PROCEEDINGS

RARCS

ZAGREB 2025

Soora Rasouli &
Harry Timmermans (eds.)

Cite: Rasouli, S. & Timmermans, H. J. P. (eds.) (2025). *Proceedings* 31*st*[h] *Recent Advances in Retailing and Consumer Science Conference, Zagreb, July* 7-10*,* 2024. Eindhoven: RARCS. Once published, cite the published versions of the papers.

Preface

We have the pleasure to compile these proceedings of the 31st RARCS conference. The conference gives delegates the option to include either an extended abstract or a full paper in the conference proceedings. In addition, a book of one-page abstracts of all presentations is made available to delegates. Proceedings are only distributed among participants and are not submitted to any repositories. Copyright is not transferred. Thus, delegates can submit their work to journals, without facing any formal self-plagiarism issues.

We trust these proceedings and the book of abstracts are useful material for our delegates.

Soora Rasouli & Harry Timmermans
Co-Chairs

Contents

Proceedings 31st International Conference on Recent Advances in Retailing and Consumer Science, July 7 – 10, 2025, Zagreb, Croatia

The relationship between trust and loyalty, and example from the banking sector

Thorhallur Gudlaugsson[a*]

[a]*School of Business, University of Iceland, Gimli v/Saemundargata, 102, Iceland*

Abstract. In business, trust between parties is important. Each party must be able to trust others, as business relationships would likely suffer otherwise. The main goal of this study is to explore the current state of trust in Icelandic banks, the impact of the 2008 banking collapse, and how changes in trust have affected customer loyalty to banks. This research is based on 16 quantitative surveys that evaluated banks' images, with trust being one of the key attributes assessed. The surveys were conducted annually from 2006 to 2019 and then again in 2021 and 2023. In total, 10,245 responses (640 per year on average) were gathered. The results show that before the banking collapse in the fall of 2008, banks were perceived as having positive attributes, such as trust and social responsibility, and the association between banks and negative attributes, such as corruption, was weak. However, this trend shifted after the collapse as banks became more closely associated with corruption, and trust in banks decreased. The findings also indicate a strong relationship between trust and loyalty, indicating that trust is a complex phenomenon and that rebuilding lost trust takes time.

Keywords: Image; reputation; quality, performance; banks

Introduction

In the first decade of this century, the Icelandic banking system grew rapidly, reaching 10 times the Iceland's GDP by the end of 2007 (The Icelandic National Audit Office, 2009). In the fall of 2008, a major change occurred, as the three largest banks – Íslandsbanki (at that time, Glitnir), Arion Banki (at the time, Kaupthing), and Landsbankinn – had gone bankrupt in just a few days. Together, these banks held the most savings and loans in Iceland and were responsible for around 85% of all assets in the banking system (The Icelandic National Audit Office, 2009). The remaining 15% was largely held by small savings and loan firms, which later also went bankrupt and were taken over by the restored state-owned banks. Therefore, following the banking collapse, almost the entire financial system came under state ownership. The consequences were serious for the public and the economic system (Páll Hreinsson *et al.,* 2008), but the banks faced especially severe consequences, for example, in terms of trust. After the bank collapse respondents strongly associated banks with the image attribute corruption. Despite this negative trend in trust, the proportion of people who switched banks after the collapse compared to before the collapse remained stable, at 5–8%. The most common explanation for this was that banking services were homogeneous, and that the entire

* Corresponding author. Tel.: +354 8983540 ; *E-mail address:* th@hi.is

banking system had gone bankrupt. However, research suggests that customers are likely to associate "their" banks more strongly with trust than others, which could also explain the reluctance to switch banks (Gudlaugsson, 2017).

