TRUST IN RELATIONSHIP MARKETING

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Abstract- The importance of trust in relationship marketing arrangements has been noted by many authors suggesting that the successful management of e-learners requires trust and new forms of supervision. It means trusting and empowering the learner to complete the work when and where it suits them best. However, there has been very little discussion regarding the nature and condition of trust in e-learn. This paper examines the nature of trust from a number of theoretical bases, including economics, sociology, philosophy, and psychology, with reference to relationship marketing relationship between a tutor and e-learner within relationship marketing organisations. It is concerned with the nature and conditions of trust rather than an examination of the importance of trust or how trust can be created. As well as examining the bases of trust the paper also examines different levels of trust that can support a relationship marketing relationship. Drawing a distinction between individual and organisational levels of trust and between the conscious and unconscious states of trust, it concludes with a conceptual model. The model provides a framework to explain some of the anomalies and confusion in the debate regarding the nature of trust in relationship marketing arrangements and illustrates both the level of trust and the condition of trust that can exist in a relationship marketing relationship.

Keywords- Relationship marketing, , Trust

I. INTRODUCTION

In the theory of relationship marketing, trust is amongst a number of core concept in understanding the dynamics of how relationships evolve. Many studies of inter-organisational relations have highlighted the importance of trust relations from a marketing perspective (Håkansson, 1982; Young and Wilkinson, 1989; Morgan and Hunt, 1994). In particular it has been suggested that the establishment and maintenance of trust is central to building business to business relationships (Blois, 1998). However, studies concerned with trust in relationship marketing have ignored the nature of trust and failed to define the type of trust that is necessary for business to business relationships to work effectively. This paper aims to examine the nature of trust from a number of theoretical bases, including economics, sociology, philosophy, psychology as well as marketing and organisational research. It does not examine the importance of trust which is well covered elsewhere in the marketing literature (see Morgan and Hunt, 1994; Moorman, Zaltman and Deshpande, 1993; Ganesan, 1994).
Neither does it examine whether or how trust can be created. Trust and commitment are seen as key characteristics of relationship marketing. Morgan and Hunt (1994) argue these characteristics are key to a relationship because they encourage marketers to:

work at preserving relationship investments by co-operating with exchange partners, resist attractive short-term alternatives in favour of expected long term benefits of staying with existing partners, view potentially high risk transactions as being prudent because of the belief that their partners will not act opportunistically.
(Morgan and Hunt, 1994)

II. THE NATURE OF TRUST

Over the years researchers have studied trust from several disciplinary perspectives - anthropology, economics, psychology, sociology, and political science, amongst others. As can be expected with such a diversity of disciplines, not only have researchers from different disciplines addressed the same problem from different approaches and with differing methods, but they also have different opinions over the fundamental nature of trust. However, most definitions of trust involve a belief that one partner will act in the best interest of the other partner. Researchers have defined trust in a variety of ways and at various levels of abstraction, with some authors endeavouring to organise the trust literature according to theory types (i.e. Hosmer, 1995; Lewicki& Bunker, 1995; Mishra, 1996; Sitkin& Roth, 1993). An investigation into the work of these authors reveals that the theoretical diversity among trust constructs is substantial. Rotter, (1980) for example views trust as a personality characteristic; Gambetta (1988) suggests it is a rational decision; Zucker (1986) maintains it is a preconscious expectation and Shapiro (1987) equates the principal-agent relation to trust. The considerable degree of diversity in the literature prevents a useful universal definition from being used. The only common ground of trust research appears to be the theme of actor vulnerability resulting from the acceptance of risk or uncertainty that she will not be taken advantage of by another in the relationship (Lane, 1998).

III. BASIS OF TRUST

There is a considerable degree of disagreement concerning the grounds or social bases for trust.

These differences appear to centre on the model of human behaviour underlying the different theories and differences in both the object of trust and the context of the relationship. In general, economists tend to argue that trust is based on calculation, whereas sociologists and organisational theorists identify the basis of trust as being concerned with common values or moral considerations (Lane, 1998). There is however, some consensus in that the grounds for trust, between learner and supplier will vary, depending upon the social context, the object of trust, and the stage of the relationship. Hence, for some theorists, trust is seen as multidimensional with more than one basis. Some economists for example, highlight the combination of calculative trust with either cognitive or morally based trust (Dasgupta, 1988).

