The effects of 3rd party consensus information on service expectations and online trust

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A R T I C L E   I N F O

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The marketing literature has recently explored a number of ways in which trust can be communicated by Internet retailers, including 3rd party consensus ratings. This paper explores the impact of consensus sequences over time and across high and low ranges, rather than the mere valence of ratings as presented in past research. Second, effects are compared across products with variant levels of risk. Two experiments investigate service quality inferences, expected satisfaction, and trust beliefs for online retailers as outcomes of 3rd party consensus information (i.e., agreement among a firm’s past customers). Results indicate that online trust beliefs vary positively with consensus ratings and trust is higher when ratings trends increase rather than decrease. Service quality inferences and expected satisfaction are shown to mediate these relationships. More interestingly, results of study two suggest sequence direction becomes insignificant when ratings do not approach certain range limits (e.g., high, moderate, low cut-offs). Comparisons across products varying in risk show that consensus ratings are more important when consumers evaluate high risk products. Implications for both researchers and practitioners are offered.

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1. Introduction

In recent years, fraud and poor service performances have reduced trust in online retailers. Fraud Watch International (2008) indicates 31% of buyers have lost money purchasing online and over 80% think they will become a victim in the future. Moreover, 21% of Internet users report never trusting information from E-tailers, causing 29% of online shoppers to reduce the frequency with which they purchase online and an additional 25% of users to stop buying products online entirely (Consumer Reports Webwatch, 2005). However, Internet retail sales are still growing due to the influx of new consumers, comprising nearly 41% of Internet purchases (Vara and Mangalindan, 2006). Consumers at all levels of Internet experience are cautious when making Internet purchases (Penn et al., 2005), yet web newcomers are typically less tech-savvy than veteran users and are likely to require more specific evidence of trustworthiness prior to purchase. Consumer ratings at infomediary sites (e.g., epinions.com) and retailer websites (e.g., Yelp.com ratings) enhance consumers’ ability to form trust judgments, which are critical in differentiating virtuous and fraudulent E-tailers. Research indicates that consensus information (i.e., aggregated customer ratings) is indeed a means by which both Internet-only and hybrid retailers, and familiar and unfamiliar brands, can enhance trust beliefs online (Benedicktus et al., 2010).

This paper supports an intuitive, yet untested mediation model establishing service inferences and expected satisfaction as the path by which consensus ratings enhance trust online. This research also investigates moderating influences on the generalizability of the mediation model. First, changes in ratings over time can impact consumers’ perceptions and beliefs. In this vein, this paper explores the impact of consensus sequences over time and across high and low ranges, rather than the mere valence of ratings as presented in past research. Second, effects are compared across products with variant levels of risk. Previous investigations focus on relative effects of consensus ratings, but are limited to a single product category (e.g., Aiken and Boush, 2006; Benedicktus et al., 2010).

2. Conceptual background

Trust is a primary element of relationship marketing and essential antecedent of purchase behavior (Morgan and Hunt, 1994). Herein, trust is a belief which influences reliance on an exchange partner, particularly when the partner has the ability to exploit the trustor’s vulnerability (Moorman et al., 1993). Koehn (2003) suggests that online trust develops through consumers’ processing of calculative (information-based) trust cues. Calculative trust involves the prediction of a seller’s intentions through evidence of the seller’s previous behavior. Consumers evaluate whether the consequences of the other party engaging in opportunistic behavior are greater than the rewards (Williamson, 1993). On the Internet, this process involves examination of information related to the firm’s overall reputation.
Consensus information provides consumers an objective account of company performance from aggregated reports of customer experiences. Both E-tailers and intermediaries ask customers to rate factors such as transaction outcomes and employee friendliness. Consensus-takers also include feedback websites (e.g., Yelp.com) and buyer advocates (e.g., JDPower). Through these infomediaries, consumers view consensus information cross-sectionally or in time series and in percentages, star/mean ratings (e.g., 3.5 out of 5.0).

Consensus information is a broad persuasive cue and primary choice heuristic (Chaiken et al., 1989). The heuristic nature of consensus is so strong that consensus greatly reduces the complexity of consumers’ decision-making, resulting in fewer searches for alternatives (Senecal et al., 2005). Research also suggests reputable auction sellers are more likely to sell goods and services and can charge price premiums (Resnick and Zeckhauser, 2002).

