

Understanding the Interplay between Consumer Knowledge, Trust and Relationship Satisfaction in Financial Services

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Abstract : Consumers often exhibit a bias in their knowledge; they often think that they know more or less than they do. The concept of 'knowledge over/underconfidence' (O/U) has in previous studies been used to investigate such knowledge bias. O/U appears as a combination of subjective and objective knowledge. Subjective knowledge relates to consumers' perception of their knowledge, while objective knowledge relates to consumers' absolute knowledge measured by objective standards. This separation leads to three scenarios: The consumer can either be knowledge calibrated (subjective and objective knowledge are similar), overconfident (subjective knowledge exceeds objective knowledge) or underconfident (objective knowledge exceeds subjective knowledge). Knowledge O/U is a highly useful concept in understanding consumer choice behavior. For example, knowledge overconfident individuals are likely to exaggerate their ability to make right choices, are more likely to opt out of necessary information search, spend less time to carry out a specific task than less knowledge confident consumers, and are more likely to show high financial trading volumes. Through the use of financial services as a case study, this study contributes to previous research by examining how consumer knowledge O/U affects two types of trust (broad-scope trust and narrow-scope trust) and consumer relationship satisfaction. Trust does not only concern consumer trust in individual companies (i.e., narrow-scope confidence NST), but also concerns consumer confidence in the broader business context in which consumers plan and implement their behavior (i.e., broad scope trust, BST). NST is defined as "the expectation that the service provider can be relied on to deliver on its promises", while BST is defined as 'the expectation that companies within a particular business type can generally be relied on to deliver on their promises.' This study expands our understanding of the interplay between consumer knowledge bias, consumer trust, and relationship marketing in two main ways: First, it is demonstrated that the more knowledge O/U a consumer becomes, the higher/lower NST and levels of relationship satisfaction will be. Second, it is demonstrated that BST has a negative moderating effect on the relationship between knowledge O/U and satisfaction, such that knowledge O/U has a higher positive/negative effect on relationship satisfaction when BST is low vs. high. The data for this study comprises 756 mutual fund investors. Trust is particularly important in consumers' mutual fund behavior because mutual funds have important responsibilities in providing financial advice and in managing consumers' funds.

Keywords : knowledge, cognitive bias, trust, customer-seller relationships, financial services

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