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Many Manifestations of Perceived Trust in the Wealth Management Context

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Purpose

The purpose of this paper is to study the many manifestations of trust in the wealth management context in Finland. This paper presents two empirical studies and examines and contrasts how trust is perceived by financial experts and consumers in the investment context, and when a new service concept, a personalized wealth management tool, is demonstrated to them.

Design/methodology/approach

Qualitative methods; focus group discussions and interviews were employed.

Findings

Financial experts and consumers emphasised different facets of trust. The level of trust towards financial service providers and financial advisors, and the level of involvement in investing served to differentiate the consumers into four distinct groups. When an idea of a new wealth management service was introduced to consumers, they accepted the internet as a delivery channel, but expressed concern about information privacy because they were expected to disclose sensitive personal information.

Research limitations/implications

Although the methods utilised were purely qualitative and the study was limited to Finland, the results offer interesting insights and new scientific knowledge about perceived trust, and how it can be used in market segmentation and developing customer service.

Practical implications

The trust - involvement matrix can assist financial companies in building customer relationships and in improving the customer service. In addition, the study offers practical information about how the service providers in the financial sector could approach customers with a deeper understanding of customers' goals and wishes in life.

Originality/value

Qualitative research provides insights into consumers' thoughts that are difficult to obtain with quantitative data gathering and analysis. In our study, consumers expressed their perceptions and thoughts in their own words. Furthermore, the dyadic comparison of opinions of consumers with experts' views about consumers' motives and behaviour contributed to a deeper understanding of the relationship between consumers and financial service providers.

Keywords

Trust, Financial Services, Wealth Management, Trust-Involvement Matrix, Financial Planning

1. Introduction

The financial service sector has grown rapidly during the last 20 years; new actors have entered the market, the industry has internationalised, information and communication technology (ICT) has made new solutions possible, and new financial instruments have been developed. These developments are challenging, and therefore it is not surprising that consumers face several difficulties in understanding financial services: instruments are often complex and comprehending and comparing financial instruments is time-consuming and requires expertise and effort (e.g. Bell and Eisingerich, 2007; Harrison et al., 2006). Because of the complexities involved in financial issues, consumers often rely on financial advisors to help them with their financial questions, particularly regarding matters that include high risk. Lately, additional information sources and channels, especially the internet, have also become increasingly important.

The next growth area for financial service providers (FSPs) is expected to be wealth management services for "ordinary" customers; that is, those with moderate wealth. For the purposes of this study, we understand wealth management broadly as those activities focusing on asset and liability management relevant to households, including saving, investing and insurances. Heffernan et al. (2008) suggest that rather than selling relatively loosely-linked wealth management products, FSPs should focus on offering personalised solutions that promote customer relationship and trust. We suggest such a solution to consumers and financial experts and report their responses in this paper.

The purpose of this paper is to understand and describe trust in the wealth management context. We do this firstly by comparing the opinions and perceptions of dyadic groups of consumers and financial experts. Secondly, we draw out the different facets of trust that these two groups of informants regarded as important. Thirdly, based on the empirical data, we construct a matrix related to consumer behaviour in the investment context. This is a two dimensional matrix: the first dimension represents trust in the FSP and in the financial advisor and the second the extent of involvement in investing and knowledge about investing. Fourthly, we draw conclusions as to what kind of service would gain the acceptance and trust of the consumers.

We organise the paper as follows. We first review the literature about trust, involvement and related concepts, with a focus on the financial sector. The third and fourth sections outline the two qualitative studies in the Finnish wealth management context, present the methodology, report the results and discuss the findings. In the first study, the general opinions and perceptions of consumers and financial experts about several general wealth management themes were examined. In the second study, a wealth management service was tested with the dyadic groups. Finally we conclude the paper with general discussion, managerial implications and research limitations and consider the potential for future research.

2. Previous research

"*Trust is like the air we breathe. When it's present, nobody really notices. But when it's absent, everybody notices*." Warren E. Buffett (Entrepreneur.com, 2002)

Trust has been studied and defined in several disciplines (e.g. sociology, psychology, marketing, information systems) each emphasizing different dimensions. Only few studies have combined perceptions and definitions from several disciplines (e.g. Blomqvist, 1997; Mayer el al. 1995; Mcknight and Chervany, 2001) in order to produce a comprehensive understanding. Several studies have discussed trust in services (Coulter and Coulter, 2003; Sillence et al., 2006), including some that have considered the financial service context (Balasubramanian et al., 2003; Cox, 2007; Ennew and Sekhon, 2007; Harrison, 2003; Heffernan et al., 2008). Trust is seen as one of the most important components in customer relationships (e.g. Crosby et al., 1990; Coulter and Coulter, 2003; Morgan and Hunt, 1994).

In their definition of trust McKnight and Chervany (2001) consider its separate facets; disposition to trust, institution-based trust, trusting beliefs, and trusting intentions. These aspects lead to trust-related behaviours. Trusting beliefs are trustor's cognitive beliefs that result from observing the trustee's actions, and attributing the causes of the behaviour to the trustee's internal trust-related characteristics (Komiak and Benbasat, 2004; McKnight and Chervany, 2001). These cognitive beliefs represent cognitive trust. However, a rational choice perspective is not enough because decisions based on trust usually involve both reasoning and feeling (Komiak and Benbasat, 2006). Several studies distinguish between the cognitive and emotional/relational facets of trust (e.g. Dimitriadis and Kyrezis, 2008; Ennew and Sekhon, 2007, Heffernan et al., 2008). Emotional trust is defined "*as the extent to which one feels secure and comfortable about relying on the trustee"* (Komiak and Benbasat, 2004, 187).

Table 1 presents descriptions of the four main facets of trust.

Table 1: Descriptions of different facets of trust (based on Mayer et al., 1995; McKnight et al., 1998; McKnight and Chervany, 2001).

