The Impact of Perceived Bank Service Quality on Young Adults' Perceptions of Social Inequality and Evaluations of Credit Unions

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ABSTRACT

The purpose of this research is to examine the impact of perceived service quality provided by banks on young adults' perceptions of general societal and context-specific inequality, and negative emotions. Four laboratory experiments are designed and conducted to test these relationships. Results show increased context-specific inequality perceptions and negative affects on receiving lower quality service. Societal income inequality perceptions influenced preferences and recommendation likelihood for credit unions through attitudes towards them. A key role of knowledge about credit unions was found—whereby individuals with greater awareness provided more favorable evaluations for credit unions. Information received from friends was also trusted more than through ads. Theoretically, this research draws connections between literatures on service quality, social inequality, and information processing. Results found here have practical implications for both the functioning of banks as well as that of credit unions.

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CHAPTER ONE: INTRODUCTION

I. Introduction

According to the Canadian Bankers Association (2010), banks are the major players within the world's financial industry. They serve millions of customers including individuals, small and medium-sized businesses, large corporations, governments, and nonprofit organizations, etc. The relationship between banks and their customers are, however, subject to variability, with customers displaying a tendency to switch between banks and other financial institutions from time to time in different ways. For example, Bank Transfer Day was one of the initiatives that encouraged customers to move their assets from commercial banks to credit unions by November 5, 2011 in response to the aggressive fees that big banks (i.e., Bank of America) charge their customers (Little 2011). This event was initially posted on Facebook and then became a national movement to abandon big banks. As a consequence, by November 2, 2011 credit unions received up to 50% increase in new accounts - $4.5 billion in funds and 440,000 new customers (Pfeifer and Reckard 2011).

The huge fees that big banks charge are not the only reason for customers to switch from banks to other types of financial institutions. A relationship banking study carried out by MasterCard in 2010 revealed that customers' primary motivations for switching banks are not pricing or product related, but rather service related or related to life changing events (e.g., moving, marriage). Since banks cannot control facets of their customers' lives such as their residency or marital status, customer service has become an important controllable aspect for preventing customers from switching to other banks or financial institutions.

Findings of this research reinforce the importance of bank service quality in maintaining good customer relationships and long-term profitability. Banks provide a wide range of specialist services to valued customers in order to improve service quality. For the specific demographic that comprises of young adults (18-24 years), earning lifecycles are at the inception phase and income levels and resources are generally low. This often makes young adults appear as being at a lower social class level compared to others in society, and therefore less valuable and underserved by banks (Sumangali 2011). Indeed, facts also show that young adults in their twenties, especially college students, face greater restrictions when applying for services (e.g., credit cards). For instance, in the United States, the Credit CARD Act of 2009 makes it much more difficult for young adults under the age of 21 to get their credit cards. Under the new law (which took effect in February 2010), without a parent or guardian who is willing to co-sign, no one under the age of 21 would be approved for credit card offers (CARD 2009).This devaluation can make credit unions—as alternatives to traditional banks— more attractive within the young adult population.

Different from banks, credit unions are member-owned, not-for-profit financial cooperatives which provide savings, credit, and other financial services to their members (Arthur and Sheffrin 2003). According to the World Council of Credit Unions (2004), credit unions run more locally than banks and members usually share a common bond, such as where they live and work. Credit unions conduct business for the mutual benefit and general welfare of their member-owners. In addition, for credit unions, after expenses are paid and reserves set aside, surplus earnings are returned to members in different ways, such as in the form of higher interest rates on deposits, lower interest rates on loans, and low cost or free services. Consistently higher customer satisfaction rates have also been reported for credit unions over banks (Allred and Adams 2000; Allred 2001).The traditional target audience for credit unions has been people low on the socio-economic scale or marginalized communities—e.g., farmers with smaller, more seasonal, and less predictable income flow which makes them ineligible for loans from banks. However, more contemporary targets such as young adults are now being pursued—e.g., via credit unions' Young & Free campaign (youngfreehq.com) that relies heavily on young spokespeople, and social and online media. Young adults, if they perceive themselves as less valued by banks, may therefore opt for credit unions instead on being provided with information pertaining to a more egalitarian stance. This research primarily interests itself with questions regarding the manner in which young adults react to low quality service received at banks. Namely, (i) whether such experiences trigger perceptions of generalized as well as more localized context-specific inequality?; and (ii) what, if anything, such inequality perceptions mean for the subsequent evaluation of credit unions (represented as an alternative to conventional banking)?

II. Scope of research

In order to explore these issues, literature reviews of several key constructs (namely, service quality, social inequality, and credit unions) are conducted (Chapter 2). Second, the conceptual framework and research hypotheses are proposed (Chapter 3). Third, four controlled laboratory experiments test these hypotheses (Chapter 4, 5, 6, and 7). Study 1 examines the role of poor bank service quality in the formation of young adults' perceptions of inequality (both general socio-economic inequality and context-specific inequality) and negative affect (i.e., feelings of anger, being upset, and embarrassed) due to treatment received from banks. Their evaluations of credit unions are then assessed. Study 2 looks at the impact of different sources of information (specifically, ads versus word-of-mouth) on young adults' evaluations of credit unions. Study 3 further examines the impact of priming perceived social class inequality on such evaluations. Study 4, however, instead of looking at credit unions, examines the impact of poor bank service quality on young adults' evaluations of the bank itself. Finally, the results found, and their implications for theory and practice are discussed. Limitations of the research and associated avenues for future research are then presented (Chapter 8).

CHAPTER TWO: LITERATURE REVIEW

I. Service Quality

According to Lu (2003), one of the key ingredients for any successful business relationship is good and effective methods of service provision. Different from how people usually think about the quality of goods (i.e., tangible products), Parasuraman et al. (1985) proposed that an acknowledgement of three unique characteristics of services—i.e., intangibility, heterogeneity, and inseparability—is essential for the study of service quality. The *intangible* nature of services comes about as they are performance-based, therefore precise manufacturing specifications can rarely be set. This creates difficulties for firms to understand how consumers perceive the services they received and evaluate the quality of service (Zeithaml 1981). Service *heterogeneity* refers to the notion that service performance relies on multiple agents (e.g., service providers, customers) that are subject to change on a day to day basis, therefore consistent performance by the same service person at different times, or by different personnel, is difficult to ensure (Booms and Bitner 1981). *Inseparability* touches upon the idea that the production and consumption of many services cannot be separated (Gronroos 1978)—and services that are produced cannot be inventoried for later consumption.

Due to these unique characteristics of services, service oriented firms have less managerial control over the quality of their output as well as the assessment of service quality than do firms that market tangible goods.