Recent evidence indicates that consensus information may have broad and powerful effects on purchase intentions and trust. The websites of retailers featuring third party feedback mechanisms are more trusted than those that do not (Bolton et al., 2004). Most recently, third party consensus information is equally important in determining purchase intentions and trust beliefs across both familiar and unfamiliar brands and works with other trust cues to combat the suspicion that plagues the online purchase environment (Benedictus et al., 2010). Several studies cited above substantiate the effects of 3rd party ratings on trust (e.g. Aiken and Boush, 2006); similar results are expected in this research.

**H1.** Firms with high consensus are more trusted than firms with low consensus scores.

### 2.1. Consensus ratings create attributions of service excellence

In online buying situations, consumers lack specific information to enable accurate predictions for service inferences and pre-purchase satisfaction expectations. Attribution theory provides a theoretical framework for explaining these inferences. Einhorn and Hogarth (1986) suggest that individuals make constant judgments about the likely causes of events. These attributions are explanations that account for previous outcomes (Heider, 1958), which guide decisions between alternative actions. Attributions form when people are given information about prior outcomes (Weiner, 1985). One failure is likely to be attributed to chance, or some cause outside of the firm’s control. However, as the number of failures increases, consumers assign a more stable attribution to the firm (Maxham and Netemeyer, 2002). Thus, consumers are likely to attribute the agreement of a firm’s previous customers to a characteristic of the firm within the firm’s control. For example, McDonald and Slawson (2002) find that reputation signals advertising accuracy, delivery proficiency, and effective postpurchase communication. Consumers apply these attributions as they form assumptions such as responsiveness, service delivery times, and maintenance of high service standards. In this context, consumers should interpret a high consensus score from a 3rd party infomedia as evidence that the firm reliably satisfies customers and has an aptitude for exceptional service.

**H2.** Consumers’ service quality inferences for firms with high consensus ratings are superior to service quality inferences for firms having low consensus ratings.

**H3.** Consumers have greater satisfaction expectations for firms that have high consensus ratings than for firms with low consensus ratings.

### 2.2. Consensus information sequences operate as ‘sequences of outcomes’

Consensus ratings are often displayed to consumers over multiple periods; thus varying as a function of time (i.e., ratings increase, decrease, or remain stable). Outcome sequences are typically evaluated based on reference points, which can be part of the sequence or derived from external criteria (e.g., normative expectations; Kahneman and Tversky, 1979). Thaler (1985, p. 201) notes that individuals “respond more to perceived changes than to absolute levels.” Overall, consumers avoid purchasing when performance declines, thus diminishing sequences should result in less trust (Matsui et al., 1987). Diminishing trends indicate that the firm increasingly ignores customer needs and thus does not behaving in a trustworthy manner.

**H4.** Consumers have higher trust in firms having improving sequences of consensus than in sellers having diminishing consensus scores.

From an attribution perspective, firms with diminishing ratings have an unstable capacity for satisfaction; thus consumers believe that satisfactory outcomes are more likely when they purchase from a firm with improving consensus. When ratings decline, consumers may infer that the firm lacks customer-oriented employees, has decelerating delivery times, or is becoming increasingly less effective in post-purchase communications.

**H5.** Consumers’ service quality inferences for firms with improving consensus sequences are superior to inferences for firms having diminishing consensus scores.

**H6.** Consumers expect to be more satisfied with firms having improving sequences of consensus than with sellers having diminishing consensus scores.

### 2.3. The service path to trust: mediation hypotheses

If consumers display higher trust, expect a greater probability of satisfaction, and infer superior service quality (Hypotheses H1–H6), then a mediation path should connect Satisfaction Expectations and Service Quality to Trust (i.e., Fig. 1). Consistent satisfaction experiences and excellence in service delivery are repeatedly associated with consumer trust in the marketing literature (Chiou and Droge, 2006; Leisen and Hyman, 2004; Tax et al., 1998). Functional service quality components (i.e., effective communication, prompt service) are particularly important for building trust (Caceres and Paparoidamis, 2005). Lastly, the widely accepted effects of service quality assessments on satisfaction imply that the service inferences construct should precede satisfaction expectations in the current model (Cronin et al., 2000; Gotlieb et al., 1994).

**H7.** (a) Service quality inferences and (b) expected satisfaction mediate the effects of consensus ratings on trust.

**H8.** (a) Service quality inferences and (b) expected satisfaction mediate the effects of sequence direction on expected satisfaction.