Concept	Description
1. Disposition to trust	This construct derives primarily from disposition or trait psychology. It is the extent to which one displays a consistent tendency to be willing to depend on others in general across a broad spectrum of situations and persons.
2. Institution-based trust	The construct comes from sociology; people can rely on others because of structures, situations, or roles that provide assurances that things will go well. This consists of structural assurance and situational normality.
- *Structural assurance*	Socially or legally sanctioned institutions impose norms of performance and integrity of economic agents (i.e. guarantees, contracts, regulations, promises, legal recourse, processes, or procedures).
- *Situational normality*	Everything seems to function normally and to be in proper order.
3. Trusting belief	The trustor's perception that the trustee has attributes that are beneficial to the trustor. The main elements are belief in competence, benevolence and integrity.
- *Belief in competence*	One believes that the other party (trustee) has the ability or power (e.g. technical capabilities, skills and know-how) to do for one what one needs done.
- *Belief in benevolence*	One believes that the other party (trustee) does well to the trustor in a dyadic relationship, aside from an egocentric profit motive.
- *Belief in integrity*	One believes that the other party (trustee) adheres to a set of principles that the trustor finds acceptable (e.g. makes good faith agreements, tells the truth, acts ethically, and fulfils promises).
4. Trusting intentions	The trustor's willingness to depend on a trustee in a given situation.

Due to the complexity and long-time horizon of many financial services, consumers often feel uncertainty about choices relating to financial matters. Harrison (2003) has listed the characteristics of financial services that can lead to uncertainty: high intangibility, information asymmetries between FSPs and consumers, and a heavy reliance on the credence qualities of products and services. Consumers' trust in FSPs, that is, in companies, advisors, products and services, reduces uncertainty and the perceived risks attached to financial decision-making. It is particularly in financial services that customers utilise ICT for conducting their financial tasks. In the 21st century, the focal area of banking research has been the adoption of online banking (e.g. Branca, 2008; Casaló et al., 2007; Colgate and Smith, 2005; Herington and Weaven, 2007; McKechnie et al. 2006), and the investigation of trust and perceived risks associated with online applications (e.g. Balasubramanian et al., 2003; Casaló et al., 2007; Grabner-Kräuter and Faullant, 2008; Hoffman et al., 2006; Komiak and Benbasat, 2004; 2006). In addition to previously mentioned trust constructs, the engineering trust issues – security, usability, reliability, availability, safety, and privacy – are perceived increasingly important (Hoffman et al., 2006). Especially privacy, security and the interplay between privacy and personalization have attracted research (e.g. Awad and Krishnan, 2006; Dinev and Hart, 2005; Olivero and Lunt, 2004). According to Awad and Krishnan (2006), consumers conduct a “privacy calculus” before disclosing personal information in order to determine whether the benefits from the disclosure outweigh the risks associated with it.

The definition of trust in the financial services context put forward by Ennew and Sekhon (2007, 63) was considered to be relevant to this study:” *Trust is individual's willingness to accept vulnerability on the grounds of positive expectations about the intentions or behavior of another in a situation characterised by interdependence and risk*”. The definition encapsulates both the cognitive and emotional elements of trust (cf. Komiak and Benbasat, 2004). It also emphasises the importance of financial decisions that have a significant influence on the well-being of consumers, especially in the case of complex and long-term savings and investment instruments.

Saving and investing is characterised as a high involvement area of financial services compared to other financial services (e.g. Aldlaigan and Buttle, 2001; Foxall and Pallister, 1998). Relatively little research has been directed to this area of financial services (see, however Balasubramanian et al., 2003; Ding et. al., 2007; Falk et al., 2007). Mittal (1989, 150) defines involvement in the purchase decision as “*the extent of interest and concern that a consumer brings to bear on a purchase decision task.*” Zaichkowsky (1985, 342) understands involvement as “*a person’s perceived relevance of the object based on inherent needs, values and interests*”. Involvement is conceptualised as a uni-dimensional concept (Zaichkowsky, 1985); a two-dimensional concept with rational and emotional dimensions (Foxall and Pallister, 1998) or multi-dimensional concept (Laurent and Kapferer, 1985). Involvement is considered to be either enduring, that is, there is a persistent relationship, or situational, in other words a temporary phenomenon in which the interest of the consumer declines with the passage of time (Pallister et al., 2007).

Even though trust has been studied by researchers from several disciplines, it has often been defined fairly narrowly. This may explain why the results of previous studies have often been contradictory. The aim of this paper is to understand and describe different facets of trust in the wealth management context. In the financial services sector, especially relating to complex wealth management services, consumers’ trust in FSPs and financial advisors combined with consumers’ involvement in wealth management are important determinants of consumers’ financial behaviour.

3. Perceptions of Trust in the Wealth Management Context (Study One)

A two year exploratory research project with scientific research institutions and financial industry practitioners was set up in Finland in 2006. The main objective of the research project was to gain a deeper understanding of the underlying wealth management motives of consumers, and to examine the possibility for a new service. Individual customers who do not qualify for the private banking service formed the target group of the service.

The Finnish financial market is characterised by high online penetration: according to Statistics Finland (2008) 72% of the population uses an online bank application. Finnish bank customers are, in general, highly satisfied with their banks (EPSI Finland, 2008) and in a comparison of the 27 EU countries have the highest confidence in banks for complying with privacy regulations (Eurobarometer, 2008).

3.1 Methodology

We present the results of a qualitative study that aims at understanding and describing trust. A distinctive feature of the study was the dyadic research methodology: we collected data from two independent sources, from consumers and financial experts, and compared the results of these two sources. Dyadic research has mainly focused on the B2B environment (Holmlund-Rytkönen and Strandvik, 2005; Paulin et al., 1997), but there are also examples in B2C research (Pollak, 2001; Wright et al. 2000), and in the financial context (e.g. Diacon, 2004; Nordman 2004; Törngren and Montgomery, 2004, Åkerlund, 2005). We asked consumers and financial experts about consumers' perception of wealth, the motives for accumulating wealth, and the perceived risks related to wealth management. In addition, customer service, including face-to-face and electronic service options, were discussed.

Qualitative methods, that is, focus group discussions and interviews were chosen as the data gathering instruments. Focus groups are generally considered to be suitable for explorative studies (Beckett et al., 2000; Black et al., 2001) and a relatively affordable way of data gathering offering group dynamics and interaction between the discussants. A distinction was made between focus group discussions (FGD) and focus group interviews (FGI), following the example of Boddy (2005). FGD is characterised by the free flow of discussion between the participants and a lesser role of the facilitator. FGI are more directed interviews, where the interaction among the participants is limited. FGD was employed in this study. In focus groups, certain consumers might be reluctant to express their opinions, or a few discussants might dominate the discussion. The participants to these discussions were voluntary consumer panelists from the National Centre for Consumer Research (see Pulliainen, 2008, for details) and thus well used to expressing their opinions on a multitude of issues. The impact of group pressure that might have skewed the results was alleviated by including six groups in the discussions, each presenting slightly different demographic profiles. We commenced our research with focus group discussions of consumer panelists (6 groups, 33 participants, 16 males and 17 females, an average age of 50 yrs, age range 27 – 78 yrs).