The SERVQUAL Instrument

Given these challenges, numerous models have been proposed for measuring service quality—i.e., consumer judgments about a service provider's overall excellence (Parasuraman et al. 1988). For instance, Parasuraman et al. (1988) have proposed the SERVQUAL metric, while Cronin and Taylor (1992) have developed and advocated the SERVPERF instrument. The SERVQUAL scale, that has garnered widespread recognition and application since its introduction, is based on the proposition that consumers' perceptions of service quality are the outcome of a comparison of their expectations about what a service provider should offer with his or her perceptions of the actual service that received. In other words, what Parasuraman et al. (1988) proposed is a gap between consumers' expectations and their actual experiences and this gap can be represented mathematically as: $SQ_i = P_i - E_i$, where P_i refers to customer's perceptions of the actual service provided by a firm, and E_i refers to the expectations this customer held toward the service. Within this framework, Parasuraman et al. (1988) proposed five dimensions for the assessment of customer perceptions and expectations of service quality for service and retailing organizations. Three of these dimensions are unique – namely, tangibility (i.e., physical facilities that provided in the service location), reliability (i.e., the ability to perform the promised service accurately), and responsiveness (i.e., the willingness to help customers in a prompt manner)—while the other two are combined—namely, assurance (i.e., employees' knowledge and expertise) and empathy (i.e., taking customers' interest at heart).

The SERVQUAL instrument has been applied to a wide range of service industries such as information systems (Jiang et al. 2000), telecommunications (i.e., Van der Wal et al. 2002), health care (i.e., Kilbourne et al. 2004), restaurants (i.e., Lee and Ulgado 1997), insurances (i.e., Mels et al. 1997), and libraries (e.g., Cook and Thompson 2001). In the specific context of the banking sector, the SERVQUAL instrument has also been widely used for measuring service quality and has elicited mixed results (Lam 2002; Arasli et al. 2005; Zhou et al. 2002). Researchers have adapted the SERVQUAL instrument in different ways based on service characteristics specific to different study contexts. Some studies introduce new dimensions. Lam (2002), for instance, uses the SERVQUAL instrument in the banking sector in Macau (China) and finds two levels of empathy (understanding of customer needs and flexible operating hours). Others studies eliminate existing dimensions of the SERVQUAL instrument. For example, Arasli et al. (2005) identified only three dimensions in the Cyprus banking sector (tangibility, reliability, and responsiveness). Some studies have also proposed modified versions of SERVQUAL. For example, the instrument proposed by Jabnoun and Al-Tamimi (2003) comprises of three dimensions: empathy, tangibility, and human skills. However, most of these alternative scales have not been replicated and their validity has not been evaluated (Ladhari et al. 2011). In this research, I therefore adhere to the intent of the original SERVQUAL instrument to assess the impact of service quality on young adults' perceptions of social inequality and negative affect in the context of banking experiences.

Moreover, while developing the model, Parasuraman et al. (1988) also specified a distinction between service quality and its more direct effect—i.e., that of customer satisfaction. In this theoretical framework, satisfaction refers to a transaction-specific judgment, while service quality refers to a global attitude towards a product or service. Within their gap model of service quality ($SQ_i = P_i – E_i$), Parasuraman et al. (1988) propose that satisfaction comes about when customer perceptions of the actual performance of a service are higher than their expectations about what the service provider should offer ($P_i > E_i$). Customer dissatisfaction, on the other hand, is generated when their perceptions of the actual performance of the service are lower than expectations about what the service provider should offer ($P_i < E_i$). For banking activities, customer satisfaction is also the consequence of satisfying and dissatisfying service deliveries (Ladhari et al. 2011). Previous studies show that perceived service quality leads to higher customer satisfaction in a banking setting (i.e., Cronin and Taylor 1992; Bei and Chiao 2006). Moreover, Johnston (1995) identifies that amongst the five SERVQUAL dimensions (Parasuraman et al. 1988), the most cited sources of satisfaction with the quality of service provided by banks are assurance, empathy, responsiveness, and reliability.

Service Failure

On the flip side, customers' emotional reactions to low quality service—namely, service failures—coupled with their behavioral consequences are also worthy of investigation. On the emotional level, customer dissatisfaction, as an overall judgment of service failure, is generated when customers' perceptions of the actual performance of a service are lower than their expectations related to what should be offered to them (Parasuraman et al. 1988). More specifically, customer dissatisfaction as a result of a service failure may manifest itself in the form of negative affective states such as anger and frustration (Richins 1997; Nyer 2000) or helplessness (Gelbrich 2010).

While allocating responsibility for service failures (Hess et al. 2003; Weiner 2000) and recovering from such negative emotions, customers pursue a variety of strategies during the attribution process (Bolton et al. 2003). The form these strategies take depends upon the specific emotion that is generated during the failed service experience. Anger and frustration are the two most widely observed consequences of service failures (Richins1997; Nyer 2000). These feelings are said to occur due to a hedonic bias (Weiner 1985)—where under unfavorable circumstances individuals tend to attribute failures to external or situational sources rather than to themselves. Prior research shows that anger is often triggered by external sources (such as service providers), while frustration is triggered by situational sources such as unfavorable conditions (Roseman 1991; Smith and Ellsworth 1985). In order to reduce such negative emotions, people use different coping strategies (Shaver 1985; Lazarus 1991). For example, angry customers often engage in confrontational coping with the service provider in the form of insulating frontline employees (Bolton et al. 2003) or complaining to the media to generate negative word-of-mouth (Ward and Ostrom 2006; Grégoire and Fisher 2008). While frustration makes customers resort to support-seeking forms of coping (Menon and Dubé 2007; Yi and Baumgartner 2004) rather than retaliatory coping that is triggered by anger. In addition, frustration also leads to customer engagement in negative word of mouth. However, rather than the vindictive purpose of negative word of mouth as a consequence of anger, support-seeking (Stephens and Gwinner 1998) and problem-solving (Grégoire and Fisher 2008) become the main objectives for the negative word of mouth and complaints that are generated in this manner. In addition to anger and frustration, Gelbrich (2010) also argues that feelings of helplessness play a crucial role in the context of service failures. In addition, helplessness, according to Lazarus (1991), is another emotion that is likely to occur when individuals perceive themselves as in a situation that has low potential to cope with unfavorable treatments. Since there is great individual variability in the capability to cope with negative situations, perceptions of helplessness vary from person to person.