Trust

Much of human interaction is based on trust, which can be based on many factors, such as confidence, credibility, individual actions, and uncertainty (Robbins, 2016). Despite its importance in everyday life, it took some time for academia to focus on it. Initially, trust had a narrow definition and was often cited as a behavior (Deutsch, 1958, 1960) or personality trait (Rotter, 1967, 1980). Later, research began focusing on linking risk and trust (Freudenburg, 1993) while examining trust in the context of risk and management (Earle & Cvetkovich, 1997; Earle, 2010; Earle & Sigrist, 2008). Trusting another person or organization always involves some risk; therefore, it is natural to view trust and risk as related phenomena (Mayer *et al*., 1995). Similarly, distrust can involve risks, as it can signal the existence of business opportunities that have not been taken advantage of, and the effort to ensure that an individual or organization is worthy of trust can entail costs for the person who bears the distrust (Hardin, 1998; Mayer *et al*., 1995). Research shows a strong relationship between trust and convictions or assurance (Earle & Siegrist, 2006; Siegrist *et al*., 2003). However, it is important to distinguish between these concepts, as trust relates to individuals and their actions and intentions, while conviction or assurance relates to organizations that do not intend to act or not act. Trust is directed at the individuals responsible for the organization and, therefore, is not inherently trust (Siegrist, 2021).

Trust and banks

Trust in banks and financial institutions is generally considered important for efficiency, although Fungácoá et al. (2019) point out that little is known about what determines trust in banks. They state that women appear to have more trust in banks than men, with trust increasing with increasing income but decreasing with increasing age and higher education. Boatrigh (2011) identified that almost nobody questions the importance of trust and integrity for financial activities and that there is no consensus on what these concepts mean. Jarvinen (2014) examined trust in banks in 29 European countries and found that the banking collapse shed particular light on the importance of trust in banks, but it is important to remember that trust is also important at other times. However, Gritten (2011) points out that in this context, the banking collapse caused a fundamental reversal in the aftermath of the collapse, which had adverse consequences; thus, trust is even more important for managers than before. Armstrong (2012) argues that trust in financial transactions is important when various commercial agreements are pending and negotiation costs are too high.

Thus, trust is a party's belief that another party will not exploit its position to achieve its interests at the expense of the other. This is a fundamental issue for those who rely on banking transactions, and the banking collapse has created turmoil. In this context, Eysteinsson and Gudlaugsson (2013) examined factors that could predict forgiveness, while previous research by Xie & Peng (2009) indicated that forgiveness was one of the most important prerequisites for building trust after it had been lost (also see Gudlaugsson & Eysteinsson, 2013). Results have shown that six factors explained almost 80% of the variance in forgiveness, with the "belief that the bank will meet customers' expectations" having the greatest weight ($\beta = 0.31$). Therefore, as Xie & Peng (2009) found, the key concepts in gaining forgiveness are expectation management, honesty, and respect.

Trust, loyalty and banks

Loyalty is an important marketing concept, especially when the goal is to build a strong brand (Helgesen & Nesset, 2007; Zeithaml *et al*., 2024; Zinkham, 2002). The importance lies in the fact that loyal customers represent value and that it is usually cheaper to retain existing customers than to acquire new ones (Kotler *et al.*, 2022; Zeithaml *et al.*, 2024). Loyalty can be defined in various ways, such as behaviorally (Keiningham *et al.*, 2008) or attitudinally (Boulding *et al.*, 1993; Helgesen & Nesset, 2007). Behavioral loyalty focuses on repeat purchases of a product or service, but the problem with this concept is that the reason for repeat purchases may be that other options are unavailable (Ozimek, 2003; Reichheld, 2003). In other words, customers are “stuck” in doing business with certain parties and are not truly loyal. Attitude-based loyalty considers an individual’s willingness to recommend a product or service to others when asked how well or poorly the person likes the brand and how likely or unlikely the person believes he or she will discontinue or continue business in the future (see, for example, Akhgary *et al.*, 2018). A common method to assess attitude-based loyalty is the Net Promoter Score (NPS), introduced by Reichheld (2003), but this method has been criticized by academics. For example, Hayes (1998, 2008, 2013) criticized the NPS based on Reichhled’s (2003) argument that a single question can be a good measure of loyalty and growth. Furthermore, Keiningham *et al.* (2008) point out that the NPS is too simple for assessing the complex relationship between loyalty and growth. However, the NPS is widely used in various organizations due to its simplicity. Fungácová *et al.* (2019) argue that various demographic factors, such as gender, age, and education, can explain variations in bank loyalty. This relates to behavior-based loyalty (i.e., whether people switch banks). Research shows that mobility between service providers is lower than in contexts involving tangible products (Zeithaml *et al.*, 2024), and therefore, it is more useful to examine attitudinal loyalty than behavioral loyalty in services (Haeys, 1998, 2008, 2013).