Expert interviews followed the themes of the focus group discussions. Interviewing was the chosen research method in the financial expert group because the interviewees represented different organizational levels; top management (3 interviewees), middle management (5), and personnel working directly at the consumer interface (3). Although the same set of topics was covered in each interview, the guide was not followed in a rigid manner; in this regard the specific wording of questions, the sequence in which topics were introduced, the follow-up questions that were asked varied from interview to interview. The demographic profile of the experts was the following: 8 males and 3 females, average age of 41 yrs, age range 30 – 46 yrs, mostly working in managerial positions. The focus was on uncovering how the financial experts perceived consumers' opinions related to wealth management. For clarity, in the following, the term "financial expert" is employed for the interviewees. Focus group participants described representatives of the FSP who work at the customer interface as "financial advisors".

Interviews and focus group discussions are not similar data collection instruments. In interviews, the interviewer is more in control of the process of interviewing, whereas in focus groups, the discussion flows fairly freely and the participants focus on issues they find important. In addition, the discussants use their own expressions. In choosing focus groups as our data collection instrument, free associations and interaction between the participants were the aspects of principal interest. Both consumer focus group discussions and expert interviews lasted an average of 1.5 hours. They were recorded and transcribed for analysis. The texts were analysed by two researchers, first separately and then jointly, and NVivo 8 software was employed for coding the recurring themes of the discussions and interviews. Furthermore, 28 of 33 consumers filled a short questionnaire regarding their interest and experience with financial instruments. Because the gathered data was in Finnish, the quotations presented in this article were freely translated into English.

Trust and the different manifestations of trust emerged as important issues. Consumers brought up trust spontaneously in their discussions, even though the moderator did not specifically ask about it. In other words, the importance of trust became apparent as an emerging theme when the content of the textual material was analysed. It was for this reason we decided to focus on trust: how it is perceived, and how it influences consumer behaviour in the financial service sector, with particular reference to the investment context.

3.2 Results

The dyadic comparison of the empirical material revealed the similarity of the perceptions and opinions of consumers and financial experts about wealth management. As most of the central themes in wealth management were seen fairly similarly in both groups we concluded that the financial experts understood the motivations and expectations of their customers fairly well. However, when discussing saving and investment, we found a remarkable difference between the groups relating to trust; especially which facets of trust are important to the two groups. Financial experts emphasised the *institution-based trust* that can be found within the financial services infrastructure; that is, trust in protective structures – guarantees, contracts, regulations, promises, legal recourse, processes, or procedures. They referred to several in-house surveys that confirmed consumers' high degree of trust in financial institutions.

The most common characteristics of the trustee that were remarked upon in the focus group discussions were those of *competence, integrity and benevolence*. This is consistent with previous studies (e.g. Crosby et al., 1990; Mayer et al., 1995). Among consumers, opinions about trust diverged. The characteristics of the financial advisor (the trustee), and the relationship between the financial advisor and the consumer were the facets of trust in which the variety of opinions among the consumers was the greatest. The study revealed the complexity of trust: many consumers expressed trust in their own financial advisors, but distrusted financial advisors in general. This general distrust was attributable to negative publicity in the mass media - consumers themselves might have had some negative experiences, but mostly they had read or heard about occasions that caused them to doubt the competence, integrity and benevolence of FSPs and financial advisors.

Wealth management instruments are considered to be high-involvement instruments (Aldlaigan and Buttle, 2001; Foxall and Pallister, 1998). However, in the discussions, consumers' involvement in making investments differed considerably. Based on Zaichkowsky (1985), we defined involvement as consumers' interest in investing, and willingness to immerse in information search and learning about the subject.

In the spirit of Weber's (1949) ideal types that depict the underlying characteristics that determine consumer behaviour within a particular environment, we divided consumers into four groups using trust in the FSP, and particularly in the financial advisor, and involvement in making investments as separate dimensions. In contrast to Beckett et al. (2000) who constructed a consumer matrix based on earlier research, we arrived at the matrix after the analysis of consumer focus group discussions and expert interviews. According to the empirical results, involvement and customers' willingness to acquire information and expertise were brought into the involvement dimension, and trust in the FSP and a financial advisor represented another dimension. Figure 1 depicts the trust-involvement matrix, and is followed by a discussion of the characteristic of each quadrant.

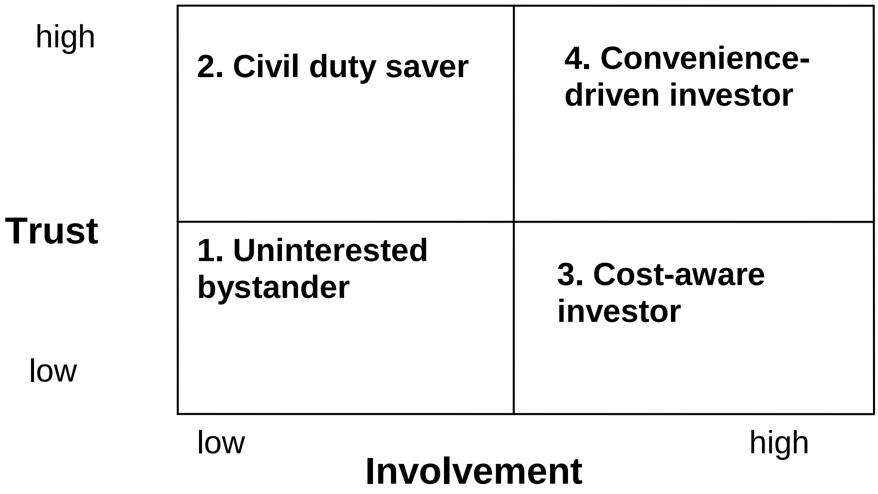

Figure 1: Trust-involvement matrix in the investment context.