**H9.** Service quality mediates the effects of (a) consensus information and (b) sequence direction on expected satisfaction.

### 3. Pilot study: consumers’ perceptions of consensus sequences

In order to establish thresholds for consensus ranges and to determine appropriate manipulations for the consensus sequences, a questionnaire was given to 78 undergraduate students. Subjects were asked to consider percentages that would best represent high, moderate, and low levels of 3rd party feedback ratings and to then fill in the upper and lower limits (cut-offs) for what they considered to be high, moderate, and low ranges of consensus scores on the diagram shown in Fig. 2. Conceptually, the lower limit of the high range should equal to the upper limit of the moderate range; and the lower limit of the ‘moderate’ range should equal to the upper limit of the low range. Responses not meeting this criterion were not considered for analysis.
Means for the two cut-off points were calculated using the values that respondents provided into each of the two blank fields on the right side of Fig. 2. The mean for the low/moderate cut-off point is 77.4% and the mean of the moderate/high cut-off is 89.6%. Thus, consensus scores below 77.4% are perceived as low, the moderate range included scores from 77.4% to 89.6%, and scores above 89.6% are perceived as high. Confidence intervals for these limits are also provided in Fig. 2.

4. Study 1 method

A 2 (Consensus: low, high) × 2 (Sequence: improving, diminishing) × 2 (Product: book, laptop) between-subjects design was employed. Books and laptops were selected for comparison due to the inherent differences in purchase risk that could influence the effects of consensus sequences. Measures included trust (Tax et al., 1998), service quality inferences (Cronin et al., 2000; Parasuraman et al., 1991), and expected satisfaction (Shiv and Huber, 2000). Susceptibility to informational and normative influence (Bearden et al., 1989), Internet efficacy (Keaveney and Parthasarathy, 2001) and Internet purchase frequency were also assessed. Factors were measured with nine-point numeric rating scales.

Data was collected from 256 consumers. Students were offered course credit for recruiting three participants based on specific age and gender quotas. Participants responded to an email, developed by the authors, by clicking a link to the online experiment. After viewing a consent page, respondents were randomly assigned to one of the eight conditions; initial cell sizes ranged from 27 to 40. A relatively equal number of male (46.8%) and female (53.2%) subjects participated. Ages ranged from 23 to 59 (median = 36).

4.1. Procedure

Each treatment presented a purchase scenario and a tabular graphic showing a sequence of consensus for an unnamed firm. The scenario asked participants to assume that they had decided to purchase a “like new” book or “refurbished” laptop that suited their needs and was priced according to expectations. The same definition was provided for like new and refurbished—“has been used previously, but there is no difference between the new [book/laptop] and a like new/refurbished [book/laptop]." The scenarios asked participants to assume they had “visited e-pinions.com, a leading, 3rd party web site that provides customer feedback on a number of brands and retailers” before purchasing from the seller. A description within the profile stated that the table shows the “percentage of customers who have reported positive purchase encounters during each of the past three months." Manipulations depicted ratings either increasing or decreasing.

Fig. 1. The service path to trust—study 1 research model.

Fig. 2. Pilot study consensus score diagrams and range cutoffs.
decreasing monthly for three months prior to the month in which data was collected. The low ratings conditions employed ratings of 68%–72%–76% and the high ratings conditions were comprised of 90%–94%–98%. Subjects proceeded to a separate page to respond to scaled response items. Manipulation checks appeared on a subsequent page. At no point could respondents return to previous pages of the questionnaire.

4.2. Manipulation checks

A recall test indicated subjects perceived scores in high consensus sequences ($M=91.6$) as larger ($t_{238}=20.06, p<.001$) than in low consensus sequences ($M=72.11$). Over 94% of subjects recalled both the magnitude (low/high) and direction (improving/diminishing) of the sequence; the remaining cases were removed prior to further analysis. Results are not confounded by variant perceptions of change between conditions. The high-improving sequence changes to the same extent as the magnitude of 3rd party ratings ($M=3.7, p<.05$) and the mean of diminishing sequences ($M=4.7, SE=.18$). As shown in Table 1, no difference resulted in trust across products ($F_{(1,240)}=1.17, p>.30$).