3.1. Calculative Trust

The calculative or rational choice view of trust involves expectations about another, based on calculations evaluating the costs and benefits of the trustor or trustee. This view of trust is based on the theory of the individual as a rational actor, where a course of action is chosen that will provide her with the maximum utility (Dasgupta, 1988). The rational actor only bestows trust if her calculation suggests the gain from reciprocated trust is higher than the loss threatened by a betrayal of trust (Preisendörfer, 1995 quoted in Lane, 1998). A supplier may calculate the costs and benefits and on balance decide to trust or not to trust the customer. Coleman (1990) maintains that the making of a pre-commitment in trusting behaviour equates to the issue of 'social credit slips' and therefore customers can build up their stock of credit slips to earn their place as a trustee. Transaction cost economists also recognise that actors are limited rationally and are influenced by opportunistic behaviour. As opportunistic behaviour is dealt with by control mechanisms it incurs a cost. Thus, a calculative or rational choice supplier will only be willing to trust if she expects the balance of costs and benefits to favour co-operative behaviour.

3.2. Value- or Norm-Based trust

Some theorists object to the calculative or rational-choice view of trust, stating that this view fails to consider the social nature of action. Weber (1978) has argued that this notion of man as a rational egoist is far too narrow. Refuting the notion of calculative trust Parsons (1951) argues that trust cannot exist unless individuals share common values. He perceives trust as being based on the expectation by the trustor, that the trustee (particularly if she is in a position of power) will meet her social obligation and responsibility. Thus trust is morally based and collectively orientated. Customers, because no one is watching them can be seen in a position of power. Value-based trust can be seen to occur if the supplier expects the customer to meet their obligations and commitments without checking. The customer shares this value that the supplier trusts her customer to meet her obligations. Fukuyama (1995) supports this in stating that 'trust comes out of shared values'. However, the assumption that trust is solely based on shared values is as partisan as the unilateral belief in calculative trust. The concept of value-based trust is adopted by many authors concerned with trust in the fields of economics and organisational and management studies (Lane, 1998). A number of writers have adopted a more limited idea of value-based trust, arguing that values and norms are applicable in specific circumstances or contexts (Granovetter, 1985; Sako, 1998; Bradach and Eccles, (1989).

3.3. System Trust

System trust is identified by Luhmann (1979) as being based on the functioning of the system and is in essence confidence in an abstract system. Lewis and Weigert (1985), quoted in Seal (1998) further develop this concept arguing that system trust does not derive from emotion, but rather has a presentational base which 'is activated by the appearance that everything seems in proper order' (Ibid. 1985, 974). They argue that this is necessary to ensure the organisation or system functions effectively. Luhmann (1979) also argues that this trust is symbolic and that it is sensitive to symbolic events, therefore system trust can be created or destroyed. An organisation, therefore, which has relationship marketing arrangements can create trust by creating confidence in the system. Trust in the relationship marketing arrangement can be derived from symbolic representation. By accepting relationship marketing as the norm and by removing artificial barriers to its growth an organisation may be able to create system trust.

3.4. Contractual Trust

Williamson highlights the fact that some economists refer to the presence or absence of contractual safeguards, rather than the presence or absence of trust (Williamson, 1993). Therefore a supplier could interpret such safeguards as a means of minimising or eliminating vulnerability, risk, or reliance on 'the word of another' (Rotter, 1967, 651). Therefore, contractual safeguards can be seen to remove the necessity to trust the individual customer. However, although formal mechanisms such as contracts may act as a substitute for trust, they are used in a symbolic manner. However, this contractual arrangement produces a psychological barrier between the two parties that reinforces the formality and hence the need for more rules (Sitkin and Roth, 1993). Thus, learning contracts and tight monitoring may reduce tendency of customers to be unreliable but they may create a 'distance' between the customer and the organisation that causes trust to diminish.

IV. LEVELS OF TRUST

It is without doubt necessary for trust to exist between a supplier and customer in relationship marketing arrangements. However, it is naïve to assume that trust is only necessary at the individual level. As well as having different bases, trust can and does exist at different levels. Some authors have defined trust as personal and impersonal (Luhmann, 1979; Zucker, 1986), others have distinguished between trust as an individual attribute, trust as behaviour and trust as an institutional arrangement (Sitkin and Roth, 1993). Luhmann (1979) distinguishes between personal trust, based on familiarity and system trust, based on the functioning of the system. Zucker (1986) distinguishes between three sources of trust (process-, characteristic- and institutional-) by the way they assume unity of expectation to be present. Process and characteristic trust are seen as sources of personal trust whereas institutional trust that cannot rely upon commonality of characteristics or past history is impersonal. Hence trust in relationship marketing can be seen as an individual attribute between the individual customer and her supplier or as an organisational or institutional arrangement between customers and the organisation.