1. Uninterested bystander (low trust, low involvement)

The uninterested bystander group had a variety of reasons for being passive in the investment markets. The most obvious of these were the lack of funds, time, knowledge or desire to learn. Few participants talked of their distrust of bank managers in general, and attributed the change in the role of bank managers to the increased use of computers in the management of financial affairs.

> *In the 1970's, bank managers were considered as friends and partners in cooperation, but it has changed nowadays because consumers can do anything and everything with computers*. (consumer, male, 67)

A participant who valued owner-occupier housing more than financial wealth explained that she did not believe that the negotiations with the financial advisor are of high quality, and she also distrusted the financial instruments that are offered by financial advisors.

> *I am suspicious of funds and shares. I have my ethical values and I do not want to invest in companies that reap benefits from child labour or discriminate against females*. (consumer, female, 33)

Financial experts regarded this consumer group as lazy and inefficient. However, they also realised that finance-related issues are not the most important in consumers' everyday life. They pointed out that savings and investment products are so called "push products", that is, they have to be actively sold to consumers in comparison to, for example, mortgages, which they consider to be “pull products” that are demanded by consumers when they perceive the need.

2. Civil duty saver (high trust, low involvement)

The majority of the low involvement consumers trusted their financial advisors. Civil duty savers are people who are bounded rational (cf. Simon, 1957), and their heuristic rule is to trust financial advisors.

> *I would be willing to give my financial affairs into the care of somebody. I would appreciate somebody who would take a total view of my assets. Since I do not know anything about financial things I cannot even start asking*... (consumer, female, 25)

These consumers were usually not willing to enhance their knowledge by engaging themselves in information search and learning about financial affairs. Some of them said that they do not even remember in which instruments they had invested.

> *A financial advisor persuaded me to invest in funds. However, I do not quite remember in which fund I invested my money - I am not really interested in financial affairs*… (consumer, female, 70)

The investment sums are often debited directly from consumers’ account and civil duty savers do not have to undertake any action; they have done their “civil duty” and have invested money rather than left it in their account.

From the perspective of financial experts, face-to-face meeting with financial advisors facilitate the learning process of consumers, and financial advisors are the most influential source of information regarding financial matters. Financial experts stressed that consumers should view the information found on the internet with scepticism, and they should not follow the examples of friends or self-proclaimed gurus on discussion boards without considering their own situation in life.

> *The first source of information, the reliable one, is the financial expert…In important decisions, one turns to an expert for confirmation* … (expert, female, 36)

3. Cost-aware investor (low trust, high involvement)

The need for continued information search and learning were emphasised by the cost aware investors. The typical activities of this group are the active following of several investment instruments, resulting in expertise that raised the confidence of an individual consumer concerning their own ability to act. The cost aware investors represent the closest group to the rational actor portrayed in economic models. They use several information sources, but are reluctant to trust the recommendations of financial advisors. Rather, they prefer turning to the internet since it offers impartial information and efficient tools for information gathering and carrying out of transactions.

> *The internet is a splendid source of impartial information – I compare different writings found on the internet*. (consumer, male, 44)

Cost-aware investors often commented that they do not trust the expertise of financial advisors (trust in competence), and they also believe that financial advisors are mainly interested in their own commissions, rather than have the customers' benefits in mind (trust in benevolence).

> *I don't believe that one can get impartial advice from banks, since they are earning high commissions from selling their own products*. (consumer, male, 50).

Pushy marketing practices and unclear ways of presenting fees and returns also diminished trust.

> *When I think about how I started…it was difficult to get to the truth from all the marketing talk. They (banks) are, after all, selling funds and they get their share and they have won anyway…I had to find what is the truth in my mind*… (consumer, male, 33)

Even experts admitted that commission rates in Finland are higher than in most of the other developed countries and predicted a trend for lower rates.

> *I think that the commissions are lower in more developed financial markets. This is something to which people are increasingly paying attention, which will in time put pressure on the level of commissions*. (expert, male, 44)

4. Convenience-driven investor (high trust, high involvement)

Convenience-driven investors trusted their own FSP and their financial advisors. One participant acknowledged that even though the commissions charged are fairly high, banks have to be compensated for their work. Wealthier investors pointed out that property brings worries because they have to manage that source of wealth frequently, and it is often on their mind. Some discussants had outsourced the management of their financial assets to a wealth management company, and were satisfied with the convenience that this brought.

> *I do not have to spend all the time following markets and getting nervous. Professionals take care of my assets and take their own share of the profits… I just want to be free from the anxiety!* (consumer, male, 67)

This group of consumers also used a variety of information sources and had acquired both simple and complex financial instruments.

In our analysis of the data we found four themes that applied to the four different consumer types. These are: information sources and channels; self-estimation of financial expertise; relationship with the FSP; and complexity of financial instruments. Table 2 presents a summary of the results.

Table 2: Description of consumer groups according to investment behaviour

	Information sources and channels	*Self-estimation of financial expertise*	*Relationship with financial service providers*	*Nature of financial instruments*
1. Uninterested bystander	- No information search since financial matters are not relevant	- Non-existent	- No relationship with a financial advisor	- None or simple instruments
2. "Civil duty" saver	- No desire for extensive search - Word-of mouth	- Limited knowledge	- Follows recommendations - Convenience more important than fees	- Rather simple instruments (e.g. regular investments in mutual funds)
3. Cost-aware investor	- Several information sources, internet important	- Fairly advanced	- Distrust - Prefers own decision-making - Fees and return important	- Several instruments, and complex
4. Convenience-driven investor	- Several information sources, including internet	- Fairly advanced	- Follows recommendations - Partial distrust - Convenience more important than fees	- Several instruments, and complex

3.3 Summary and Discussion of Study One

Trust is found to be paramount in shaping consumers' financial behaviour (e.g. Balasubramanian et al., 2003; Heffernan et al., 2008). In our study, different facets of trust were relevant to financial experts and consumers in the wealth management context in general, and in the investment context, in particular. *Dispositional trust* represents a personality trait that was not emphasised in our empirical data. *Trusting beliefs* and *trusting intentions* were intertwined in the consumers' discussions. Consumers talked about their interpersonal trust in the financial advisor, and how news in the mass media and personal experiences had made them doubt the competence, integrity and benevolence of financial advisors. Consumers also discussed their feelings, thus emphasising not only cognitive beliefs but also the emotional aspect of trust. The financial experts emphasised the *institution-based trust* in the financial infrastructure and financial institutions, and referred to structural assurance – trust that the established legislation and procedures had built up in the financial sector. Trust in engineering issues did not seem to pose a problem for consumers in an ongoing relationship with the FSP, and with traditional online services. None of the consumers commented about security or privacy when they were discussing internet-based services. In fact, e-service provided by financial institutions was not a subject that was widely elaborated upon in the discussions.