The product category interacts with consensus magnitude ($F_{(1,240)}=5.37, p<.05, partial \eta^2=.02$; see Fig. 3), suggesting consensus is important in both high and low risk purchases, but has a more imperative impact in lower risk decisions. Results reveal an interaction between Internet efficacy and ratings magnitude ($F_{(1,240)}=6.83, p<.05, partial \eta^2=.03$) on trust. Consensus effects on trust are stronger for consumers with greater Internet efficacy, suggesting this group is willing to adopt the information more readily and/or weight the information more heavily than consumers with less Internet efficacy. These results, as well as the effects of independent factors on Expected Satisfaction and Service Quality Inferences are summarized in Table 1.

Consumers’ service quality inferences are also affected by the magnitude of 3rd party ratings ($F_{(1,240)}=60.74, p<.001, partial \eta^2=.21$) and sequence direction ($F_{(1,240)}=7.82, p<.01, partial \eta^2=.03$), with no interaction ($F_{(1,240)}=1.09, p>.30$, supporting H2 and H5). The mean for high consensus ($M=6.4, SE=.16$) is larger than for low consensus ($M=4.6, SE=.16$) and the mean for residual plots indicated linear independence of error terms. ANCOVA results illustrate no covariate effects of Internet purchase frequency or susceptibility to informational or normative influence (all $p<.05$). Results related to respondent’s Internet efficacy are included in the results section.

5. Results

Both the magnitude of ratings ($F_{(1,240)}=79.72, p<.001, partial \eta^2=.26$) and sequence direction ($F_{(1,240)}=7.73, p<.01, partial \eta^2=.03$) have significant effects on trust, with no interaction ($F_{(1,240)}=1.35, p=.25$). Mean differences in trust are consistent with H1 and H4. High ratings elicit greater trust beliefs ($M=6.0, SE=.16$) than lower scores ($M=4.0, SE=.16$) and the mean of improving sequences ($M=5.3, SE=.15$) is larger than the mean of diminishing sequences ($M=4.7, SE=.18$). As shown in Table 1, no difference resulted in trust across products ($F_{(1,240)}=1.17, p>.30$).

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### Table 1

<table>
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<th>Independent variables</th>
<th>Trust</th>
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<th>Mediation testing</th>
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<td>Expected satisfaction</td>
<td>282.60</td>
<td>510.46</td>
<td>190.23</td>
</tr>
</tbody>
</table>

Notes: $\eta^2$ = partial eta square.

* $p<.001$.

** $p<.001$.

* $p<.05$. 

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Table 1: Study 1: F-values and effect sizes.
improving sequences ($M = 5.8$, $SE = .14$) is larger than for diminishing sequences ($M = 5.2$, $SE = .17$). The interaction between product category and consensus magnitude ($F_{(1,240)} = 5.47$, $p < .05$, partial $\eta^2 = .02$) again shows the consensus effect is more effective in building SQI for books, although consensus is effective for both products. An Internet Efficacy–Consensus interaction ($F_{(1,240)} = 5.39$, $p < .03$, partial $\eta^2 = .02$) shows the effect of consensus on SQI is stronger for consumers with greater Internet efficacy.

Consensus magnitude ($F_{(1,240)} = 47.649$, $p < .001$, partial $\eta^2 = .18$) and sequence direction ($F_{(1,240)} = 10.28$, $p < .01$, partial $\eta^2 = .04$) also affect ESAT, and no interaction is present ($F_{(1,240)} = 0.08$, $p = .77$). The high consensus mean ($M = 6.1$, $SE = .17$) is larger than for low consensus ($M = 4.5$, $SE = .17$) and the mean for improving sequences ($M = 5.7$, $SE = .16$) is larger than for diminishing sequences ($M = 4.9$, $SE = .19$), supporting H3 and H6. The significant product category and consensus magnitude interaction ($F_{(1,240)} = 7.05$, $p < .01$, partial $\eta^2 = .03$), suggests that consensus affects ESAT in high and low risk purchases, but is not as persuasive in higher risk decisions. The Internet efficacy Consensus magnitude interaction ($F_{(1,240)} = 4.74$, $p < .03$, partial $\eta^2 = .02$) on ESAT emulates interaction effects on trust and SQI.