A gap in service failure literature remains as past research mainly focuses on individuals' emotional reactions towards service providers, while paying little attention to other parties that might also be involved in the service scenario (i.e., other customers or witnesses). As services are often delivered in open or public areas in the presence of other customers or witnesses, the quality of service received by an individual is also subject to the scrutiny of others in the vicinity. Moreover, since services are characterized by heterogeneity (Parasuraman et al. 1985), the quality of service that is received by different customers may vary even within the same service organization. As a result, it can be argued that customers' emotional reactions to other customers that are present, especially those that receive different levels of service quality, may engender feelings such as embarrassment, and is deserving of further exploration.

II. Social Inequality

General socio-economic inequality is a contemporary issue that exists world-wide, and is frequently referred to as income inequality or wage disparity in the realm of business studies (i.e., Anand and Segal 1998; Li et al. 1998; Lemieux 2006; Neckerman and Torche 2007). The past half century has witnessed a global trend towards growing income inequality both in developed countries such as the US and developing countries such as China and India. For example, economic disparities began to rise in the mid-1970s in US (Morris and Western 1999; Card and DiNardo 2002) and remains high even in recent years (Neckerman and Torche 2007). In addition, the average household income of the richest 10% of the population in the Organization for Economic Co-operation and Development (OECD) countries is about nine times as much as that of the poorest 10% – a ratio of 9:1 (oecd.org, 2011). Although such ratios vary across the various OECD countries (both developed and developing), there exists a general tendency for the average income of the richest 10% of the population to grow faster than that of the poorest 10%—this is indicative of widened income disparities within these countries.

The growth of economic inequality over the past few decades globally has prompted extensive research into the causes and consequences of this phenomenon. Past investigations on the antecedents of income inequality have pertained to macro-economic upswings and downturns (Neckerman and Torche 2007), political environmental changes (Banerjee and Piketty 2005), and rising demand for certain types of skill sets (Lemieux 2006). Discrepant statistical methodologies and control variables adopted by different researchers have also served as contributing factors. The consequences of economic inequality on different aspects of society have also been significant—for instance, in terms of its influence on health outcomes (Subramanian 2004; Marmot et al. 1991), crime rates (Kawachi et al. 1999), mortality (Kawachi et al. 1997), education (Benabou 1996), and politics and social capital (Kawachi et al. 1997). While much has been studied within this area, inequality literature for the most part explores the antecedents and consequences of general socio-economic inequality at a macro level. That is to say, it mainly focuses on societal causes and consequences, while paying little attention to micro level determinants and outcomes of income inequality that take place within specific types of contexts and for specific types of individuals. The manner in which specific contexts impact individual perceptions of general socio-economic inequality as well inequality that is more specific to the context, and the subsequent behavioral patterns, therefore merit examination.

Social Class Inequality

General socio-economic inequality is also a major cause of the formation of different levels of social class within society (Muntaner et al. 1999). Yet, in the realm of social sciences, while social class is one of the most studied constructs, it is also one of the most inconsistently defined (Evans and Mills 1998). Some literature define social class from the aspect of *objective* material resource possession such as income, education, and occupation (Goodman et al. 2001; Twenge and Campbell 2002; Adler and Snibbe 2003), while others emphasize *subjective* aspects such as individuals' perceived social ranks over others (Kraus et al. 2009, 2011). Individuals with higher social class, when defined by the objective approach, are those that have higher income, higher education, and more prestigious position than others. However, if take the subject approach, higher social class individuals are those that *believe* they rank higher than others based on perceptions of access to higher income, higher education, or more prestigious positions than others. Based on these considerations, Cote (2011) proposed an integrated definition of social class—a dimension of the self that is rooted in objective material resources (i.e., income, education, and occupational prestige) and corresponding subjective perceptions of relative rank compared to others.

Socioeconomic status (SES), another construct in social science literature, is often used interchangeably with social class (e.g., Adler and Snibbe 2003). According to Berger et al. (1972), status refers to one's social rank order compared with others within a social system. Since social class is based on one's material rather than other valued resources (Cote 2011), it is essential to distinguish this construct from social status that is based on prestige, prominence, respect, and admiration (Anderson et al. 2001; Huberman et al. 2004; Washington and Zajac 2005; Magee and Galinsky 2008)—factors that are not necessarily obtained from the possession of material resources (Cote 2011). Moreover, according to Christie and Barling (2010), social status inequality, is a measure of social distance of relative advantage and prestige, and the social structure that separates individuals from one another (Prandy 1999; Bottero and Prandy 2003).

In the specific context of banking services, banks segment individual customers based primarily on their income level and occupation type. Individuals with higher income levels and more valued occupations (e.g., professionals or business owners) are likely to be regarded by banks as higher-class clients and provided with more specialized services. Individuals with lower income and less valued occupations (e.g., college students) on the other hand, are likely to be regarded as lower-class customers that face greater restrictions on access to certain types of services (e.g., while applying for credit cards). It may, therefore, be argued that it is social class (rather than social status) inequality that young adults perceive while engaging in banking activities. Similar perceptions of where we lie on the social class hierarchy may be triggered in different contexts depending on how valued we feel within a particular situation.

Social class inequality also significantly influences individuals' self-construct and social relationships given the differences in their material resource possessions and the environment that they live (Kraus et al. 2009, 2011; Piff et al. 2010; Snibbe and Markus 2005; Stephens et al. 2011). Higher class individuals have been found by past research as to possess a higher self-control than lower class individuals (Grossman and Varnum 2011) as higher education imparts associations between actions and outcomes (Lachman and Weaver 1998). However, lower class individuals tend to be faced with more unstable, challenging, and dangerous environments, which make them have lower sense of control over the unfavorable situations and lead to higher dependent on their social connections in order to buffer themselves from the risks and uncertainties. It has therefore been argued that lower class individuals are more likely to behave in ways that can help them to enlarge their social networks (Kraus et al. 2010). By contrast, higher class individuals are found to have lower motivation to enrich their social connections due to their huge material possessions and high control over risks and uncertainties at life (Cote 2011).