Investment-related services have been found to require a high and enduring degree of involvement (Aldlaigan and Buttle 2001; Pallister et al., 2007). However, according to our empirical study, some consumers might feel a situational involvement at the time of purchasing, but their interest can fade after the purchase decision and they do not then follow the performance of their investments. More seldom, consumers explained that they perceived investing as hobby and were emotionally involved.

Even though consumers are able to search and process information, several financial products are complicated and comparisons between them may be difficult, even for an experienced investor. In addition, consumers have to search for several types of information that impact the performance of financial instruments: for example, growth figures in the economy, financial figures of companies, reputation of the financial service provide and commissions and fees. Consumers might be unable to interpret such information and what it means in their personal situation, and therefore the abundance of complex information might serve to make consumers unwilling to learn about financial services (Diacon and Ennew, 2001). According to Huhmann and Bhattacharyya's (2005) comparative research on mutual fund advertising, FSPs appear to rely on marketing cues such as size and volume of text in order to catch the attention of consumers, rather than providing the information necessary for optimal investment decisions (e.g. risk-return trade-off, credibility information, sales commissions, management fees).

In previous segmentation studies on consumer financial behaviour, the underlying assumption has been that there is a trusting relationship between the FSP and the customer. This study makes a theoretical contribution by presenting a new conceptualization of consumer behaviour in the investment context. In the following, we compare our trust - involvement matrix with previous models proposed by Harrison (1994) and Beckett et al. (2000).

Harrison (1994) presented a two-dimensional map of consumer behaviour in the financial sector. The dimensions are labelled *perceived knowledge*, which takes into account the individual's subjective assessment and how confident the individual feels about her/his knowledge, and the *degree of financial maturity* (Kamakura et al., 1991), which is dependent on the complexity of the financial products that the consumer has acquired. However, in our empirical data, we did not find consumers that fit the quadrant with low levels of knowledge and own, nevertheless, complex financial instruments. We doubt the usefulness of the financial maturity dimension in the financial consumer segmentation.

Based on a review of the literature, Beckett et al. (2000) identified broad attitudinal factors: *uncertainty*, labelled as customer confidence, and *involvement* that influence consumer behaviour. Consumer confidence is largely determined by perceptions of risk, which are determined by the complexity of the product being purchased and the certainty of outcome associated with that product. The other key determinant of consumer behaviour is a consumer's interest toward a product or a service. In this regard involvement incorporates customer control, customer participation and level of contact. In the context of financial services, Beckett et al. (2000) placed uncertainty and involvement on a continuum from low to high, and constructed a two-dimensional consumer behaviour matrix that represents four ideal consumer behaviour patterns. These are: no purchase, repeat-passive, relational-dependent, and rational-active. Beckett et al.'s (2000) matrix combined each quadrant with a certain group of financial services, suggesting, for example, that repeat-passive customer behaviour is common in choosing simple services such as a current account, whereas relational-dependent behaviour is attached to purchases of more complex products such as investments or pensions. Our empirical data emphasised the role of trust in the relationship between the FSP and the customer; therefore trust in the FSP was chosen as another dimension in our matrix rather than consumer confidence. In addition, our matrix was constructed based on consumers' opinions about a particular type of financial services; investment instruments. When comparing the quadrants of the two matrices, we find many similarities in three of the quadrants. However, in Beckett et al.'s (2000) repeat-passive quadrant the nature of the financial product – cheque account or choosing a bank - is emphasised, and thus the somewhat illogical combination of low involvement and high consumer confidence can be explained.

A small number of recent quantitative survey studies have categorised consumers into segments based on their money attitudes or behaviour in investment markets (e.g. Fünfgeld and Wang, 2009; Keller and Siegrist, 2006; Loibl and Hira, 2009; Nilsson, 2009; Wood and Zaichkowsky, 2004). Loibl and Hira (2009) used sources of investor information as segmentation base. Nilsson's (2009) study segmented socially responsible mutual fund investors, and trust in the actions of the FSP to behave in a socially responsible way was reported as one of the variables. In addition, Keller and Siegrist (2006) recognised the dynamic nature of segmentation; financial strategies of consumers are, after all, dependent on life cycle and, to some extent, on the marketing strategies of FSPs. Whereas quantitative studies have examined frameworks with pre-selected variables, our results emerged from the data. In this regard, we did not initially set out to examine trust, but this was the principal theme that emerged as important for the participants.

4. Personalized Wealth Management Service (Study Two)

Based on the findings of the first phase of the research project, reported in Dahlberg et al. (2008); and Sunikka and Peura-Kapanen (2008a and 2008b), we uncovered that financial resources are not ends, but means for achieving certain aims in consumers' life. When the planning of the wealth management service concept started, we took a goal-based approach as the starting point to the development of the concept.

4.1 Methodology

We tested a wealth management service concept in order to determine the acceptability of the service, and the ability and willingness of the consumers and financial experts to use it. An appropriate method for testing the service is focus group discussions (Cooper and Edgett, 2008). Four focus groups with 26 consumers representing different life stages were chosen to discuss the service; 16 of the consumers were females, and their age ranged from 27 to 73 years. An additional focus group session was conducted with financial advisors in which four females and two males participated. We showed the focus group participants slides of various stages of the planned service (paper mock-ups) and several examples and cases showing how the service could be utilised. In addition, discussants evaluated several questions with which the life situation and interests of consumers were sketched. At the end of the sessions, consumers completed a short questionnaire in which they further detailed who would be the best target groups for the service, the circumstances in which the service could be used, and how the service could be further improved. The discussions and analysis of the material followed the style presented for Study 1. We asked the discussants about their thoughts and feedback about the service and service features. In the discussions, the service was called a "Wealth management tool" (WMT).

4.2 Results

Financial decisions should be approached through the goals that consumers have in various areas in life. Consumers regarded the categorization of life areas i) *family*, ii) *housing*, iii) *work and retirement,* and iv) *leisure time,* as natural. Furthermore, *everyday economics* are related to each life area. Depending on the age of the discussants, *health* plays a bigger or smaller role in their everyday life. Especially for older consumers, future possibilities depend on their state of health.