4.1. Individual trust

Where trust is considered as an individual attribute, the relevance of expectations concerning the trustworthiness of another individual are only evident when there is an element of dependence on the prior action or co-operation of another person (Luhmann, 1979; Dasgupta, 1988). That is where the supplier is dependent on the customer's co-operation and vice versa. Lewis and Weigart (quoted in Lane, 1998) go further than this arguing that, except for social relationships, there would be no necessity for individuals to trust, if there was no dependence or vulnerability. This individual trust may be enhanced by personal interaction between supplier and customer. Trust may be based on personal knowledge of the customer but it goes beyond just possessing information about the customer as possession of information does not directly correspond to trusting that person. However, Luhmann (1979:20). argues that trust 'needs history as a reliable background' and that without it trust cannot be conferred. Furthermore trust is not merely an inference from the past but defines the future Hence a supplier needs information regarding the past experience and performance of the customer. Similarly the customer needs knowledge and experience of how a supplier has responded in the past. This past experience and knowledge can help frame or hinder the future relationship marketing relationship.

Zucker (1986) identifies two sources of personal or individual trust; process- and characteristic- based trust. Process-based trustshe perceives as being concerned with past or expected exchanges, which presumes a degree of stability. This type of trust is seen as being built incrementally through the gradual accumulation of direct or indirect knowledge about another. Sydow (1998) highlights that process-based trust may eventually end in creating a reputation for the person, or system based on past practices. However, process based trust by its nature cannot be created, neither may history be rewritten. A customer's or supplier's past experiences can only be used to define future expectations. Characteristic-based trust however, is one where trustor and trustee are socially similar or have some cultural unity (Zucker, 1986). The global nature of relationship marketing may exacerbate the difficulty of enhancing or creating this type of trust. Characteristic or process based trust is also difficult to produce, due to the increasingly complex nature of background expectations. Hence, although both process and characteristic based trust are important in an relationship marketing relationship they are almost impossible to create. Furthermore, Sydow (1998) argues that process- and characteristic-based trust can only be developed through face-to-face interactions, reinforcing the argument that this type of trust cannot be used to enhance trust in relationship marketing relationships.

4.2. Organisational Trust

Shapiro (1987) identifies impersonal trust as common in developed societies where individuals act as trustees. Zucker (1986) identifies this impersonal trust as institutional trust, where there is a great reliance on formal structures that guarantee trust. This type of trust becomes part of 'the external world known in common' it is, in effect, institutionalised (Zucker, 1986: 63). However, unlike process- and characteristic- based trust Zucker argues that both individuals and organisations can intentionally construct institutional trust. Furthermore as organisations become more impersonal through geographical remoteness, individual trust may be replaced or supplemented by institutional trust (Zucker, 1986). Hence individual trust between a customer and her supplier may be created or reinforced by trust created within the organisation as institutional based trust. Formal structures may be put in place to ensure trust in the relationship marketing arrangement can exist.

V. CONSCIOUS AND UNCONSCIOUS CONDITIONS OF TRUST

Garfinkel (1967 quoted in Lane, 1998) distinguishes between expectancies that exist in the background and those expectancies that are developed. He identifies the unreflective quality of trust, drawing attention to trust as 'expectations of persistence, regularity, order and stability in the everyday and moral world' (Garfinkel, 1967:173 quoted in Lane,

1998) Thus trust enables the supplier to take for granted, i.e. to take on trust, many routine actions in a relationship marketing relationship. Zucker (1986) builds on Garfinkel's supposition that expectations may be background and/or constitutive and that trust is developed more easily where more background expectations exist. Therefore if a supplier works with a customer, trust becomes habitual and unconscious rather than explicit. This habitual state is obviously beneficial to both supplier and customer allowing both to concentrate on other things. Thus habit by enabling a predictable event to be managed with very little effort, allows an individual to concentrate on the unpredictable (Young, 1988). The use of the online learning activities may not be evaluated in detail, if the supplier is confident that these will be undertaken and completed. This unconscious trust will continue until there is any variation in the customer or suppliers behaviour. If a customer undertakes the learning given and delivers assessed work correctly and on time then a habitual relationship will be formed between the supplier and learner. However, this habitual state with unconscious trust can become conscious trust or, worse, conscious distrust.

VI. TOWARDS A CONCEPTUAL MODEL

From the preceding discussion it can be concluded that trust in a relationship marketing arrangement operates in a number of dimensions and at a different levels. Not only can trust be an individual attribute (Luhmann, 1979; Zucker, 1986) it can also be an institutional arrangement (Sitkin and Roth, 1993). At the individual level, trust is personal, based on both process (past performance etc.) and characteristics (Zucker, 1986). This personal trust may be calculative (Dasgupta, 1988), based on a subjective cost benefit analysis based on past performance (process-based) and it may also be based on shared values or norms (characteristic-based). At the institutional level, trust is symbolic, reliant on abstract system features such as reputation etc. (Luhmann, 1979). Contractual trust is a form of trust that may occur at a specific event or for a specific purpose in the employment relationship. In addition trust may not always be at a state of consciousness, moreover in a relationship trust may be habitual and unconscious.