Specifically for the young adult demographic (ages ranging from 18 to 24 years), typically fewer resources make them more likely targets of less favorable treatment from service providers like banks as compared to more well off clients. Comparisons made of such treatment received are shown to result in self-perceptions of inferiority and inequality (Locke 2003)—more specifically, of social class inequality as previously addressed. As a result of perceived social class inequality, young adults' emotional reactions are assumed to result not only in common emotions such as anger, frustration and helplessness due to general service failures unrelated to material resource possession, but also more context-specific type of emotions. For example, research has shown that at individual level, inferiority perceptions caused by social class inequality lead to lower feelings of self-worth and self-confidence (Locke 2005). These in turn have a long term influence on psychological evolution that results in the individual being more prone to shyness, depression, and lack of confidence. Moreover, in societal level, social inequality perceptions are shown to lead to anti-social behaviors such as criminal activities (Kawachi et al. 1999). Research on customer reactions to bank service failure has primarily looked at their negative emotions such as anger and frustration towards the service provider – banks (i.e., Matos 2013), while paying little attention to: (i) their emotional reactions to other parties (i.e., witnesses, other customers) that are involved in the same service context, and (ii) the impact of such negative emotions on customer evaluations of other service providers, more specifically, competitors such as credit unions within the financial industry.

Thus, in this research, instead of assessing the positive effects of high quality service, the focus is on exploring the effects of service failure on young adults' emotional reactions and the behavioral consequences in a specific context of banking services context.

III. Credit Unions

According to Moody and Fite (1984), the world's first credit union was founded in Germany in 1852 in order to help people and communities low on the socio-economic scale or marginalized in some way—e.g. farmers with smaller, more seasonal, and less predictable income flows that made them less eligible for bank loans. In North America, the first credit union was established in Quebec in Canada where it began operating on January 23, 1901 with a 10 cent deposit. As opposed to banks and other types of financial institutions, credit unions are member-owned, not-for-profit financial cooperatives that provide savings, credit, and other financial services (Arthur and Sheffrin 2003). Account holders at credit unions are its members and owners, and elect their board of directors in a one-person one-vote system regardless of the size of their investments. According to the World Council of Credit Unions (WCCU 2004), credit unions also run more locally than do banks, and its members usually share common bonds such as their area of residence or where they go to work.

Credit unions distinguish themselves from traditional financial institutions such as banks mainly through their stated mission of "being community-oriented" and "serving people, not profits" (Mapes 2011). That is to say, instead of focusing on profit maximization as most traditional financial institutions do, credit unions conduct business for the mutual benefit and general welfare of their member-owners. Additionally, after expenses are paid and reserves set aside, surplus earnings are intended for return to credit union members in various ways (e.g., in the form of lower interest rates on loans, higher interest rates on savings, and lower cost or free services). Indeed, credit unions report consistently higher customer satisfaction rates than banks (Allred and Adams 2000; Allred 2001). In addition to serving their traditional target audience, credit unions have also initiated new programs in order to attract more contemporary target customers such as young adults—e.g., via the Young & Free campaign social media campaign in North America (youngfreehq.com) that was initiated in 2007. The campaign in Alberta, Canada (youngfreealberta.com) promotes Young & Free accounts to young adults with the specific intent of helping them obtain credit cards from participating credit unions and begin building a credit history. Such services are not as easily available to this demographic through traditional banks. Moreover, college students in the U.S. and Canada serve as spokespeople (termed as the "Young & Free Spokesters") to young adult target customers through both online and offline platforms. One of the responsibilities of these Spokesters is to translate complicated financial terms into plain words and disseminate financial knowledge (such as the difference between loans and leases) to their peers via online media such as blogs and videos, and other live events. This foray into the young adult demographic has garnered credit unions more than 100,000 new customers.

IV. Social Media and Word-Of-Mouth Communications

Social media platforms such as Twitter, Facebook pages, You Tube videos, and blogs have been used by credit unions to approach young adults via the Young & Free campaign. The various formats of social media represent an increasingly important tool for self-presentation and maintaining close social ties (Almansa et al. 2013). Data between 2005 and 2013 suggests that this platform enjoys the greatest popularity amongst young adults between the ages of 18 and 29 years of age (Rainie et al. 2013). The inter-connectivity through social media has allowed for the emergence of new types of virtual communities where members that share the same interests, build and maintain sites collectively (Tuten and Solomon 2012). The popularity of social media is illustrated by Hall (an Internet Marketing Agency) that reports that Americans use social media more than anything else online, with 1 out of every 6 minutes being spent online being devoted to social networking activities.

Social media, the contemporary mode of communicating, share certain types of characteristics (Solomon et al. 2013). First, these media improve as the number of users increase. The two biggest social networking sites, Facebook and Twitter, enjoy 750 and 200 million visitors each month. Second, they make money by attracting eyeballs—i.e., via advertising embedded within these sites. Third, they are free and continually evolve with the collaborative contribution of their users. For example, Wikipedia, the online encyclopedia, gets updated constantly by volunteer editors who “correct” the errors made by others. Finally, they categorize entries according to public appetite rather than pre-established labeling hierarchies. According to Marin and Wellman (2010), each social media application consists of a social network, and a set of socially relevant nodes connected by one or more relations. Nodes refer to members of the network that are connected by their relationships with each other (Martin and Wellman 2010). The online community thus formed has been defined by Wellman (2001) as a cyber-place where "people connect online with kindred spirits, engage in supportive and sociable relationships with them, and imbue their activity online with meaning, belonging, and identity". Such an online community also keeps growing as new nodes are added and new relationships are formed. This brings unlimited expansion viability to the community.

Interactions amongst nodes result in online social engagement, and product information is shared online through word of mouth communications (WOM). WOM refers to the way in which the product information is transmitted by individual consumers on an informal basis (Arndt 1967). Generally speaking, WOM tends to be more reliable and trustworthy than ads or other recommendations that consumers can get through more formal marketing channels because such information is from people they know or are like themselves. As a result, the more positive WOM information consumer receive, they are more likely to purchase the product (Arndt 1967). However, although consumers get information from personal sources, they tend not to ask just anyone for purchase advice. Rather, they turn to those that are knowledgeable about products and frequently influence others' attitudes and/or behaviors with respect to a product category (people referred to as opinion leaders by Rogers 1983). Opinion leaders usually not only possess expert power (Barton 1985) but are also socially active and highly interconnected within their communities (Venkatraman 1989). What's more, opinion leaders are often amongst the first to purchase new products or services, therefore their comments are especially beneficial to those are on a tight budget and unable to take on risk, more specifically, the lower social class individuals that have limited material possessions. As a result, the more risk-averse an individual is, the more important an opinion leader is likely to be for his or her purchase decision.

The spokesters recruited by credit unions take on the role of opinion leaders amongst young adults based on their responsibilities within the dissemination of credit union information, financial knowledge, and other help imparted to this target audience. Consumers display greater trust in people that are similar to them, and for young adults with little knowledge about credit unions, spokesters that are similar in age and other attributes are more likely to be trusted as sources of information. Thus, variables such as the willingness to receive information about credit unions via social media platforms (e.g., via following their Facebook pages) and disseminating this information onwards to other peers (e.g., in the form of recommendations to friends and family) are of interest within this research.

