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Customer Education Increases Trust

CUSTOMER SERVICE

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Service companies shouldn't worry about teaching their customers too much.

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Companies that provide professional services have not always been eager to invest in customer education initiatives. For such companies, it has remained unclear what economic benefit they would gain by providing customers with the skills and abilities needed to become more knowledgeable customers. In fact, conventional wisdom in professional services industries holds that teaching customers the “tricks of the trade” does not pay; improving the service expertise of customers is thought to help them shop around for better alternatives and increase their likelihood of switching.

A recent study we conducted shows just the opposite. We surveyed more than 1,200 retail clients of Goldman Sachs JBWere Pty Ltd., a financial services company based in Melbourne, Australia. We then used that data to examine the multifaceted impact of customer education initiatives on the relationship between service quality and trust. Our findings show that there are considerable advantages that result from improving customers' service knowledge. (The complete study is contained in “Perceived Service Quality and Customer Trust: Does Enhancing Customers' Service Knowledge Matter?”; that paper was published in the February 2008 issue of the *Journal of Service Research*.)

Educating customers in a financial services context can involve a range of initiatives, such as advisors who take additional time to explain the pros and cons of products or interactive Web pages updated with information customized to the client's needs. Such initiatives have the effect of increasing customers' knowledge of the company and of the market. However, customer education

can also be costly and may equip the customer to switch to a competitor or a self-service option, such as E*TRADE Financial Corp. or The Charles Schwab Corp. Full-service financial services companies should thus rightly ask, “What's in it for us?”

Plenty, it turns out. Efforts to enhance customers' service knowledge had a positive and strong impact on customer trust in our study. Interestingly, however, there were also some secondary effects of customer education. Specifically, the extent to which service employees provided courteous and attentive service had an even stronger positive effect on trust as customer education initiatives increased. In contrast, the relative impact of the quality of the service outcome (for example, a high rate of return on a financial investment decision) on trust became weaker as customer education initiatives increased.

The more customers know about the service products available, in other words, the more appreciative they become of good customer service and timely information. On the other hand, service outcomes such as rates of return become *less* important for building trust as customers' service knowledge increases; perhaps, with a greater knowledge of the market, customers start to understand the difficulty in providing genuine differentiation in this aspect of the service. While this may be particularly true in the case of the investment industry, this finding is likely to hold true in other professional service contexts, including legal and medical services.

Furthermore, a company's effort to enhance customers' service knowledge will be perceived differently based on the starting levels of expertise of individual customers.

For clients who were already expert, the delivery of attentive and courteous service played an even more important role in building customer trust as customer education efforts increased. Expert clients also appeared to be less concerned if education initiatives revealed to them the lack of differentiation on service outcomes, such as rates of return — and were more likely to trust the company as a result of a customer education initiative.

What exactly does this mean for business? Efforts to enhance customers' service knowledge and provide them with the skills and abilities to use critical information can help companies differentiate their service offerings and provide a strong foundation on which to build trusting relations with customers. The findings suggest that service companies should become more transparent with customers and avoid the tendency to protect "black box" methodologies and processes. In turn, this will allow these companies to trade upon their levels of customer service quality to develop and nurture trust-based relationships.

We encourage service companies to provide employees with behavioral latitude to explain concepts to customers. Service employees often are hamstrung by excessive workloads and by reward systems that encourage *reducing* the time spent with customers. Instead, companies should provide employees with the time and resources to help build customers' overall level of competence. Finally, businesses need to treat customer relationships as dynamic and evolving. Expertise is built slowly, over time. Companies need to take a long-term view of their relationships with customers. Efforts to reduce the asymmetry in knowledge between the business and the customer should be seen as an opportunity, not a threat. Ultimately, a knowledgeable customer is a good customer.

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