Trust and Consumer Sentiment

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Consumer Trust: Opportunities & Challenges

- Trust matters for financial services
  - Critical for market functioning, reduces transaction costs –> consumer trust in the market
  - Operates as a differentiator for providers –> consumer trust in the provider
- When trust matters
  - Building/earning trust
    - Trust as a barrier to adoption of financial services, e.g., consumer -> provider
    - Trust as a barrier to adoption of redress mechanisms, e.g., consumer -> regulator
  - Repairing/preserving trust
    - How to maintain trust in the faced of breach – real or perceived?
- Challenges
  - Measurement: Trust is the expectation, hope, or faith you have, based on knowledge of the other's attributes and circumstances, that the counterparty won't exploit your vulnerability (Rousseau et al. 1998) -> evaluation of trustworthiness and/or outcome of decision? Trust is a *decision process*
  - Experimental manipulation of trust in the lab -> building and/or repairing *in the field*

An Example: Trust Repair

Level		Response Option	ATM Issue: Deposit at ATM does not appear in account balance
Level 1	Did a breach occur?	Evidence	Provide evidence that the deposit was credited to the client's account
		Verbal denial	Deny guilt – that according to their records the deposit was not made
Level 2	Individual or Situational?	Excuse	Issue was with a faulty 3rd-party ATM; recommend not using it in the future
		Justification	Have safeguards that delay crediting of accounts until information is verified
Level 3	Response to correct individual failure	Apology	The client was correct – it was a system error, the deposit was made, and the account was not credited
		Voluntary	If system error, no apologies but volunteer a future action for addressing it (competency)
			If perceived lack of integrity, do not apologize but offer a compensation such as waiving fees or signing up for financial education mobile tips (integrity)
		Self-sanction	Acknowledge a systemic error, company announces either self-imposed penalty or a corrective measure such as a new monitoring system
		Signaling	Acknowledge issue and signal intention to correct, repair via endorsements (e.g., celebrities)

Uganda - Diagnostic

Uganda Communications Commission

- Data
  - Complaints database from regulator
  - Complaints databases from Mobile Network Operators (MNOs)
- Exploratory & Descriptive Analysis
  - Structured and unstructured data
  - Use of Machine Learning and Natural Language Processing
  - Train algorithms -> discover patterns, sentiments, seasonality, trust breach types
- Propose new complaints templates to strengthen reporting and diagnosis

Market Survey Data

- Nationally representative sample
- Compare universe of user issues vs. complaints by product/service type
- Determine effective vs. latent demand for consumer redress mechanisms
- Develop new financial consumer trust scale based on 3-component model
  - Competency/Integrity/Benevolence
  - Consumer <–> provider dyads
- Propose choice-based conjoint experiment/measure?

Vision - Interventions

Regulator Early Warning System (Eco-system)

Customized Trust Repair (Provider)