CHAPTER THREE: CONCEPTUAL FRAMEWORK AND RESEARCH HYPOTHESIS

The main purpose of this research is to examine (i) young adults' inequality perceptions and emotional reactions as a consequence of service quality received at banks, and (ii) their subsequent evaluations of another form of financial institution – i.e., credit unions. Based on a literature review of the areas of service quality as well as social inequality, generally, it is assumed that low quality of service provided by banks would have a negative effect on young adults' perceptions of both general socio-economic inequality and social class inequality, and have a positive effect on young adults' evaluations of credit unions. In this section, prior discussions surrounding service quality, social inequality, credit unions, and social media are drawn upon to conceptually frame this thesis and lay out a set of hypothesized relationships.

According to Locke (2003, 2005), individuals' perceptions of social inequality are based essentially on social comparisons of the types of treatment received. Such comparisons can lead to self-perceptions of inferiority or superiority that result in perceptions of inequity and inequality. In the specific context of banking activities, the content and standard of service provided to customers is strongly contingent on customers' material possessions (i.e., their income-level and occupation type). And, differences in material possessions between young adults and higher valued customers should make young adults view themselves as being lower on the socio-economic ladder, leading to the hypothesis that:

H1a: When perceived service quality received from a bank is low, young adults' perceptions of general socio-economic inequality will be greater than when perceived service quality is high.

Moreover, since material possessions are key determinates of social class, young adults that compare the service quality they receive with that received by higher class customers may generate perceptions of social class inequality—the context-specific inequality felt based on differences in treatment meted out by the service provider (the bank in this instance). It is, thus, hypothesized that:

H1b: When perceived service quality received from a bank is low, young adults' perceptions of context-specific inequality will be greater than when perceived service quality is high.

The unfavorable treatment provided by banks would make young adults, who are at the inception phase of their earning lifecycles, perceive the existence of higher levels of inequality. Having access to low levels of income and resources, young adults are typically faced with financial situations characterized by instability, challenge, and adversity. As a result, young adults tend to be more sensitive to the cost of services and value financial institutions that keep their interests in mind. It can therefore be argued that credit unions, due to their member-owned democratic status, hold greater appeal for young adults from a social equality perspective. As a consequence, it is hypothesized that:

H2a: As perceived inequality rises, young adults' attitudes toward credit unions will increase.

The unstable financial situation that young people face can result in a heavy reliance on building social bonds as a means to buffering against financial difficulties (Cote 2011). According to the World Council of Credit Unions (2004), credit unions run more locally than banks and their members usually share commonalities such as where they live or work. Such community-based relationships amongst credit union members can better satisfy young adults' need for building and maintaining protective social ties. The following relationship is, thus, expected:

H2b: As perceived inequality rises, young adults' credibility judgments of credit unions will increase.

H2c: As perceived inequality rises, young adults' preference for credit unions will increase.

Apart from more favorable attitudes, credibility judgments, and preference for credit unions, this research also investigates young adults' behavioral patterns in both online and offline settings. Online, Facebook is the dominant social networking site (a full two-thirds of all Americans online are Facebook users; Rainie 2013). The success of the peer-based Young & Free campaign launched to market credit unions in North America is largely attributable to the ease of access to information about them sourced via the 'Young & Free Spokesters'. It is simple to follow them on Twitter or Instagram, like their pages and posts on Facebook, subscribe to their YouTube channels, or read their blogs and watch shows on money management. Since social media campaigning is an integral part of credit union promotions, it is hypothesized that:

H2d: As perceived inequality rises, young adults' likelihood of social media engagement with credit unions will increase.

Young adults rely heavily on word of mouth communications (WOM) for sharing product related information online. WOM is especially powerful when the product category is relatively unfamiliar to customers. For those young adults that do not even know how to write a check, Young & Free Spokesters (that enjoy a similar profile in terms of experience, values, and beliefs; Park and Lessig 1977) may appear especially reliable. Spokesters are college students that have slightly greater financial expertise but do not belong to a different social class. This makes them ideal for serving as opinion leaders within this market segment. Young adults have greater likelihood of receptivity to recommendations from their peers, as well as pass this knowledge along to others in their peer group. Thus, it is hypothesized that:

H2e: As perceived inequality rises, young adults' recommendation likelihood for credit unions will increase.

Lower levels of service quality are also expected to intensify negative emotions. Low customer satisfaction associated with poor service is likely to manifest itself in the form of anger and frustration directed at the service provider (Richins 1997; Nyer 2000) and helplessness in terms of altering the situation (Gelbrich 2010). In the banking scenario used, it is can thus be hypothesized that young adults feel angry and upset (frustrated) as a consequence of receiving poor quality service.

H3: When perceived service quality is low, young adults' negative affect in terms of feeling: (a) angry, and (b) upset will be greater than when perceived service quality is high.

Past literature on bank service failure has also focused primarily upon individuals' emotional reactions towards service providers while paying little attention to other parties that might be involved or present at the scene (i.e., other customers or witnesses). Service interactions, unlike other private contexts, are often delivered in public settings (e.g., in restaurants, or at customer service counters) in the presence of other people. Service failures in the form of poor quality service therefore have the added potential to damage customers' public image and result in negative social emotions such as embarrassment (Parrott et al. 1988). Embarrassment refers to a sense of discomfiture over a discredited public image (Petronio et al. 1989) as opposed to other emotions that occur within private conditions (Tangney et al. 1996). Young adults that receive inferior service at banks are likely to feel embarrassed as a consequence of perceiving themselves as less valued compared to other customers. Therefore, it is hypothesized that:

H3c: When perceived service quality is low, young adults' negative affect in terms of feeling embarrassed will be greater than when perceived service quality is high.

Young adults' negative affect as a result of low quality service provided by banks is also expected to result in generally more favorable assessments of credit unions (that serve as alternatives to banks):

H4: As negative affect rises, young adults' evaluations of credit unions in terms of: (a) attitudes, (b) credibility judgments (c) preference, (d) social media engagement likelihood, and (e) recommendation likelihood will increase.