Research questions

This study examines how trust in banks has developed since 2006 and whether there is a connection between trust and loyalty. The following research questions were posed: (i) How have the image attributes of trust and corruption developed from 2006 to 2023?; (ii)What is the relationship between trust and loyalty (measured as the likelihood of switching banks in the next six months)?

Methodology

This chapter explains how the research was conducted and how the data was processed and presented in the results section.

Preparation and implementation

The study is based on 16 online surveys conducted in the same manner in February and March each year. The surveys were conducted annually from 2006 to 2019 and every other year thereafter. Data from 2021 and 2023 is also used in the study. The differences between the surveys were insignificant, but all of them examined the images of the banks being assessed. The same basic attributes were used in all years. In 2021 and 2023, attitudes towards service quality were also measured, and the number of image attributes was reduced. Respondents were also asked throughout the years how likely they were to change banks in the next six months. This question was used as a measure of loyalty. Convenience sampling was employed in all cases, with the data weighted based on the gender and age of the population.

Population, sample, and data analysis

The population in this study are bank customers in Iceland. Table 1 shows the total number of valid responses from the sample.

TABLE 1 - The total number of valid responses

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2021	2023
Number of responses	661	916	512	572	541	533	800	564	368	889	611	816	821	521	480	640
Proportion of women	72,0%	69,0%	68,4%	71,6%	72,4%	69,2%	66,5%	63,3%	59,8%	60,6%	48,3%	46,9%	51,3%	69,5%	64,6%	57,5%
Proportion af < 30 years old	63,7%	61,9%	55,9%	56,4%	50,1%	48,5%	49,2%	35,7%	56,9%	29,5%	23,6%	18,6%	25,6%	58,2%	23,3%	42,5%

TABLE 2 - An example of how weighting factors were calculated

	Population		Sample		Weighting factors	
	Male (1)	Female (2)	Male (1)	Female (2)	Male (1)	Female (2)
18-24 years old (1)	7,8%	7,4%	10,3%	26,7%	0,75	0,28
25-29 years old (2)	5,8%	5,5%	9,7%	17,0%	0,59	0,32
30-39 years old (3)	11,2%	10,3%	4,6%	17,5%	2,44	0,59
40-70 years old (4)	26,7%	25,4%	3,3%	10,8%	8,09	2,35

Table 1 shows that the number of valid responses varies years, between 368 and 916. The total number of valid responses was 10,245. Table 1 also shows that in most cases, the sample was skewed compared to the population in terms of age and gender. This was addressed by weighting the data based on gender and age, assuming that the sample reflected the gender and age of the population aged 18–70 at the time of the measurement (Statistics Iceland, ed.). Table 2 shows an example of how weighting factors were calculated and used based on these assumptions for one year. The calculation is different for each year, as this ensures that no single group (e.g., young women) skews the results based on the population's attitude. In all cases, weighted data was used in statistical processing as needed.

The results for the development of the image attributes trust (and corruption) from 2006–2023 are highlighted based on the average score of each image attribute for the years in which the measurement was taken. The relationship between trust and loyalty (based on how likely or unlikely a respondent thought they were to switch banks in the next six months) was assessed based on responses on a 5-point scale, with 1 representing "very unlikely" and 5 indicating "very likely." Specifically, we assessed the development of the proportion of respondents who gave responses of 4 or 5.

Results

This chapter starts by outlining how trust and corruption developed. It then analyzes the relationship between trust and loyalty. Figure 1 shows how perceived trust and corruption developed from 2006 to 2023. The vertical line represents October 2008 and marks the economic collapse that occurred when the banks went bankrupt.