We presented the idea of the service to both consumers and financial advisors: a personalized solution of wealth management directed to private consumer, and asked their views about it. The life areas form the core of the service (see Figure 2).

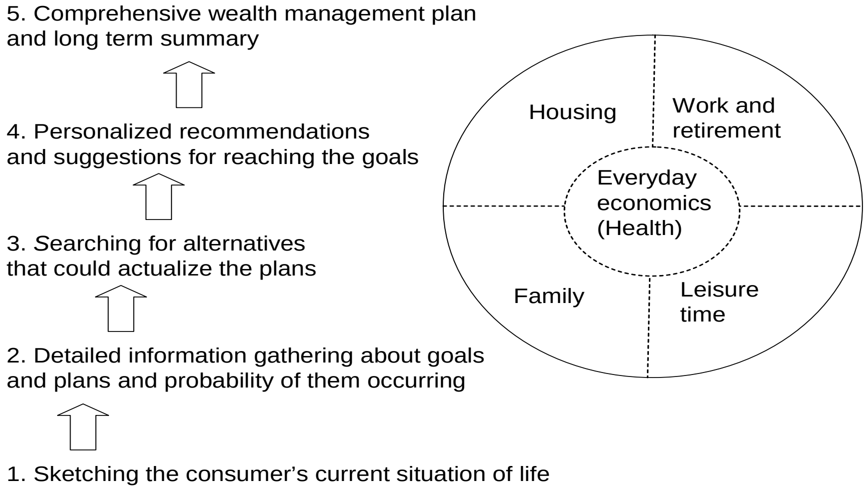

Figure 2: Life area circle and the process of the wealth management tool.

The service proceeds through stages one to five. The first stage of the service consists of *finding out the current situation of the consumer's life* and the second includes more thorough *information gathering* about the current situation and future plans of the consumer for fulfilling the plans, including risks and opportunities. In the third stage, a *search for alternatives* that could fulfil the plans is conducted. In the fourth stage, the service offers *personalised recommendations and suggestions* for reaching the goals, and in the final stage, an overview of goals is included in different life areas providing a *comprehensive plan of wealth management*.

Several individual parts of the service have already been established in the service offerings of FSPs in Finland. These tools are based on the tendency for consumers to regard financial decisions as separate decisions, so-called mental accounting (Nevins, 2004; Thaler, 1985). This service represents service modification (Avlontis et al., 2001), and combines the separate pieces of wealth management services under a comprehensive service concept. A comprehensive financial planning service is typically offered to private banking customers whose assets exceed a certain limit. However, the WMT is directed to individuals with only moderate wealth, and can be used independently by the consumer, or together with the financial advisor.

In the focus group discussions, several service features that build trust in the suggested WMT were uncovered. The starting point – a circle of consumer's life areas – was found to be appealing, the service features were wide-ranging and adaptable, and investment risks were visualized in a new and informative way. However, consumers also expressed some doubts; what and who would have the access to their personal information and how it would be used.

4.2.1. Trust-Building Service Features

When a new service is presented, it is important that some aspects of it are compatible with users' previous behaviour or ways of thinking (Rogers, 1995). In our study, both consumers and financial advisors regarded the consumers' life area approach as a natural and reliable starting point for the service. Consumers also emphasised that the WMT helps understand different financial decisions and their links to important decisions in life. According to the financial advisors, the WMT facilitates discussions with customers about financial decisions.

The focus group discussants emphasised the relative advantage (Rogers, 1995) of the WMT: it offers several functions and added convenience in wealth management task. The WMT facilitates both short and long term financial planning. Consumers appreciated the following features embedded in the service: i) *comparisons between alternatives* (e.g. home purchase or renting), ii) *preparation for changes in life* (e.g. birth of a child) iii) unexpected, even unpleasant changes, so-called *"what if" -scenarios* (e.g. unemployment, divorce) and iv) *links to other useful websites* with further information. Both consumers and financial advisors perceived the WMT as a facilitator, especially in the comprehension of different risks and possibilities to protect both persons and material possessions.

> …*it would be interesting to compare my own situation of life to others with similar situations of life*. (consumer, male, 32)

> *There should be links to the necessary websites – it would be good to have one place where the information is collected*. (consumer, male, 56)

Consumers regarded investing as a central means of achieving goals in life but some of them suspected the assumptions behind the calculations and the results of them.

> *Those calculations that are based on facts are ok, but those calculations where different estimates are used*… (consumer, female, 55)

Consumers also appreciated the new way of presenting risks. In the discussions, the participants were presented with a hypothetical example wherein the returns of a risk-bearing investment fund were depicted with a normal and negative stock market development. The negative development was described as a “crash”. Bar charts depicted the monetary development of the investments when the crash occurred at the beginning, at the middle or at the end of the investment period. Consumers found this way of depicting the return and risk enlightening and believed that a realistic, or even a pessimistic, figure would help consumers to understand risks embedded in investing, especially in financially challenging times. The calculation also increased their trust in the FSP even though one consumer commented that “financial advisors would not like to show a figure like that”.

> *It is much more interesting if risks are presented like this. Maybe it increases the credibility of the service provider that it shows that everything does not necessarily go according to the best scenario*. (consumer, female, 34)

> …*here the risk is presented so that I can accept it – and most of all – I understand it*. (consumer, male, 32)

4.2.2 Privacy Concerns

Both consumers and financial advisors regarded the WMT as suitable for the internet, in fact, many consumers commented that they would like to use the WMT by themselves via the internet, thus continuing their previous habit of conducting their monetary affaires online. Several consumers wished to control their own economic affairs and to avoid personal contact with the financial advisor.

> *It would be good, if one could look at this and think about things in peace so that nobody would be demanding a decision right away*. (consumer, female, 44)

> *On online bank this would be really good. One could ask the customer to take some time and get acquainted with these questions before coming to the bank*… (expert, female, 48)

The information systems of banks contain a great deal of information about consumers. However, in order to fully benefit from the suggested WMT, consumers should provide even more information. Information is collected from various life areas, for example, the family situation, housing arrangements, financial wealth, insurances, and risks associated with personal health and financial possessions. In the discussions, consumers were especially worried about their privacy because of the extensive and atypical information disclosure during the information gathering stage.