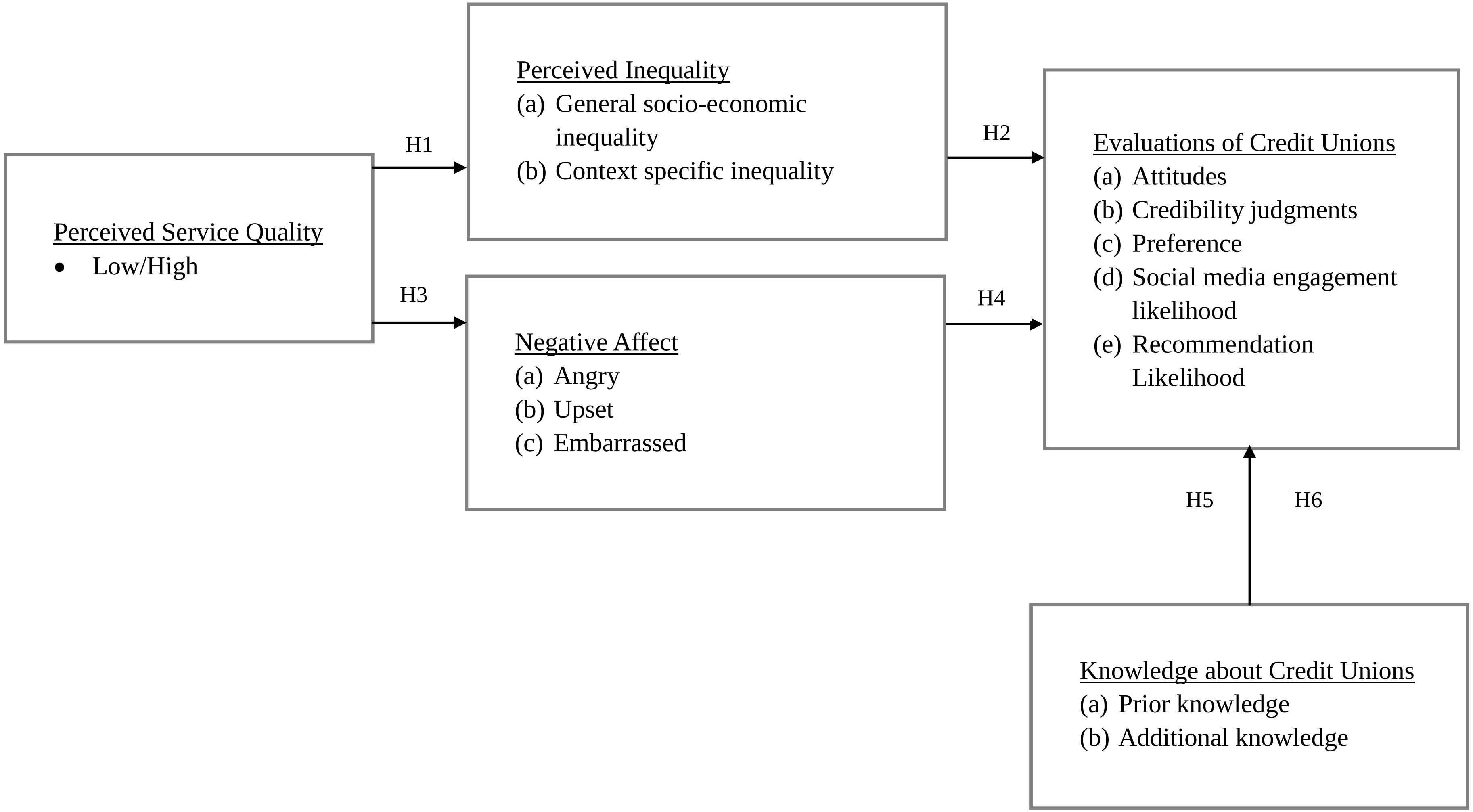
Credit unions have traditionally targeted people that are marginalized or low on the socio-economic scale, and ineligible for notice from traditional financial institutions. More contemporary expansion strategies have, however, led credit unions toward non-traditional target audiences such as baby boomers and young adults. One of the main concerns for credit unions therefore has become awareness generation within these segments. Knowledge within the young adult segment, however, remains widely discrepant and may be attributable to differences in life histories, banking habits, and media influence. These discrepancies are expected to result in varying evaluations of credit unions. Therefore, it is hypothesized that:

H5: As prior awareness of credit unions rises, young adults' evaluations of credit unions in terms of: (a) attitudes, (b) credibility judgments, and (c) preferences will increase.

H6: As knowledge about credit unions increases, young adults' attitudes toward credit unions will rise.

These hypothesized relationships are graphically depicted within Figure 1 next.

Figure 1: The Impact of Bank Service Quality Perceptions on Perceived Inequality, Negative Affect, and Credit Union Evaluations



CHAPTER FOUR: STUDY 1

In this study, the role of service quality in the formation of perceived social inequality (both at the societal level and specific to the service context) and negative affect (specifically, feeling embarrassed, angry, upset) is examined for young adults in a banking setting. The impact on subsequent evaluations of credit unions is also assessed.

I. Participants

Eighty seven undergraduate business students (60.9% males) enrolled in the introductory marketing course at the Asper School of Business, University of Manitoba, in the Fall 2013 term participated in this study in exchange for course credit. The average age of the participants was 20.46 years (SD = 2.05) and 62.1% were Canadian nationals.

Design and procedure

This study adopted a one-way between subjects design (high vs. low bank service quality) with inequality perceptions, negative affect, and credit union evaluations as the outcome variables. The study was conducted in the marketing lab at Asper School of Business. First, participants were randomly assigned to a hypothetical banking scenario where they were asked to imagine an interaction with a bank customer service manager as they are trying to set up an account. In the high service quality condition, participants were portrayed as having been warmly received by the manager with all aspects of their needs well taken care of during the interaction. In the low service quality condition, participants were portrayed as having been received coldly by the manager with their needs not well taken care of. Detailed manipulations of the high and low service quality conditions can be found in Appendix A. After reading the scenario, participants were then asked to rate the quality of the service they portrayed as having received at the bank, the social inequality they perceived, as well as the negative affect they experienced as a consequence of the service interaction.

After these measures were completed, participants received information regarding credit unions (see Appendix B) and provided evaluations about them. Finally, participants were thanked and debriefed. The experimental administration took place online via Qualtrics. The entire exercise took approximately 10 minutes. This study was conducted in conformance with protocols put forth by the Joint Faculty Research Ethics Board at the University of Manitoba.

II. Measures

Manipulation check

Perceived Bank Service Quality: The items used to check whether high and low perceptions of service quality were successfully manipulated were adapted from the widely-used SERVQUAL scale (Parasuraman et al. 1988). Participants' responses to the following six 7-point Likert scale items were averaged to form an index of perceived bank service quality: whether "the service was provided at the promised time"; "the person was given individual attention at the bank"; "the customer service manager was willing to help"; "the customer service manager understood the needs of the customer";

“the customer service manager sincerely solved the problem”; and “the manager had the customer’s best interest at heart” (where 1 = strongly disagree, and 7 = strongly agree; Cronbach’s α = .98). All items designed corresponded to the five dimensions of the SERVQUAL scale (i.e., tangibility, reliability, responsiveness, assurance, and empathy) and can be found in Appendix C.

