of emotional intelligence and trust on bank performance", *International Journal of Bank Marketing*, Vol. 26 No. 3, pp.183-199.
- Herington, C. and Weaven, S. (2007), "Can banks improve customer relationships with high quality online services?", *Managing Service Quality*, Vol. 17 No. 4, pp. 404-427.
- Hertzum, M., Andersen, H.H.K., Andersen, V., and Hanse, C.B. (2002), "Trust in information sources: seeking information from people, documents, and virtual agents", *Interacting with Computers*, Vol. 14 No. 5, pp. 575-599.
- Holmlund-Rytkönen, M. and Strandvik, T. (2005), "Stress in business relationships", *Journal of Business & Industrial Marketing*, Vol. 20 No. 1, pp. 12-22.
- Huhmann, B.A. and Bhattacharyya, N. (2005), "Does mutual fund advertising provide necessary investment information?", *International Journal of Bank Marketing*, Vol. 34 No. 4, pp. 296-316.
- Kamakura, W.A., Ramaswami, S.N. and Srivastava, R.K. (1991), "Applying latent trait analysis in the evaluation of prospects for cross-selling of financial services", *International Journal of Research in Marketing*, Vol. 8 No. 4, November, pp. 329-49.
- Keller, C. and Siegrist, M. (2006), "Money attitude typology and stock investment", *The Journal of Behavioral Finance*, Vol. 7 No. 2, pp. 88-96.
- Komiak, S.Y.X. and Benbasat, I. (2004), "Understanding customer trust in agent-mediated electronic commerce, web-mediated electronic commerce, and traditional commerce", *Information Technology and Management*, Vol. 5 Nos. 1-2, pp. 181-207.
- Komiak, S.Y.X. and Benbasat, I. (2006), "The effects of personalization and familiarity on trust and adoption of recommendation agents", *MIS Quarterly*, Vol. 30 No. 4, pp. 941-960.
- Laurent, G. and Kapferer, J.N. (1985), "Measuring consumer involvement profiles", *Journal of Marketing Research*, Vol. 2, pp. 41-53.
- Loibl, C. and Hira, T.K. (2009), "Investor information search", *Journal of Economic Psychology*, Vol. 30 No. 1, pp. 24-41.
- Mayer, R.C., Davis, J.H. and Schoorman, F.D. (1995), "An integrative model of organizational trust", *Academy of Management Review*, Vol. 20, pp. 709-734.
- McKechnie, S., Winklhofer, H. and Ennew, C. (2006), "Applying the technology acceptance model to the online retailing of financial services", *International Journal of Retail & Distribution Management*, Vol. 24 Nos. 4/5, pp. 388-410.
- McKnight, D.H., Cummings, L.L. and Chervany, N.L. (1998), "Initial trust formation in new organizational relationships", *Academy of Management Review*, Vol. 23 No. 3, pp. 473-490.
- McKnight, D.H. and Chervany, N.L. (2001), "What trust means in E-Commerce customer relationships: An interdisciplinary conceptual typology", *International Journal of Electronic Commerce*, Vol. 6 No. 2, pp. 35-59.
- Mittal, B. (1989), "Measuring purchase-decision involvement", *Psychology and Marketing*, Vol. 6, pp.147-162.

Morgan, R.M. and Hunt, S.D. (1994), "The commitment-trust theory of relationship marketing", *Journal of Marketing*, Vol. 58 No. 3, pp. 20-38.

Nilsson, J. (2009), "Segmenting socially responsible mutual fund investors: The influence of financial return and social responsibility", *International Journal of Bank Marketing*, Vol. 27 No. 1, pp. 5-31.

O'Donoghue, T. and Rabin, M. (1999), "Doing it now or later", *American Economic Review*, Vol. 89, pp. 103–124.

Pallister, J.G., Wang, H.-C. and Foxall, G.R. (2007), "An application of the style/involvement model to financial services", *Technovation*, Vol. 27, pp.78-88.

Paulin, M., Perrien, J. and Ferguson, R. (1997), "Relational contract norms and the effectiveness of commercial banking relationships", *International Journal of Service Industry Management*, Vol. 8 No.5, pp. 435-452.

Pavlou, P., Huigang, L. and Yajiong X. (2007), "Understanding and mitigating uncertainty in online exchange relationships: A principal-agent perspective", *MIS Quarterly*, Vol. 31 No. 1, (Mar., 2007), pp. 105-136.

Pollak, R. (2001), "Imagined risks and cost-benefit analysis", *American Economic Review*, Vol. 88 No. 2, pp. 376-380.

Rees, R. (1985), "The theory of principal and agent - Part I", *Bulletin of Economic Research*, Vol. 37 No. 1, pp 3-26.

Sillence, E., Briggs, P., Harris, P. and Fishwick, L. (2006), "A framework for understanding trust factors in web-based health advice", *International Journal of Human-Computer Studies*, Vol. 64, pp. 697-713.

Simon, H.A. (1957), *Models of man, social and rational*, New York: Wiley.

Statistics Finland (2008), "Number of Internet users up from the year before", published 25 August 2008, available at: http://www.stat.fi/til/sutivi/2008/sutivi_2008_2008-08-25_tie_001_en.html (accessed 23 October 2008).

Törngren, G. and Montgomery, H. (2004), "Worse than chance? Performance and confidence among professional and laypeople in the stock market", *The Journal of Behavioural Finance*, Vol. 5 No. 3, pp. 148-153.

Weber, M. (1949), *The methodology of the social sciences*, Free Press, New York, NY.

Wood, R. and Zaichkowsky, J.L. (2004), "Attitudes and trading behavior of stock market investors: a segmentation approach", *Journal of Behavioral Finance*, Vol. 5 No. 3, pp. 170-179.

Wright, G., Pearman, A. and Yardley, K. (2000), "Risk perception in the UK oil and gas production industry: are expert loss-prevention managers' perceptions different from those of members of the public", *Risk Analysis*, Vol. 20 No. 5, pp. 681-690.

Zaichkowsky, J.L. (1985), "Measuring the involvement construct", *Journal of Consumer Research*, Vol. 12 No. 3, pp. 341-352.