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Customer Trust: An Essential Antecedent of Customer Commitment

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ABSTRACT

Customer trust is the doorway to successful relationship and customer commitment ensures a future for the relationship. The present study examined the relationship between trust and commitment among the bank customers. The study is based on primary research. Data was collected from 169 bank customers. The results reveal that customer trust has significant positive relationship with customer commitment. However, regression analysis unveils that customer trust has significant influence on customer commitment. Therefore it is important for the retail banking businesses to pay close attention to the customer's level of trust and commitment towards the organization that play a major role in relationship success.

KEYWORDS: CUSTOMER TRUST, CUSTOMER COMITTMENT, RELATIONSHIP MARKETING.

INTRODUCTION:

Customer-supplier relationships are changing from adversarial to co-operative engagements. Customers and their suppliers tend to believe that long-term relationships are a decisive source for competitive advantages (e.g. Kalwani and Narayandas 1995, Ganesan 1994). The outcomes for the customer of such long-term orientation (Anderson and Weitz 1992) are committed relationships that improve quality and process performance as well as increasing access to valued resources and technologies. Commitment is as an essential ingredient for successful long-term relationships. Developing a customer's commitment in business relationships does pay off in increased profits, customer retention, willingness to refer and recommend. Relationship marketing literature suggests customer trust as major determinant of customer commitment. Therefore it is vital for the businesses to focus on the customer's level of trust and commitment towards the organization

LITERATURE REVIEW.

Trust and commitment have become focal constructs in relationship marketing research (e.g. Doney and Cannon 1997; Garbarino and Johnson 1999; Morgan and Hunt 1994; Moorman, Zaltman, and Deshpandé 1992; Anderson and Narus 1999). Recently, researchers have started to theorize about value concepts in the context of business relationships (e.g. Grönroos 1997; Flint, Woodruff, and Fisher 1997; Ravald and Grönroos 1996; Wilson and Jantrania 1994).

As Anderson and Narus (1998, p.60) state, at the core of all successful working relationships are two essential characteristics: trust and commitment. Trust is one of the most widely examined and confirmed constructs in relationship marketing research (cf. Crosby, Evans, and Cowles 1990; Garbarino and Johnson 1999; Mohr and Spekman 1994; Moorman, Zaltman, and Despandé 1992; Morgan and Hunt 1994; Schurr and Ozanne 1985; Smith and Barclay 1993; Wilson 1995). Common to all different definitions used to conceptualize trust, there is the notion that constitutes the belief, attitude or expectation of a party that the relationship partner's behavior or its outcomes will be for the trusting party's own benefit (Andaleeb 1992).

In summarizing the conceptual approaches of other scholars, trust has three essential components: First, there is the belief that the relationship partner will show benevolence in his or her actions which affect the relationship in question directly or indirectly (Anderson and Weitz 1992; Geyskens, Steenkamp, Scheer, and Kumar 1996). Secondly, trust also encompasses honesty, which means that the trusting party relies on the relationship partner being credible (e.g., Doney and Cannon 1997; Ganesan 1994). Beside these two motivational or intentional trust dimensions, there is a dimension, which encompasses an ability-related component of trust: The belief that the relationship partner has the competence to act for the benefit of the relationship (Andaleeb 1992; Moorman, Zaltman and Despandé 1992; Ganesan 1994). Therefore, we define customer trust as the customer's belief in the supplier's benevolence, honesty and competence to act in the best interest of the relationship in question.

Just like customer trust, customer commitment has widely been acknowledged to be an integral part of any long-term business relationship (Anderson and Weitz 1992; Gundlach, Achrol, and Mentzer 1995, Morgan and Hunt 1994). In most cases it is described as a kind of lasting intention to build and maintain a long-term relationship (e.g. Anderson and Weitz 1992; Dwyer, Schurr, and Oh 1987; Moorman, Zaltman and Despandé 1992). Gundlach, Achrol, and Mentzer (1995) believe commitment entail three different dimensions: Affective commitment describes a positive attitude towards the future existence of the relationship. Instrumental commitment is shown whenever some form of investment (time, other resources) in the relationship is made. Finally, the temporal dimension of commitment indicates that the relationship exists over time (Garbarino and Johnson 1999).