Outcome variables

Perceived Social Inequality: participants rated their perceptions of social inequality at both the general socio-economic as well as context-specific level on five 7-point Likert scale items (see Appendix D). Two items were adapted from Whyte (2010) to measure *general socio-economic level inequality* by asking participants if they felt that: “generally, there are income disparities among individuals in our country”; and “inequalities benefit people at higher levels of the income distribution rather than those at lower levels of the income distribution”. Responses to these items were averaged (Pearson’s bivariate r (87) = .53, $p < .001$).

Context-specific inequality was measured by averaging three 7-point Likert scale items adapted from Osberg and Smeedin (2006) and Yanai (2011). Participants were asked whether they felt that: “banks treat customers differently based on their income level”; “he/she was treated unequally by the bank”; “the bank should treat customers more equally” (1 = strongly disagree, and 7 = strongly agree; Cronbach’s α = .70).

Negative Affect: negative affect towards the bank was assessed on three single item scales by asking participants to rate the extent to which they felt angry, upset, and embarrassed as a result of the service encounter (where 1 = strongly disagree and 7= strongly agree; see Appendix E).

Evaluation of Credit Unions: Participants evaluated credit unions on five dimensions including their: (i) attitudes; (ii) credibility judgments; (iii) preference; (iv) social media engagement likelihood; and (v) recommendation likelihood related to credit unions (see Appendix E for item details). Attitude toward credit unions was measured by averaging four 7-point Likert scale items anchored by *unfavorable/favorable*, *negative/positive*, *bad/good*, and *dislike/like* (Cronbach's α = .97).

Credit unions' credibility was judged via averaging five 7-point Likert scale items that were anchored by *biased/unbiased*, *unfair/fair*, *undependable/dependable*, *untrustworthy/trustworthy*, and *non-credible/credible* (Cronbach's α = .89). However, the reliability of the four-item scale (Cronbach's α = .92) that removed the *biased/unbiased* item was higher than the full five-item scale. This may have been due to responses from participants from non-English speaking countries that misunderstood the negative word "biased" as being in the opposite direction from all the other negative words on the scale such as unfair, undependable, untrustworthy and non-credible. The biased/unbiased item was therefore eliminates from the credibility scale.

Preference for credit unions, social media engagement likelihood, and recommendation likelihood were all measured via single items 7-point Likert scales (where 1 = strongly disagree, and 7 = strongly agree).

Covariates

Awareness of Credit Union: Participants were provided with information pertaining to credit unions as part of the experimental stimuli—the awareness of credit unions for many participants (especially where existing awareness was low) thus likely evolved with significant differences occurring between prior- and post-information provision. As a result, in this study, participants' prior-information awareness and post-information awareness was treated separately. Prior-information awareness of credit unions was measured by asking participants if they were previously aware of credit unions on a single 7-point Likert scale on which 1 represented *not at all* and 7 represented *very much so*. A median split (median = 5.5) was conducted to categorize participants into two groups—those prior-information awareness above the median put into the high prior-information awareness group and those below the median being put into the low awareness group.

Gender and ***nationality*****:** Gender and nationality were included as potential covariates within the analyses. Since social media consumption varies significantly across countries, I consider participants' nationality also plays an important role in their evaluation of credit unions.

III. Results

Manipulation check

Perceived bank service quality: Results of a one-way analysis of variance

(ANOVA) indicated that perceived bank service quality was successfully manipulated. Participants that were assigned to the low service quality condition rated the service they received as significantly lower than those assigned to the high service quality condition (M_{LowSQ} = 2.40, M_{HighSQ} = 5.91, F(1, 86) = 176.463, p < .001).

Outcome variables

Perceived Social Inequality: ANOVA results showed the following effects on general and context-specific inequality perceptions.

(a) ***General socio-economic inequality:*** the difference in perceptions of general socio-economic inequality between participants assigned to the high and low service quality condition was not significant (M_{LowSQ} = 4.89, M_{HighSQ} = 4.67, F (1, 85) =1.22, ns). No support for Hypothesis 1a was thus found.

(b) ***Context specific inequality:*** participants within the low service quality condition displayed significantly higher perceptions of social class inequality compared to those in the high service quality condition (M_{LowSQ} = 4.81, M_{HighSQ} = 3.56, F (1, 85) = 30.701, p < .001). Hypothesis 1b was therefore supported.

The result shows that when perceived service quality received at a bank is low, participants' perceptions of context-specific inequality is greater than when perceived service quality is high. However, the service quality perceptions do not significantly affect participants' perception of more general socio-economic inequality.

Negative Affect: The impact of perceived bank service quality on young adults' negative affect was examined on three aspects—feeling angry, upset, and embarrassed.