5.1. Mediation effects

Support of H1–H6 fulfills initial requirements for mediation (Baron and Kenny, 1986). Further evidence was gathered by adding the proposed mediators as covariates to the ANOVA models, and comparing the resulting $F$-values to those in previous analyses. When SQI and ESAT are included as covariates in the trust outcome model, a significant effect of both SQI and ESAT on trust is present ($F_{(1,240)} = 510.64$ and $282.60$, $ps < .001$), the effects of consensus are substantially reduced ($F_{(1,240)} = 15.17$ and $26.42$, $ps < .05$), and the effects of sequence direction on trust become insignificant ($F_{(1,240)} = .63$ and $.32$, $ps > .05$). These $F$-values are substantially lower than $F$-values of the main effects, suggesting SQI and ESAT partially mediate the effects of consensus and fully mediate the effects of sequence direction on trust, supporting H7 and H8. When SQI is included as a covariate and ESAT is the dependent factor, SQI affects ESAT ($F_{(1,240)} = 190.23$, $p < .0001$) and effects of consensus and sequence direction on ESAT become insignificant ($F_{(1,240)} = 3.78$ and $3.05$, both $ps > .05$). Thus, SQI fully mediates effects of both consensus and sequence direction on ESAT, supporting H9.

5.2. Discussion

The pilot study identifies consumers’ internal reference points for ranges of consensus information. Study 1 results suggest consumers have greater trust, expected satisfaction, and service quality inferences when consensus ratings are relatively high. Study 1 also surmises that service quality inferences, expected satisfaction, and trust decline when sequences depict a performance record deteriorating from a high rating to the lower limit of the high range. Conversely, marketing outcomes improve when a poor performance record shifts towards the upper limit of the low range. Consumers may react more intensely when the change in consensus scores within a sequence is prominent, such as in Study 1, wherein consensus scores shift from 98% to 90%. Even when the sequence does not vary towards the range limit, consensus magnitude effects (i.e., high vs. low) should hold. However, directional effects (i.e., improving vs. diminishing) may lessen in the case of less disparity in reputation between periods. Analysis of sequences wherein a reduction in the change between periods occurs would provide a better understanding of circumstances in which shifts in consensus would affect trust in E-tailers. Specifically, attributions are made with a diminishing sensitivity, in that the marginal impact of both negative and positive prior outcomes decreases as the number of similarly valenced outcomes increases (Kahneman and Tversky, 1979). When outcomes in each period are similar to those previously reported, the directional effects are likely to be reduced, or cease to exist.

H10. Smaller improvements/deteriorations of consensus between periods will attenuate the effects of sequence direction on (a) Trust, (b) SQI, and (c) ESAT.

6. Study 2 method

Following the procedure used in Study 1, data was collected from 279 consumers. Subjects were randomly assigned to one of eight conditions in a 2 (consensus: low, high) × 2 (sequence: improving, diminishing) × 2 (product: book, laptop) between subjects design. No respondent was a participant from Study 1, median age of respondents was 35 years. Sequences were adjusted to 70–72–74% (low conditions) and 92–94%–96% (high conditions) in Study 2, retaining the same midpoint value. Remaining procedures and measures mirror Study 1.
6.1. Manipulation checks

Nearly 96% of subjects recalled both the magnitude and direction of the sequence. Subjects that did not respond accurately were removed prior to further analysis. Subjects perceive the average score of the high consensus sequences (M = 91.7) to be significantly larger (t265 = 18.71, p < .001) than the low consensus sequences (M = 71.8). Perceptions of consensus change are similar across Study 2 sequences (F(2, 267) = 0.595, p = .76), and sequences in Study 2 are perceived to change less than in Study 1 (t265 = 16.275, p < .001). A manipulation check reveals that laptop purchases (M = 5.5) are perceived to carry greater risk (t265 = 21.446, p < .001) than book purchases (M = 2.1).

6.2. Preliminary analysis

The preliminary analyses employed in Study 1 were repeated for Study 2; no violations of General Linear Model are found. ANCOVA results again reveal a moderating effect of Internet self-efficacy on the relationship between consensus magnitude and each of the dependent measures. These interactions again suggest consensus is important for consumers with both high and low Internet-efficacy, but that ratings are likely to be relied on more heavily as consumers gain confidence in making online purchase decisions (see Table 2). CFA results show adequate model fit (χ² = 1127.9, df = 390, p < .001; CFI = .97; TLI = .97; SRMR = .04). Construct reliabilities range from .89 to .96, and all factors demonstrate convergent and discriminant validity consistent with the specifications of Fornell and Larcker (1981).