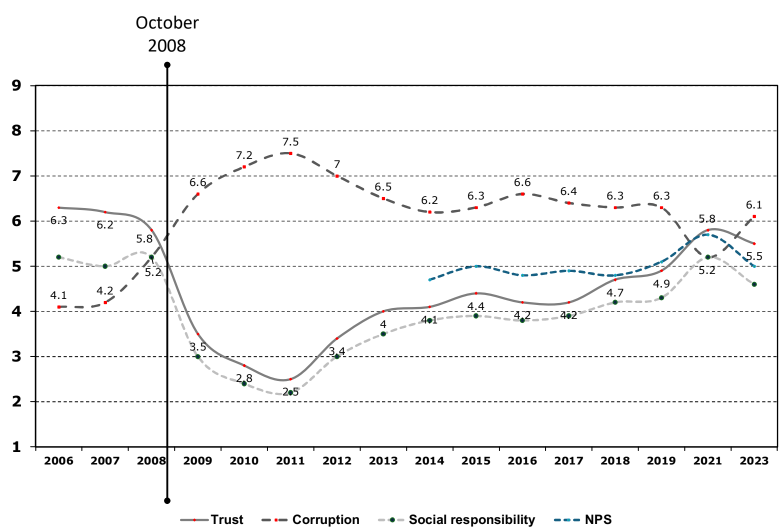

FIGURE 1 - Development of trust from 2006 to 2023

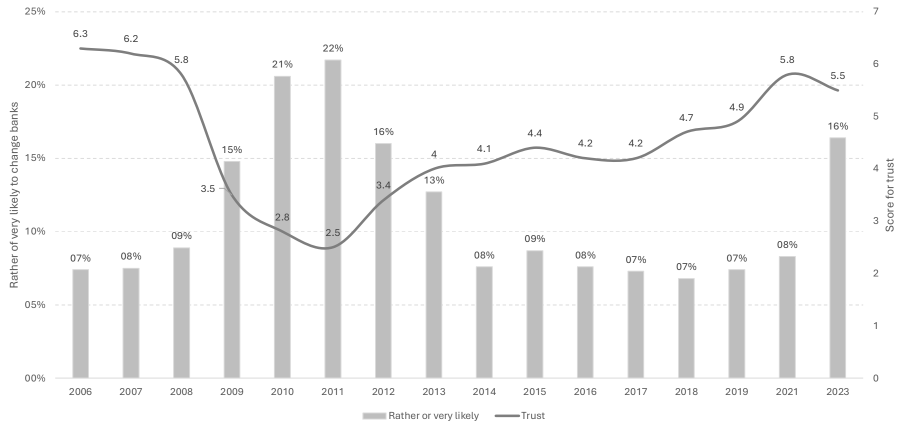

FIGURE 2 - Development trust and the proportion of non-loyal customers

Before the economic collapse, banks were associated with trust and had a weak connection to corruption. In February 2009, the connection with trust weakened significantly and continued to do so in 2010 and 2011 before beginning to strengthen. In 2021, banks' connection with trust was stronger than the connection with corruption for the first time since the collapse. However, the numerical value was lower than before the crash, and in 2023, trust in banks weakened again.

Figure 2 shows the development of trust and the proportion of non-loyal customers (i.e., those who believe they are likely or very likely to change banks in the next six months). In 2006 and 2007, before the economic collapse, 7.4–8.9% of respondents were non-loyal customers. In the same years, trust was measured as high (5.8–6.3 on a 9-point scale).

In 2009, the year immediately following the collapse, the ratio of non-loyal customers rose to 14.8%, and the average trust score dropped to 3.5. This trend essentially remained the same throughout the rest of the study period. That is, as trust in banks weakened, the proportion of non-loyal customers increased, and vice versa. Pearson correlation calculations show a strong (Pallant, 2020) and negative correlation (r = -0.67) between trust and non-loyal bank customers.

Discussion and conclusions

This study sought to explain the development of the image attribute trust from 2006 to 2023 and explore the relationship between trust and loyalty. Research shows that the relationship between these factors is generally strong (Zeithaml *et al.*, 2024). The current findings show that before the economic collapse in 2008, banks enjoyed trust, while their connection to corruption was weak (see Figure 1). Immediately after the collapse, trust in banks weakened and perceptions of corruption strengthened. Correlation calculations show an almost perfect negative relationship between trust and corruption (r = -0.93). This is unsurprising and corroborates the results of Toader *et al.* (2018). However, they examined the relationship in Eastern European banks, whereas the present study examined this relationship in the Icelandic banking industry.