… *There is so much information about the customers and banking is no philanthropy. It is precarious to disclose really detailed information about life. I would, at least, want to know exactly who has access to the information and to what purpose the information is used*. (consumer, man, 31)

…*It should be really clear who has the access to my personal information. If I answer something in the internet, do I get a sales brochure at my home the next day?* (consumer, man, 32)

Consumers were concerned that personal and sensitive information would be misused; they would be increasingly targeted with marketing messages if they disclosed real information about their goals in life and their financial situation. In the previous studies of online banking adoption, security and privacy have emerged as the critical factors influencing adoption of a service (e.g. Casaló et al. 2007; Grabner-Kräuter and Faullant, 2008).

4.3 Summary and Discussion of Study Two

According to UNU-WIDER (2006), there are major variations in the composition of assets between countries, resulting from different market structures, regulation, and cultural preferences. Finnish financial markets are relatively young when compared with national markets in countries such as the UK and USA. For example in the USA, a service similar to the one we are proposing already exists online, but the users of the service are financial advisors instead of individual consumers (see e.g. emoneyadvisor.com). In addition, because of the differences in financial markets and national cultures, a service that might be acceptable in one country might need major revision to be accepted in another culture.

Because of the tendency for mental accounting, goal-based financial planning is natural for consumers (Thaler, 1985). The WMT combines the different goals into a comprehensive whole and shows the interconnections between goals that emerge from separate areas of life. Both consumers and financial advisors perceive a need for a holistic wealth management service, and the majority of the consumers were willing to try the WMT should it be implemented as a service. Consumers regarded the life area approach as credible since it is based on the goals, events and plans included in the consumers' life areas. According to consumers, several innovative features increased their trust in the FSP, for example, the potential to examine different scenarios, and tools for managing changes in their situations in life. The benefits that the financial advisors emphasised were extensive and systematic information gathering and common understanding of the goals of the consumers. In addition, the consumer's independent use of the WMT would also facilitate face-to-face meetings with the financial advisor.

Consumers in general appreciate the multichannel delivery of services (Patrício et al., 2003); and according to Haytko and Simmers (2009) the importance of the technological encounter will increase in the future. Our exploratory research shows that consumers also appear to be prepared to accept the internet as a delivery channel in the case of complex financial services. However, the wealth management application has to be easy-to-use, simple and flexible. The visual presentation of the service is extremely important, and special effort should be invested to visualize risks better (see Eppler and Aeschimann, 2008). The functional and visual interface of the service can be seen as important element of trust (e.g. Fogg et al., 2003).

The main perceived risk of the service was the disclosure of the detailed personal information over the internet. Although FSPs are already in possession of an extensive amount of consumers' financial information, consumers do not explicitly disclose the information to FSPs, but it is collected while consumers are conducting their everyday financial affairs. In exchange for the explicit information disclosure, consumers should be informed on the benefits of the service. Consumers would thus be party to an implicit social contract with the FSP; exchanging their private information for certain benefits (Milne and Gordon, 1993). In the future development, service design methods (for a review, see Moritz, 2005; Saco and Concalves, 2008) could be harnessed in the design and implementation of new services. Service design is a human-centered approach that focuses on customer experience and the quality of service encounter as the key value for success. It aims at creating services that are useful, useable, desirable, efficient, and effective (Saco and Concalves, 2008).

5. General Discussion and Conclusions

The two qualitative studies produced rich information on different facets of trust in the wealth management context. We adopted the conceptualization of trust from McKnight and Chervany (2001) and adapted it to summarize the results of our two empirical studies (Figure 3). In the following, we discuss each trust construct and how they are related to our empirical findings.

Dispositional trust represents a personality trait that was not emphasised in our empirical study, even though it is important when forming trust. The financial experts interviewed in Study 1 emphasised the *institution-based trust* in the financial infrastructure and financial institutions (at the time of empirical data gathering, the situation in the financial markets was still "normal"). Financial experts were mainly referring to structural assurance – the trustworthiness that established legislation and procedures have build up in the financial sector.

Trusting beliefs and *trusting intentions* intertwined in the consumers' discussions. Consumers talked about their interpersonal trust in the financial advisor, and how news in mass media had made them doubt the competence, integrity and benevolence of the financial advisors. Consumers talked about their feelings, thus emphasizing, not only cognitive beliefs, but also the emotional side of trust. The integrity and willingness of FSPs to keep customers' information private, and not to use the information for marketing purposes unless customers had explicitly given permission, emerged in Study 2. If customers believed that their information is secure and not misused, they would be more willing to trust, and consequently disclose personal information, collaborate with the financial advisors and possibly purchase financial services. With electronic service, consumers need to trust the technical environment of the service before they start using it. Consumers perceived that more trust related behaviour was demanded from them if they used the WMT than with the "normal" online banking behaviour.

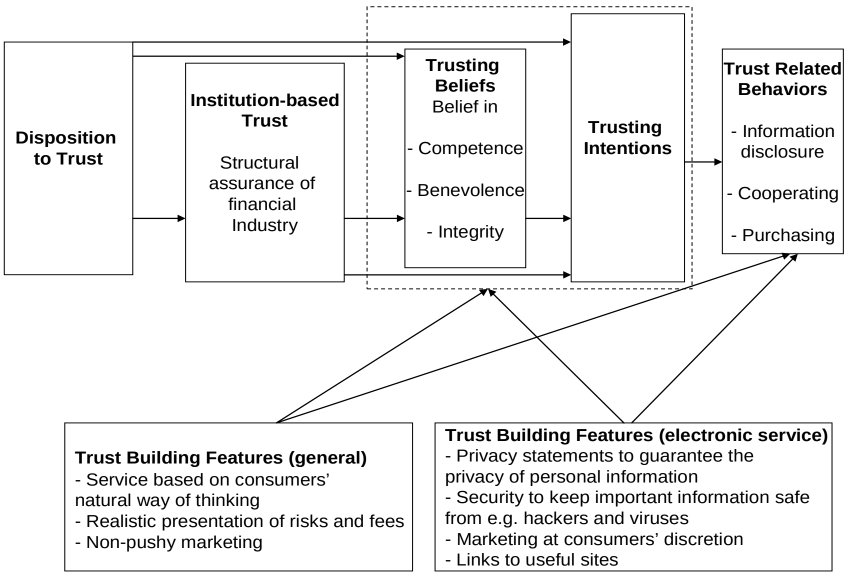

Figure 3: A model of customer relationship trust constructs (modified from McKnight and Chervany, 2001).