Consequently, the complex and multidimensional nature of trust offers an explanation for the diversity of opinions as to its nature. Trust can be individual or institutional (Zucker, 1986) and conscious or unconscious. These can be seen not as definitive states but positions along two continuums. An individual supplier may need to trust the individual customer but she also needs to trust the organisation to support the relationship marketing arrangement. This trust maybe a deliberate and conscious effort to trust or it may be habitual and unconscious. Figure 1 below, illustrates the two continuums that trust can be placed along. It is these two continuums that provide an opportunity to explain other competing theoretical models of trust. At any point in time whether at the start of the relationship marketing arrangement, after a key event or whilst relationship marketing, trust may exist in a conscious or unconscious state and at the individual or institutional level. When trust moves to and from a conscious/unconscious state and to and from an individual/institutional level the nature of trust can be seen to change.

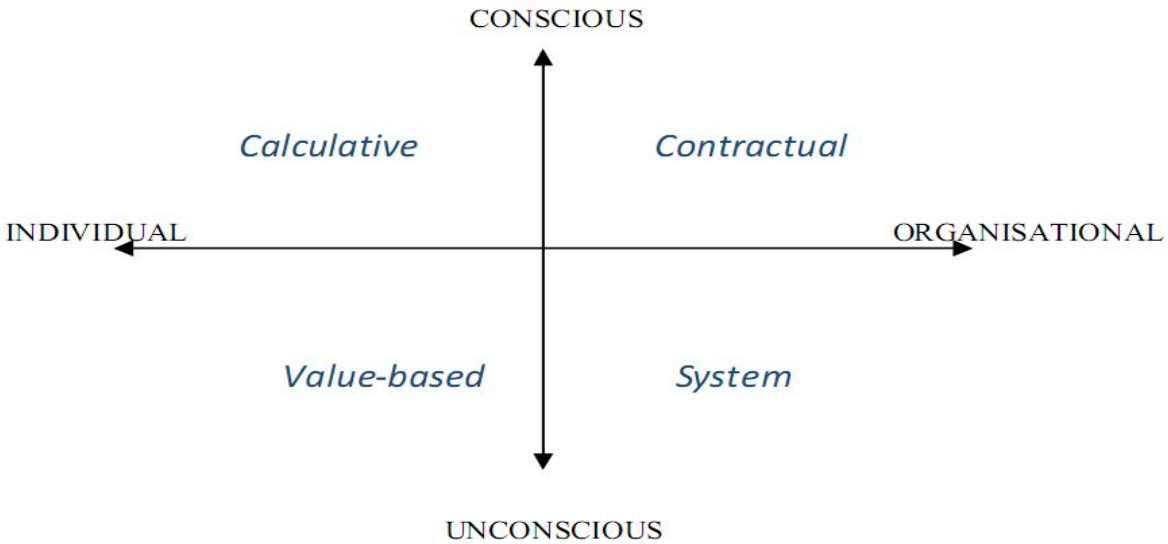


Figure 1: Conceptual Model of the Nature of Trust in Relationship marketing Relationships

At the individual level a conscious state of trust requires the individual supplier to decide whether to trust the customer or not by evaluating the risks involved. Thus trust at the conscious state and individual level can be seen as calculative. When this trust becomes habitual and slips into the unconscious level it becomes trust based on values or norms. It is in this quadrant where blind trust would be placed - a trust placed by an individual supplier based on shared values alone without thinking. Similarly trust at the

organisational level at a conscious state requires a decision or encouragement to trust. This can be seen as contractual based trust, a formalisation of organisational trust. If this organisational trust is or becomes unconscious and habitual then it becomes a trust based on the system.

This model also offers an explanation for the conflicting opinions regarding whether trust can be created. Whilst each of the four quadrants of trust are commensurate and trust may occur in one or all quadrants at the same time, there is a fundamental difference between trust at the individual and institutional levels. This key difference is the degree to which trust can be created. It has been argued that trust at the individual level cannot be brought about at will (Luhmann, 1979). An individual cannot will another to trust them; neither may an individual will himself or herself to trust another. To do this would destroy trust itself. However, at the institutional level trust can be instilled through the building of a reputation (unconscious) or through contractual and regulatory standards (conscious).