7. Results

Third party consensus ratings significantly affect trust (F(1, 266) = 114.58, p < .001, partial η² = .31) and as expected, the sequence direction effect becomes insignificant for the condensed sequences (F(1, 266) = 1.75, p > .05), supporting H10a. Consensus affects SQI (F(1, 266) = 126.36, p < .001, partial η² = .34) and ESAT (F(1, 266) = 118.77, p < .001, partial η² = .32), but sequence direction has no main effect (F(1, 266) = .11 and .66, p > .05), supporting H10b and H10c. Consensus*Sequence interactions are not significant on trust, SQI, or ESAT (F(1, 266) = .18, .73 and 2.24, ps > .05). Interactions between product and consensus on trust, SQI, and ESAT remain significant in Study 2 (F(1, 266) = 14.91, 7.13, 24.47, ps < .01).

The main effects of consensus information on Trust, SQI, and ESAT replicate in Study 2. These findings demonstrate that the broad effects of consensus information on trust identified in recent research can also be applied to consumers’ service perceptions and satisfaction judgments. Findings also suggest sequence direction has no effects on these factors when a firm’s ratings do not approach limits of consensus ranges. Considered jointly with Study 1 effects, findings highlight the importance of consistent and exceptional performance for highly regarded firms. Improvement initiatives that affect customer ratings can have interim benefits for firms without sufficiently high consensus scores as they improve their reputations.

8. General discussion

This research assesses the impact of 3rd party consensus information and sequence direction on service related perceptions and links those perceptions to consumer trust. Study 1 finds that consensus characteristics have additive benefits in that the effects of sequence direction are relevant for firms with both high and low consensus scores. These results are illustrated for three factors widely acknowledged to be critical antecedents of purchase behavior. Study 2 re-examines consensus information and sequence direction wherein the patterns of consensus from a 3rd party source (e.g., epinions.com) are restricted to vary within the ranges identified in the pilot study. As expected, the effects of consensus information are replicated, but in Study 2, sequence direction fails to have a substantive role in affecting consumers’ service perceptions and trust. These studies are consistent with recent findings applying consensus information in an online trust context and build on the existing literature by showing that consensus information has broad effects on consumer service inferences. Considering the variety of formats in which consensus is available, this research increases the generalizability of past results by exploring consensus information as sequences of outcomes.

Online trust research focuses largely on web design characteristics, privacy and security statements, information cues, and consumer characteristics. Among these classifications, consensus is one of the few information cues capable of providing specific information related to a firm’s service record. Mediation results in this research outline a path from consensus characteristics through service quality inferences and expected satisfaction to consumer trust. These findings provide evidence that retailers can influence pre-purchase service perceptions with a broad cue that has only recently come under investigation.

### Table 2

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<th>Service quality inferences (SQI)</th>
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<tr>
<td>Direction* product* efficacy</td>
<td>0.88</td>
<td>.00</td>
</tr>
<tr>
<td>Consensus* sequence* direction* Internet efficacy</td>
<td>2.52</td>
<td>.01</td>
</tr>
</tbody>
</table>

Notes: η² = partial eta square.

* p < .001.

** p < .01.

*p < .05.

This research illustrates a profound distinction between firms with excellent and poor reputations. Moreover, the difference in sequence effects between experiments suggests even firms with high consensus ratings are less trusted if scores approach the lower limit of the high consensus range. Results also highlight the impact of ample versus meager reputation improvements; firms with relatively low consensus ratings are able to improve perceptions by generating consensus ratings that approach the upper limit of the low consensus range. From a resource allocation perspective, the results reinforce the importance of management commitment to implementing planned improvements. Results also provide evidence that perceptions can change dynamically during evaluation of service improvement programs.

However, firms that only partially commit to service improvements may only slightly improve their reputations and thus have little additional aptitude for gaining consumers’ trust. Perceptions and beliefs about online firms will remain stagnant until the firm’s reputation has noticeably improved or diminished beyond the limits.
of consensus levels. Perceptions are likely to be more stable once consensus information has remained well within a higher range for several periods. Firms should focus on problem identification and prevention by encouraging direct complaining behavior. Zourrig et al. (2009) discuss the host of negative consumer reactions to failed purchase encounters, suggesting that customers actively seek to ‘get even.’ If the firm can reduce the anger associated with a dissatisfying experience by influencing and responding to direct complaining behavior, overall service evaluations improve, negative WOM decreases, and management gains information that can be used to make alterations to service processes more meaningful (Kalama et al., 2008).