Trust has a direct positive impact on commitment: Trust diminishes the perceived risk and vulnerability in a relationship and thus leads to a higher commitment to the relationship (Ganesan 1994). Trust can even be called an essential antecedent of commitment: If a supplier is not perceived to be benevolent, honest or competent enough to show useful behavior regarding the relationship, the customer cannot rely on this supplier and thus will show no commitment towards the relationship (Morgan and Hunt 1994).

RATIONALE:

The purpose of this study is to acknowledge the customer trust as an essential antecedent of customer commitment in the retail banking. This study will explore the relationship between customer trust and customer commitment. This study is also going to analyze the influence of customer satisfaction on customer loyalty.

OBJECTIVES

- To assess the relationship between customer trust and customer commitment within the retail banking environment.
- To study the impact of customer trust on customer commitment.

HYPOTHESIS.

H^1: There is a positive relationship between customer trust and customer commitment.

H^2: Customer trust has significant impact on the customer commitment.

RESEARCH DESIGN AND METHODOLOGY:

The research used questionnaire method for collecting the primary data using standardized measurement tools. Data have been collected from 169 bank customers which includes business men's, government employees and private employees. Customer trust was measured by Jarvenpaa et al. (2000); Doney and Cannon, (1997) instrument. Customer commitment was measured by Mowdey et al. (1982). Conbrach alpha was used to check the reliability. The scale showed a good reliability α=.886 for customer trust and α=.800 for customer commitment respectively. Pearson Correlation Coefficient (r) was conducted to determine whether a relationship exists between the variables understudy. In addition, regression analysis was also conducted to analyze the influence of customer trust on customer commitment. The analyses were done on SPSS-20 and were conducted at the 0.001 and 0.005 significance level.

DATA ANALYSIS

Pearson correlation coefficient was calculated to analyze the data and Table 1 shows the correlation between customer trust and customer commitment. The results exhibit that the customer trust (r=.521, <.001) has the significant positive correlation with customer commitment. Therefore, provide enough support to accept H[1].

TABLE 1: Correlation

		Customer trust	Customer commitment
Customer trust	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	111	
Customer commitment	Pearson Correlation	.521**	1
	Sig. (2-tailed)	.000	
	N	111	111

**. Correlation is significant at the 0.01 level (2-tailed).

In regression analysis, the coefficient of determination R^2 is .272 (Table 2) implies that 27% of the variation in customer commitment (dependent variable) is defined by the customer trust (Independent variable). It is obvious that the customer satisfaction has significant impact on the dependent variable, ie., customer commitment. Therefore H^2 stands accepted.

Table 2: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.521[a]	.272	.265	.94462

a. Predictors: (Constant), Customer trust

The Model analysis includes the independent variable (Customer trust) and dependent variable (Customer commitment). The linear combination of the independent variable was significantly related to the dependent variable, R=0.521, adjusted R square=0.265, F=40.682 (p=0.000) (Table-3). An estimated 26 % of variance of customer commitment can be explained by the customer trust.

Table 3: ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	36.301	1	36.301	40.682	.000[a]
	Residual	97.262	109	.892		
	Total	133.563	110			

a. Predictors: (Constant), Customer trust

b. Dependent Variable: Customer commitment

CONCLUSION

Businesses can survive as long as they can meet the customers' needs and enable customer trust which leads to customer commitment. Customer trust reduces transaction costs, as there is less necessity to establish expensive control mechanisms. Lower costs in turn increase the probability to continue the relationship in future and therefore increase the commitment to the relationship.

This study concludes that customer trust has significant positive correlation with customer commitment. However, the regression analysis reveals that 26% positive change in the level of customer commitment could be interpreted as resulting from increased customer trust. It is obvious that the customer trust is an essential antecedent of customer commitment. Therefore, banking businesses should always try to find ways to retain their current customers and concentrate on different factors which enhances the customer trust and commitment within banking environment.

LIMITATIONS AND FUTURE RESEARCH DIRECTION

This study has been conducted with all precautions yet it may have some limitations like:

- The findings of study cannot be generalized as the data is restricted to limited number of respondents.
- The study may be affected by biased response as the respondents may have responded on the basis of their own experience and perceptions.

This research paves the way for including other variables together with customer trust that were eliminated from the analysis which could influence the customer commitment in retail banking businesses.

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