Based on our empirical findings, we collected a list of elements that would increase the consumers' trust in FSPs and the financial advisors. The elements are listed in Figure 3 and can be grouped into *general trust-building elements* and elements that are especially *relevant to the electronic context.* When the logic of the service resonates with the way consumers think, it builds trust in the FSP. In addition, consumers appreciate realistic, even pessimistic presentation of risks, and clarity in the structure of fees. Furthermore, financial advisors should familiarize themselves with the situation of life of the customer to guarantee that they are offering services that are suitable for the customer. In the electronic environment, privacy and security are important trust-building features, and directly linked with consumers' willingness to use the service. Consumers should have the option to reject all marketing based on the information they disclose in the electronic service. However, they should also have an opportunity to specify when, how and on which issues they would like to be contacted. Links to various important web pages would also increase the consumer confidence in the service through increasing the usefulness of the service.

Consumers recognised the role of the financial advisor as a "servant to two masters" (the FSP and the customer), and believed that the financial advisor was more loyal to the employer than to customers. A financial advisor is, in effect, an agent to two principals, the employer and the customer, causing a trilateral agency problem to arise. The principal–agent perspective aims to explain transactional arrangements between self-interested parties with incongruent goals in the presence of uncertainty (Pavlou et al., 2007). The perspective has been traditionally employed in the examination of employment relationships (e.g. Eisenhardt, 1989; Rees, 1985) where one entity (the principal) delegates work to another (the agent) who performs the work according to a mutually agreed contract. Pavlou et al. (2007) discussed the characteristics of the principal-agent perspective and justified its use in the buyer – seller relationship. Based on the inherent information asymmetry in the financial advisor-customer relationship, the advisor typically has more information than the customer about the seller, on the offered products and services, and on procedures and practices. This may create a bias on the advisor's part to act in his/her self interest rather than in the best interest of the customer. The actions of the employer are vital in this respect since the employer pays remuneration for the work and employs supervisory schemes to guide the actions of the financial advisor. Both the compensatory mechanism and supervision should be implemented so that they encourage the financial advisor to think about the good of the customer.

Only a few previous studies have applied a dyadic research methodology to the financial services context. Diacon (2004) and Törngren and Montgomery (2004) described the importance of the comparison of the perceptions of consumers and experts. An essential feature of our study is the dyadic research methodology that we have applied in a novel way. In the study, we asked consumers about their perceptions of wealth, motives for accumulating wealth, and the perceived risks related to wealth management. Furthermore, we were interested in uncovering what financial experts assumed consumers think about wealth-related issues. We then compared the results of these two sources. If the perceptions of consumers and experts differ widely from each other communication between the parties suffers. However, both groups shared common perceptions regarding most of the central themes relating to wealth management. The main differences were found in the facets of trust that consumers and financial experts emphasised.

5.1 Managerial implications

Financial service companies need to plan their marketing and customer service to different customer groups. Since different facets of trust play a decisive role in the customer - FSP relationship, the customer's perceived trust could be used as a segmentation criterion. Both consumers with low or high involvement in wealth management could be potential users of the suggested service, the WMT. Rather than separate calculators that resolve a consumer's single problem, the customers would gain a comprehensive view of their financial situation and receive personalised suggestions regarding acquiring, hedging or transferring their wealth. This feature would also make the service attractive for passive consumers, that is, uninterested bystanders and civil duty savers. However, the service interface and functionalities should be personalised according to the consumers' interests and computing skills. The high involvement consumers would appreciate the full functionality of the service; convenience-driven investors would most probably like to use their service in the company the financial advisor, whereas cost-aware investors might be most satisfied when using the service by themselves. However, the provision of such a service might also increase their trusting beliefs in the benevolence, competence and integrity of the FSP.

New holistic wealth management services and tools would help consumers to comprehend the connection between the importance of a long-term planning and their financial situation. Consumers would benefit from the opportunity of conducting a "financial security check" – the opportunity to map their own situation – and compare it with others belonging to the same demographic group. The combination of the internet and personal service in the service delivery would increase the ability of consumers to manage their personal economy. This would facilitate the personal encounter with the financial advisor, and thereby make the face-to-face meetings more efficient and rewarding also to the FSP.

When developing new financial services for complicated financial areas, such as wealth management, the focus should be on finding out what the important driving forces are in the consumers' lives and what terms and concepts consumers use, and then adapt these findings to financial services.

Financial companies also need to focus on human resource policies, training and internal marketing. A special emphasis should be applied to the training of financial advisors because they are key persons in trust-building. Financial advisors should be provided with tools that are helpful in their consumer encounters but do not restrict the flow of the discussions between the consumer and the financial advisor. Guaranteeing the quality of the consumer encounter is vital – but this is difficult because financial services are complex. Following the distrust perceived by some consumers, one strategy might be to increase transparency concerning costs, returns and risks. The attempt to obscure costs by bundling services might not be welcomed by consumers who would have difficulty in trying to understand and compare the offerings from various financial companies. However, some consumers who focus on convenience might indeed welcome the simplicity of bundled services. In addition, clarification of investment related facts in tables and graphs might ease consumers' cognitive burden brought about by trying to understand complex issues.

Limitations and future research

No research is without its limitations and we acknowledge the limitations that can be found in our study. The results gained through focus group discussions and interviews do not lend to generalization. In addition, Finnish financial markets have certain characteristics that are not shared by the majority of the domestic financial markets in other countries. The consumer focus group discussants were members of the Consumer Panel, but it is justifiable to use the Consumer Panel because the members in the panel are eager to speak out in consumer issues. Despite the limitations, the results offer interesting and new scientific knowledge about perceived trust, and how it can be used in market segmentation and customer service.

The objective of this paper was to understand rather than test hypotheses or offer generalizations. Therefore, although we have presented a categorization of consumers, we cannot categorically state how many consumers belong to each group. However, we suggest that our study creates a good framework for a wider quantitative study in which such questions can be empirically tested. In this regard further studies could focus on more extensive data gathering by collecting information on the general level of consumers' knowledge, involvement, trust and acceptance of new services in the wealth management context.

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