Retailers can also influence customer ratings submitted to consensus takers in ethical and practical ways. Organizations can follow-up with loyal customers to encourage them to leave online feedback. Websites like Yelp, City Search, and Judy’s Book allow companies to create profiles and respond to comments. Planet Feedback also allows firms to discuss reconciliations of customer complaints. Both large and small companies have started to coordinate efforts to limit negative effects of third-party complaint behavior by working with consumer forum websites like My3Cents and Planet Feedback. By monitoring their own feedback, firms can adjust service delivery strategies in a timely fashion so that any drop in ratings is minimal and thus less likely to affect consumer judgments.

Companies can leverage positive consensus ratings. Yelp.com allows retailers to host ratings information on the retailers’ websites. DCS Sports Cards’ site links to customers’ feedback at Yahoo’s merchant rating site. Papa John’s provides evidence of its superior ability to satisfy customers by posting American Customer Satisfaction Index award stickers on the front doors of its stores. Scottrade augments claims to a low fee online trading platform with messages related to JD Power consumer surveys. These messages appeal to new customers and reaffirm existing customers’ choice to maintain an exchange relationship. The examples above refer to the use of ratings from 3rd party sources. Some firms publish or advertise internally collected data, which consumers perceive as more biased than feedback provided by 3rd parties, especially when trust in the ratings service is high (Luo and Cook, 2007).

Third party ratings are most useful when the consumer has no previous experience with the online retailer as no other objective basis for trust exists in this situation. Trust and use of a ratings service also depends upon the rating service’s reputation, which develops as consumers gain experience with Internet purchases (Luo and Cook, 2007). Indeed, the present research suggests that consumers are more likely to rely on 3rd party consensus information when Internet efficiency is high (i.e., the effect of consensus on trust is stronger for this group). The present findings do not suggest a direct effect of Internet efficiency on trust in online retailers; however past research does indicate that consumers are more likely to trust online retailers after developing a moderate level of Internet buying experience. Aiken and Boush (2006) suggest Internet efficiency and trust operate with an inverted U relationship, such that Internet newcomers have low trust in online retailers, experienced Internet buyers gain trust via familiarity and confidence with online activities, and expert consumers revert to lower levels of trust as they become skeptical regarding privacy statements and the potential harm involved in data transfer. In the context of the present research, consumers that are more familiar with Internet systems may have greater confidence in using third party feedback mechanisms, even after knowledge-based suspicion degrades their general propensity to trust online retailers.

8.2. Limitations and future research

These studies offer insights into the effects of consensus sequences, but they are not without limitations. First, although the

subject research process was stringently supervised, students in advanced marketing courses contacted acquaintances to solicit participation, resulting in a representative, but less than purely random consumer sample. Secondly, this paper focused on extending the effects of consensus information to services factors and investigating shifts in consensus scores over time. This research could be extended by studying the relative effects of consensus and other cues such as price disclosure, security protocols, privacy statements, third-party certifications, presence of a bricks-and-mortar store, and availability of advice.

In addition, transference theory as described by Stewart (2003) suggests that trust can be transferred from other contexts to a trust target. Transference can take place when an online retailer associates itself with another firm using hyperlinks, such as linking to the website of a consensus taker (e.g., e-pinions, bizrate.com, yelp.com) in order to create a perceived relationship with a more trusted target. Moreover, variations in credibility between consensus takers might impact the strength of consensus effects. In this paper, consensus scores are provided by the same trusted external source in all conditions, thus effects of transference are theoretically controlled. Other research also speculates that trust may be developed by such linkages (Bolton et al., 2004; Pavlou and Gefen, 2005).

These studies investigate retailers of used laptops and books to elicit speculation regarding the condition of the retailer’s products. Although this research makes no comparisons between retailers of used goods versus retailers of new goods or service firms, the results would likely hold in both contexts given the non-product related risk and additional non-tangible cues inherent in online transactions. In addition, consensus scores in this paper are based on a consistently large number of customer responses. High consensus ratings may not be interpreted as evidence of service excellence and trustworthiness if ratings are based on a small number of customer responses. Future work might explore whether ratings in periods with relatively few responses are weighed less heavily than in periods with a large amount of customer feedback. Furthermore, the aggregate nature and more objective source characteristics of consensus information are in part what distinguish consensus from individual instances of word-of-mouth. These forms of customer generated information often appear together online, yet their relative and complimentary effects have not been explored.

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