The results also show a strong negative relationship between trust and the likelihood of switching banks. This finding is consistent with existing research (e.g., Albarq, 2023; Chai *et al.*, 2015; Mosavi *et al.*, 2012). The results indicate that although relatively few people switch banks annually, many people do consider it, suggesting that as it becomes easier to switch banks, people will become more likely to do so. The main theoretical contribution of this study is that it demonstrates a strong negative relationship between trust and perceptions of corruption among banking customers. The results also show a strong positive relationship between trust and loyalty.

References

Akhgary, M., Bruning, E.R., Finlay, J. & Gruning, N.S. (2018). Image, performance, attitudes, trust, and loyalty in financial services. *International Journal of Bank Marketing,* 36(4), 744-763.

Albarq, A. N. (2023). The impact of CKM and customer satisfaction on customer loyalty in Saudi banking sector: the mediating role of customer trust. *Administrative Sciences,* 13(3), 90. https://doi.org/10.3390/admsci13030090.

Armstrong, A. (2012). Restoring trust in banking. *National Institute Economic Review,* 221(1), 4-10. https://doi.org/10.1177/002795011222100111.

Boatright, J. R. (2011). Trust and integrity in banking. *Ethical Perspectives,* 18(4), 473-489.

Boulding, W., Kalra, A., Stealin, R. & Zeithaml, V. A. (1993). A dynamic process model of service quality: from expectations to behavioral intentions. *Journal of Marketing Research,* 30, 7-27.

Chai, J. C. Y., Malhotra, N. K. & Alpert, F. (2015). A two-dimensional model of trust-value-loyalty in service relationships. *Journal of Retailing and Consumer Service,* 26(9), 23-31. https://doi.org/10.1016/j.jretconser.2015.05.005

Deutsch, M. (1958). Trust and suspicion. *Journal of Conflict Resolution,* 2(4), 265–279.

Deutsch, M. (1960). The effect of motivational orientation upon trust and suspicion. *Human Relations,* 13(2), 123–139.

Earle, T. C. (2010). Trust in risk management: a model-based review of empirical research. *Risk Analysis,* 30(4), 541–574. https://doi.org/10.1111/j.1539-6924.2010.01398.x.

Earle, T. C. & Cvetkovich, G. (1997). Culture, cosmopolitanism, and risk management. *Risk Analysis,* 17(1), 55–65. https://psycnet.apa.org/doi/10.1111/j.1539-6924.1997.tb00843.x.

Earle, T. C. & Siegrist, M. (2008). On the relation between trust and fairness in environmental risk management. *Risk Analysis,* 28(5), 1395–1413. https://doi.org/10.1111/j.1539-6924.2008.01091.x.

Earle, T. C. & Siegrist, M. (2006). Morality information, performance information, and the distinction between trust and confidence. *Journal of Applied Social Psychology,* 36, 383–416. https://doi.org/10.1111/j.0021-9029.2006.00012.x.

Eysteinsson, F. & Gudlaugsson, T. (2013). Predicting the level of banks's customer forgiveness following a banking crisis. *Review of Business Research,* 13(2), 105-111. http://dx.doi.org/10.18374/RBR-13-2.12.

Freudenburg, W. R. (1993). Risk and recreancy: Weber, the division of labor, and the rationality of risk perceptions. *Social Forces,* 71(4), 909–932. https://doi.org/10.2307/2580124.

Fungácová, Z., Hasan, I. & Weill, L. (2019). Trust in banks. *Journal of Economic Behaviour & Organization,* 157(1), 452-476. https://doi.org/10.1016/j.jebo.2017.08.014.

Gritten, A. (2011), New insights into consumer confidence in financial services. *International Journal of Bank Marketing,* 29(2), 90-106. https://doi.org/10.1108/02652321111107602.

Gudlaugsson, T. (2017). Trust and loyalty in retail banking and the effect of the banking crisis in Iceland. *International Journal of Business Research,* 17(1), 65-72. http://dx.doi.org/10.18374/IJBR-17-1.6.

Hardin, R. (1998). Trust in government. In: V. Braithwaite *et al.* (eds.), Trust and governance (pp. 9–27). New York: Russell Sage Foundation. https://www.jstor.org/stable/10.7758/9781610440783.5.

Hayes, B. E. (1998). *Measuring customer satisfaction: survey design, use, and statistical analysis methods* (2. edition). Milwaukie: ASQ Quality Press.

