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## **Effects of Customer Trust on Word of Mouth Communication: Examining Customer-Brand Relationship**

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Measuring and modeling customer trust can enhance the understanding of customer-brand relationship. The research examined the effects of customer trust and perceived value on word-of-mouth communication (WOM) using path analysis technique among existing customers of four competing brands, in a high involvement consumer goods context (passenger cars). The findings reveal the nature and magnitude of the differential effects of corporate brand trust, product brand trust and customer interface trust on WOM. It has implications for allocating resources for brand building across the three trust facets, designing programs to develop trust in a facet and monitoring effectiveness of marketing efforts.

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# Effects of Customer Trust on Word of Mouth Communication: Examining Customer-brand Relationship

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## ABSTRACT

Measuring and modeling customer trust can enhance the understanding of customer-brand relationship. The research examined the effects of customer trust and perceived value on word-of-mouth communication (WOM) using path analysis technique among existing customers of four competing brands, in a high involvement consumer goods context (passenger cars). The findings reveal the nature and magnitude of the differential effects of corporate brand trust, product brand trust and customer interface trust on WOM. It has implications for allocating resources for brand building across the three trust facets, designing programs to develop trust in a facet and monitoring the effectiveness of marketing efforts.

## EXTENDED ABSTRACT

Trust is a key feature of any relationship and it indicates the strength of a relationship. The objective of the research was to model customer trust and its effects to better understand consumer-brand relationships. The research model examined the effects of customer trust and perceived value on word of mouth communications of existing customers.

The research contributes to theory by developing and testing a research model, which addressed mainly the following five gaps in research on trust in customer relationships.

- (i) There are only a few empirical studies employing trust to understand customer relationships in the consumer goods context (Chaudhuri and Holbrook 2001; Delgado-Ballester and Munuera-Aleman 2001, 2003). As brands are relationship partners in the consumer goods context (Aggarwal 2004; Fournier 1998), we developed a model to examine customer - brand relationships in consumer goods context.
- (ii) There are three entities in a customer relationship: (i) the firm which provides the products and services (corporate brand) (ii) the product or service the firm offers (product brand), and (iii) the sales and service personnel from the firm or its intermediaries which directly interacts with the customer in delivering the product or service (customer interface) (Crossby 1987; Hennig-Thurau and Hansen 2000). Customer evaluates the trustworthiness of these three entities resulting in the development of trust in the three facets; **corporate brand trust, product brand trust and customer interface trust**. As the three facets have not so far been considered in modeling customer relationships their differential effects on relationship outcomes have not been examined so far in literature. We examined the differential effects of three trust facets on value and relationship outcomes for existing customers.
- (iii) Integrative interdisciplinary review of trust research (Mayer *et al.* 1995 and McKnight *et al.* 2002) has identified the three generic dimensions of trustworthiness evaluations as ability, benevolence and integrity. These three dimensions have so far not been explicitly considered in marketing. The study modeled the effects of trustworthiness evaluation on the three trust facets in the relationship.

- (iv) The relationship among trust facets was examined in the proposed research model. This is expected to reveal the multiple routes through which trust affects value and relationship outcomes both for existing as well as potential customers. As the three trust facets has so far not been modeled in customer relationship models, the relationships among trust facets have also not been examined.
- (v) We re-examined the partially mediating role of perceived value in customer relationships, which was first examined by Sirdeshmukh, Singh and Sabol 2002. The partially mediating role of value on the effects of three trust facets on word of mouth communication for existing customers was tested in the proposed model.

As the three generic trustworthiness dimensions and the three trust facets were not so far examined in literature the measurement scales for the three dimensions for each of the three trust facets had to be developed afresh. The scales for trust in three facets, value and word of mouth were adapted from existing scales. The procedure for scale development was based upon accepted methods in consumer research (Churchill 1979; DeVellis 1991). The reliability and validity of the scales were ensured through qualitative (literature review, in-depth interviews, content analysis, pre-test with experts) and quantitative methods (exploratory factor analysis, reliability analysis).

Data was collected from the existing customers of four selected closely competing passenger car brands in the same customer segment. The population was divided into five geographical clusters based on the sales data of the four brands and in consultation with marketing and brand managers in the industry. Sample was selected across five clusters; four in Delhi city and one in Gurgaon city in India. A quota of forty existing customers was fixed for each of the four brands in the study for testing the research model. The unit of analysis was an evaluation of a brand by an existing customer. The three trust facets of corporate brand, product brand and customer interface (dealer) were evaluated separately by a respondent for each of the four brands in the study.

The proposed model was tested using two data sets; one dataset of 461 brand evaluations of all the four competing brands (ALLBRANDS) and another dataset, which included only the 126 evaluations of the brands owned by 126 existing customers (OWNEDBRAND). The model was examined using path analysis technique. The research was successful in measuring the constructs and validating the proposed model. The findings of the research, organized around the three sets of relationships examined in the research model, are given below.

- (i) *Differential effects of the three trust facets on word of mouth communications:* Customer perceived value fully mediated the effect of corporate brand trust on word of mouth communications and purchase intentions. Customer perceived value partially mediated the effect of product brand trust on word of mouth and purchase intentions. The magnitude of the direct and indirect effect of product brand trust was high than the other effects. Thus, product brand

trust is established as the primary trust facet for both existing and potential customers. Customer interface trust positively influenced word of mouth communications but had no significant influence on customer perceived value. The finding has implication to resource allocation among the three trust facets.

- (ii) *Relationship among trust facets:* Corporate brand trust was found to have a positive influence on product brand trust and customer interface trust. No other hypothesized effects were significant. The findings revealed the multiple routes through which corporate brand trust influenced relationship outcomes.
- (iii) *Effects of trustworthiness evaluations on the three trust facets:* The differential effect of trustworthiness dimensions was found to be sensitive for both models to different brand evaluations. This understanding may help in profiling brands and designing programs to develop trust in a facet.

The adoption of relationship marketing paradigm in marketing discipline and its application in practice calls for development of tools to monitor and manage customer relationship. The research contributes to the advancement in trust research and provides a tool for practitioners to monitor and manage customer relationships.

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