VII. IMPLICATIONS OF THE TRUST MODEL FOR RELATIONSHIP MARKETING

The conceptual model provides a framework to explain some of the anomalies and confusion in the debate regarding the nature of trust in relationship marketing arrangements. In addition it also provides a model to illustrate both the level of trust and the condition of trust that can exist in a relationship marketing relationship. Trust may be perceived as the property of a relationship and hence the distinction between personal (individual) and system (organisational) trust. The object of personal trust is the individual customer whereas the objects of system trust are technical or social systems of relationship marketing organisations. As well as trust existing at the individual and organisational levels it is found as conscious and unconscious states. A supplier who has evaluated the reputation of an customer will form a habitual relationship, expecting learning activities and assessed work to be undertaken and completed as requested. This habitual and unconscious trust will continue until there is any variation in the customer's behaviour that may change this 'passive expectation of continuity into conscious trust or conscious distrust' (Blois, 1998). Hence, trust in relationship marketing, whether individual or organisational can be seen as both fragile and emotional and hence can easily be transformed into distrust.

In practice it is not possible to create trust in all four quadrants with equal ease. Individual customers and their suppliers cannot have personality transplants to change their individual characteristics and nor can history (past performance) be easily re-invented. Of course it is possible for trust to be built and/or earned through past experience, but this takes time, and during the time delay control will be required and hence a cost incurred. Thus progression and adoption of relationship marketing based on trust through experience will be slow and initially costly. Whilst developing trust in the two areas of past experience and shared values should not be ignored nor discouraged they cannot be used as sole the basis of trust. Furthermore it is both necessary and vital to support other basis of trust.

Organisations must concentrate on developing trust at the organisational level. In its conscious state trust can be encouraged as contractual trust. Although some authors (Williamson, 1993) argue that a contract negates the necessity to trust it can be used to develop trust, as a symbol of trust. Nevertheless contractual may also require checks (controls) to be in place to ensure 'rules' are conformed to which may prove expensive and discourage relationship building. The greatest opportunity to generate trust between customer and supplier comes in the form of system trust. Building confidence in the system, earning a reputation, providing systems and procedures that all everyone has confidence in should be encouraged in order to develop system trust. Developing system trust removes the necessity for control systems, hence trusting customers or suppliers of customers is cheaper than implementing monitoring or surveillance systems. However this form of trust needs to become habitual, without thinking, i.e. taken on trust.

CONCLUSION

The implications of the conceptual framework for trust in relationship marketing are:

- it provides a framework on which to examine trust in relationship marketing
- it highlights where and in what contexts trust can be created,
- it defines the nature of trust that can help support relationship marketing relationships and
- it draws attention to the bases on which trust should be built for successful relationship marketing relationships.

The model highlights that in relationship marketing arrangements individual trust based on calculation is time consuming and furthermore, this trust is easily destroyed. In addition organisational trust based on contractual arrangements may be costly to arrange and may also serve to damage trust in the relationship. Hence calculative or contractual based trust can be seen as acting as a deterrent to the growth of relationship marketing. It could be argued that on these bases of trust, a conflict exists between the costs and benefits calculated for trust and the costs and benefits calculated for operational efficiency. It is clear that there is a need to consider other bases of trust other than or in conjunction with the notion of contractual or calculative trust. This does not mean that it can be assumed that trust within a relationship marketing relationship should be completely free of

calculation but that it should not be based solely on contractual or calculative relationships. Value or norm based trust can be seen to help drive and increase relationship marketing arrangements and system based trust can be seen to support and promote relationship marketing arrangements. An organisation should look to create values and norms that can assist with trust at the individual level and a system within the organisation that will reinforce trust at the organisational level. Overall the implication for relationship marketing educational institutions and customers is that trust can and should be created at both the individual and organisational level. Furthermore, this trust should become habitual and unconscious and not contractual or calculative.

There is very little empirical evidence that exists regarding the nature of trust in relationship marketing. This conceptual model has only sought to examine the nature and conditions of trust in relationship marketing arrangements from a theoretical perspective. Empirical evidence should be sought to assess the viability of the model in relationship marketing organisations. Furthermore, the framework does not consider the impact of national culture nor different demographic profiles of customers. There is scope for further developing the model to include these factors. Empirical evidence is needed to test the model and also to provide practical guidance for a relationship marketing organisations to increase trust at the individual and organisational levels. In addition, cross-cultural studies of trust development in relationship marketing arrangements would be beneficial particularly given the global nature of relationship marketing. Furthermore, the model should be examined using customers with differing demographic profiles in order to examine the impact of gender and other factors.

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