Hayes, B. E. (2013). *TCE: Total customer experience – Building business through customer-centric measurement and analytics.* Business Over Broadway.

Hayes. B. E. (2008). Customer loyalty 2.0. *QUIRK'S Marketing Research Review*, 54–63.

Helgesen, Ö. & Nesset, E. (2007). Images, satisfaction and antecedents: drivers of student loyalty? a case study of a Norwegian university college. *Corporate Reputation Review,* 10(1), 38-59.

Hreinsson, P, Benediktsdóttir, S. & Gunnarsson, T. (2008). Aðdragandi og orsakir falls íslensku bankanna 2008 og tengdir atburðir [in icelandic]. Rannsóknarnefnd Alþingis.

Jarvinen, R. A. (2014). Consumer trust in banking relationships in Europe. *International Journal of Bank Marketing,* 32(6), 551-566. https://doi.org/10.1108/IJBM-08-2013-0086.

Keiningham, T. L., Aksoy, L., Cooil, B. & Andreassen, T. W. (2008). Linking customer loyalty to growth. *MIT Sloan Management Review,* 49(4), 51-57.

Kotler, P., Keller, K. L. & Chernev, A. (2022). *Marketing Management.* New York: Pearson.

Mayer, R. C., Davis, J. H., & Schoorman, F. D. (1995). An integrative model of organizational trust. *Academy of Management Review, 20*(3), 709–734. https://psycnet.apa.org/doi/10.2307/258792.

Mosavi, S. A. & Ghaedi, M. (2012). A survey on the relationship between trust, customer loyalty, commitment and repurchase intention. *African Journal of Business Management,* 6(36), 10089-10098.

Ozimek, J. (2003). Customer loyalty in European banking. *Journal of Database Marketing & Customer Strategy Management,* 11(1), 91-92.

Pallant, J. (2020). *SPSS Survival manual. a step-by-step guide to data analysing using IBM SPSS*. New York: McGraw-Hill.

Reichheld, F. (2003). The one number you need to grow. *Harvard Business Review,* 81(12), 46–54.

Robbins, B. G. (2016). What is trust? a multidisciplinary review, critique and synthesis. *Sociology Compass,* 10(10), 972-986. https://doi.org/10.1111/soc4.12391.

Rotter, J. B. (1967). A new scale for the measurement of interpersonal trust. *Journal of Personality,* 35(4), 651–665. https://psycnet.apa.org/doi/10.1111/j.1467-6494.1967.tb01454.x.

Rotter, J. B. (1980). Interpersonal trust, trustworthiness, and gullibility. *American Psychologist,* 35(1), 1–7. https://psycnet.apa.org/doi/10.1037/0003-066X.35.1.1.

Siegrist, M. (2021). Trust and risk perception: a critical review of the literature. *Risk Analysis,* 41(3), 407-557. https://doi.org/10.1111/risa.13325.

Siegrist, M., Earle, T. C. & Gutscher, H. (2003). Test of a trust and confidence model in the applied context of electromagnetic field (EMF) risks. *Risk Analysis,* 23(4), 705–716. https://doi.org/10.1111/1539-6924.00349.

Statistic Iceland. (e.d.). Mannfjöldi. https://hagstofa.is/talnaefni/ibuar/mannfjoldi/ [in Icelandic].

The National Audit Office (2009). Endurskoðun ríkisreiknings 2008 [in icelandic]. The National Audit Office.

Toader, T., Onofrei, M., Popescu, A. & Andries, A. M. (2018). Corruption and banking stability: evidence from emerging economies. *Emerging Markets Finance and Trade,* 54(3), 591-617.

Xie, Y. & Peng, S. (2009). How to repair customer trust after negative publicity: the roles of competence, integrity, benevolence, and forgiveness. *Psychology & Marketing,* 26(7), 572-589. https://doi.org/10.1002/mar.20289.

Zeithaml, V. A., Bitner, M. J., Gremler, D. D. & Mende, M. (2024). *Service marketing: integrating customer focus across the Firm*. New York: McGraw Hill.

Zinkham, G. M. (2002). Relationship marketing: theory and implementation. *Journal of Market-Focused Management,* 5, 83-89. https://doi.org/10.1023/A:1014031025271.