

## **First Impressions Matter: Initiating Trustful Service Relationships**

By Anja Geigenmüller, PhD

Long-term customer relationships are the building blocks of a firm's success. Practitioners and researchers have long recognized the positive effects of close customer relationships in terms of a firm's costs, sales and, hence, financial performance. Throughout the last decades, the management of customer relationships has been the focus of numerous academic studies. Notwithstanding, little is known on how these relationships actually begin. Only a limited amount of research has been conducted to explore mechanisms that enhance the initiation of customer relationships.

Imagine prospective business partners who meet for the first time. During this initial encounter, they share information and convey their interests and expectations with little or no prior knowledge of or experience with each other. Instead, individuals make inferences about each other, considering the other party's motivation and ability to serve as a feasible exchange partner. In these situations, decisions to contract with each other often rely on the perceived *trustworthiness* of the prospective exchange partner.

This view holds true especially for service-dominant settings. From the customer's perspective, the intangibility of services leads to uncertainty about service attributes and benefits (Zeithaml 1981), causing difficulties in assessing service quality (Parasuraman, Zeithaml, and Berry 1985). Especially in the case of high-contact, solution-providing services, such as real estate services, corporate legal services, consulting, marketing research, IT, or engineering services, perceptions of whether the service provider is trustworthy are pivotal to customers' willingness to select a service provider.

Consider an example in the real estate context. Due to the high intangibility and complexity of real estate services, customers must trust the provider's ability to deliver high-quality services. Beside the agency's name and reputation, evaluations of the initial encounter (that is the initial interaction between the customer and the real estate firm) may serve as relevant sources of trust. In other words, customers base their decision to select a real estate service on judgments of the agency, the agents and the agency's willingness to deliver on its service promises.

### **Attributing Trustworthiness**

Trustworthiness refers to a customer's perception of a supplier's potential to act in the customer's interest (Hardin 2002). Perceived trustworthiness facilitates the initiation of a business relationship: the more positive a customer's perception is about a provider's ability and willingness to advance the customer's interests, the more apt customers are to engage in a relationship with that provider.

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Previous research on existing relationships suggests that trust between organizations is established at both an individual and an institutional level (Doney and Cannon 1997). Perceived *individual* trustworthiness pertains to the individual service professional (i.e. the real estate agent). Perceived *institutional* trustworthiness pertains to the service firm (i.e. the agency). The perception of an agency and its sales professionals to be trustworthy facilitates the beginning of a potentially fruitful business relationship.

To discover how individuals attribute trustworthiness to a supplier, attribution theory provides a fruitful framework (Weiner 1986). Attribution theory explains how people make sense of the actions of others by assessing those people's individual decisions and behaviors. By cognitively assessing individual-level cues such as *appearance, methods of communication, and/or context*, one makes inferences about a person's or an object's characteristics and derives expectations about the future behaviors of the individuals in question under similar circumstances (Hastie 1984; Kelley 1973).

As our research reveals, during initial encounters customers employ attributions regarding the service provider's characteristics in order to evaluate its trustworthiness. Noteworthy, customers assess a service provider's trustworthiness on both an individual and an institutional level. On an individual level, service professionals' ability to *understand customer needs* and to *communicate with prospective customers* are important precursors of perceived trustworthiness. On an institutional level, the service firm's *reputation* has a significant impact on perceived trustworthiness.

Further, our survey in the context of consulting services supports the notion that positive assessments of individual and institutional trustworthiness will lead to relationship initiation. Having said this, it is important to note that institutional trustworthiness was found to be more influential than the professional's level of trustworthiness. Whereas previous studies suggest that institutional trustworthiness reinforces the service professional's trustworthiness, we again find the opposite: in the case of consulting services, prospective customers' trust in the consultancy has a stronger effect on their willingness to initiate a business relationship. The trustworthiness of the professional, though, enhances the agency's trustworthiness and has therefore an indirect effect on relationship initiation.

## **Customer Understanding and Individual Trustworthiness**

The marketing and services literature repeatedly emphasizes the critical role of service professionals' attentiveness and responsiveness towards clients' wishes and needs. Service employees' ability to understand customer needs as well as the standards and requirements customers set for service production and delivery is critical for successful service encounters (Parasuraman, Zeithaml, and Berry 1985). In initial service encounters, attributions about a professional's ability to understand a client's needs and problems relates positively to the assignment of the service provider. Beyond individual capabilities and experience, the agent's

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demonstration that s/he thoroughly understands the client's aims and ambitions relates positively to the agent's perceived trustworthiness and the client's intention to select that real estate agency for a given project. Thus, during initial service encounters, a service professional's attempts to accurately identify customer needs and requirements will enhance positive inferences about the professional's ability to provide client-specific solutions. Perceiving a service professional's ability to understand the customer nurtures expectations that s/he is able to act in the customer's best interests. Hence, customer understanding enhances individual trustworthiness.

## **Individual Communication and Individual Trustworthiness**

Communication is described as the formal and informal sharing of meaningful and timely information between a firm and its customers (Mohr and Nevin 1990). Through communication, individuals gather information about each other's intentions and align their perceptions and expectations. From a customer's perspective, interpersonal communication reveals the extent to which employees are interested in the customer and their willingness to serve. Therefore, interpersonal communication has been identified as an important facilitator regarding the choice of a service provider. In initial service encounters, perceptions of interpersonal communication lead to inferences about an employee's trustworthiness by reflecting his or her willingness to serve the customer. The way sales professionals communicate with prospective customers during initial encounters may be decisive with regard to the customer's willingness to contract with that agency.

## **Reputation and Institutional Trustworthiness**

There is rich empirical evidence of the positive relation between the reputation and perceived trustworthiness of a company. Reputation represents an outsider's estimation of a company's consistent performance over time (Herbig and Milewicz 1995). The more favorable the reputation of a company is, the more customers perceive the company as able to continuously fulfill its promises and deliver excellent products or services (Kirmani and Rao 2000). Especially in the initial stages of a service relationship, a provider's reputation plays a valuable role for prospective customers. Real estate agencies with a strong reputation and a well-known brand may therefore have the edge over competitors with a rather weak reputation or a brand image.

## **On the Dubious Role of Service Communication**

Although empirical findings are lacking, prior research encourages the assumption that service communication influences initial attributions about a service provider. Academic literature acknowledges that "service previews" provided by means of advertising, sales promotion, direct marketing, or public relations permit an evaluation of a service provider's attributes prior to a purchase (Bitner et al. 1997). Taking the argument this way, one may conclude that service communication helps customers to mentally grasp the service and to understand elements of and procedures associated with service delivery. Consequently, service communication is assumed to

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strengthen a provider's perceived trustworthiness and, thus, a customer's willingness to initiate a relationship with that provider.

Our research, however, comes to an opposite conclusion: our study does not provide evidence on the effectiveness of a service firm's marketing communications in enhancing trustworthiness. This is surprising given the numerous papers that emphasize the importance of service communication in making services tangible and, thus, fostering provider trustworthiness. We interpret this result as an important hint to the fact that professional services providers should design their communication "with grace and dignity" (Hite, Fraser, and Bellizzi 1990, p. 29) in order to credibly signal their trustworthiness.

## Implications for Professional Service Providers

The trustworthiness of a service provider depends on how trustworthy the service professional appears. As "ambassadors" of their firms, real estate agents play a vital role in initiating customer relationships. Decisions to continue negotiations with a potential contract partner often refer to the extent to which the agent's skills (e.g. his/her ability to actively listen to the client) relate to customer expectations. An agent's ability to understand customers and their perspectives is awarded increasing importance in the beginning of the relationship. Moreover, customers judge not only the professional excellence of service professionals but also their social and communication skills. Real estate managers should therefore create opportunities for sales professionals to learn and develop abilities for initiating valuable customer relations.

Furthermore, these results reinforce the importance of reputation and brand management in influencing institutional trustworthiness. Companies that are able to improve their reputation may be in a better position to demonstrate their trustworthiness and attract new customers. A firm's reputation results from it continuously proving its credibility. Constant investments in the quality of service products and customer service are valuable for strengthening an agency's reputation and brand name in order to build trustworthiness and to initiate potentially profitable customer relationships.

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