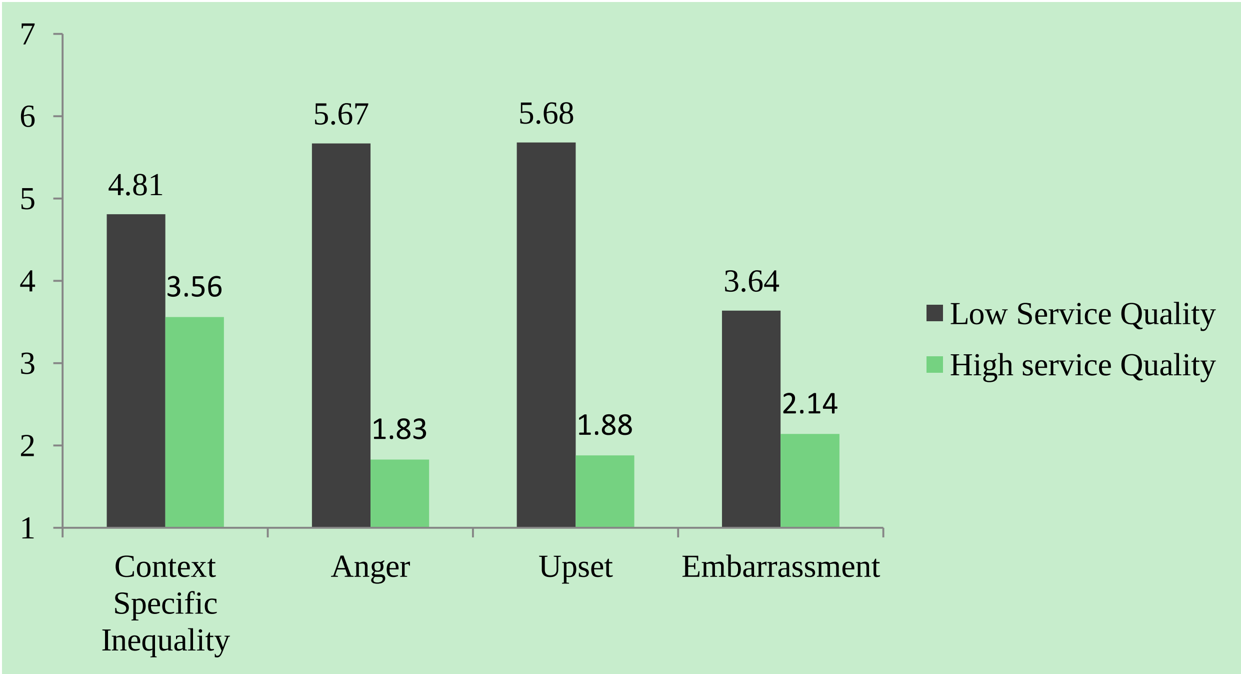
(a) ***Anger:*** ANOVA results demonstrate that participants in the low service quality condition felt significantly more angry than those in the high service quality condition (M_{LowSQ} =5.67, M_{HighSQ} = 1.83, $F (1, 85) = 191.309$, $p < .001$). Hypothesis 3a was thus supported.

(b) ***Upset:*** Similarly, participants in the low service quality condition were significantly more upset than those assigned to the high service quality condition (M_{LowSQ} =5.68, M_{HighSQ} = 1.88, $F (1, 84) = 144.909$, $p < .001$). Hypothesis 3b was therefore supported.

(c) ***Embarrassment:*** results of the univariate analysis showed that participants assigned to the low service quality condition felt significantly more embarrassed than those in the high service quality condition (M_{LowSQ} = 3.64, M_{HighSQ} = 2.14, $F (1, 85)$ =13.542, $p < .001$). Hypothesis 3c was supported as well.

These results demonstrate that when perceived service quality received at a bank decreases, young adults' negative affect in terms of being angry, upset, and embarrassed intensifies (see Figure 2).

Figure 2: Impact of Bank Service Quality on Perceived Inequality & Negative Affect



Additionally, perceived bank service quality was found to indirectly effect context-specific inequality perceptions through feelings of anger and being upset. Results of Preacher and Hayes' (2004) mediation macro (model 4) showed that bank service quality significantly impacted anger (β (se) = -3.83 (.28), t (87) = -13.83, p < .001). Anger in turn had a significant effect on context specific inequality (β (se) = .22 (.09), t (87) = 2.52, p < .05) while the effect of bank service quality on it disappeared (β (se) = -.42 (.40), t (87) = -1.07, ns). As a result, anger was found to fully mediate the effect of bank service quality on context specific inequality.

Similarly, mediation analysis results also showed that bank service quality had a significant effect on being upset (β (se) = -3.80 (.31), t (87) = -12.04, p < .001), which then significantly effected context specific inequality (β (se) = .27 (.074), t (87) = 3.26, p < .001). At the same time, the effect of bank service quality on context specific inequality disappeared (β (se) = -.21 (.35), t (87) = -.60, ns). In this manner, being upset also fully mediated the effect of bank service quality on context specific inequality.

In addition, the indirect effect of bank service quality on being angry or upset via context specific inequality was also found. According to the Preacher and Hayes' (2004) process macro (model 4) results, bank service quality had a significant effect on context specific inequality (β (se) = -1.25 (.23), t (87) = -5.54, $p < .001$) and context specific inequality significantly impacted anger (β (se) =.33 (.13), t (87) = 2.52, $p < .05$). Meanwhile, bank service quality retained a significant effect on anger (β (se) = -3.43 (.31), t (87) = -10.92, $p < .001$). Context specific inequality was thus found to partially mediate the effect of bank service quality on anger.

In terms of being upset, bank service quality had a significant effect on context specific inequality (β (se) = -1.25 (.23), t (87) = -5.46, $p < .001$) and context specific inequality had a significant effect on feeling upset (β (se) =.52 (.14), t (87) = 3.70, $p < .001$). Bank service quality still had a significant effect on feeling upset (β (se) = -3.15 (.34), t (87) = -9.20, $p < .001$). As a result, context specific inequality was found to partially mediate the effect of bank service quality on being upset.

Such results indicate that upon receiving low quality of service at a bank, there are different avenues that young adults' emotional reactions (in the form of feeling angry, upset, or socially unequal) can take. These emotions can either serve as antecedents, consequences, or occur at the same time. Given the interactivity of these emotions, further evaluations of credit unions were then assessed.

Evaluations of Credit Unions:

Results of regression analyses showed that as perceived context-specific inequality and negative affect (feeling angry, upset, and embarrassed) due to poor service quality provided by banks rises, there is no significant change in young adults' evaluations of credit unions in terms of attitudes, credibility judgments, preferences, social media engagement likelihood, and recommendation likelihood. As a result, Hypothesis 2 and Hypothesis 4 were rejected.

However, there was an indirect effect of general socio-economic inequality on credibility judgments and recommendation likelihood for credit unions via participants' prior-information attitudes toward credit unions. Regression results from Preacher and Hayes's (2004) SPSS mediation macro (model 4) demonstrated that participants with higher general socio-economic inequality perceptions had more positive attitudes toward credit unions (β (se) = .293 (.13), t (82) = 1.99, $p = .05$), and these attitudes then translated into the formation of significantly higher credibility judgments for credit unions (β (se) = .455 (.09), t (82) = 4.88, $p < .001$). At the same time, the effect of general perceived socio-economic inequality on credibility judgments for credit unions disappeared (β (se) = .087 (.11), t (82) = .69, ns).

Similarly, participants with higher general socio-economic inequality perceptions showed more positive attitudes toward credit unions (β (se) =.307 (.13), t (80) = 1.99, $p < .05$) that then translated into higher recommendation likelihood (β (se) =.500 (.15), t (80) = 3.34, $p < .005$). Whereas, the effect of general socio-economic inequality on credibility judgments of credit unions disappeared (β (se) = -.219 (.17), t (82) = -1.08, ns).

Prior-information attitudes toward credit unions, therefore, fully mediate the effect of general social inequality on participants' evaluations of credit unions in terms of credibility judgments and recommendation likelihood.

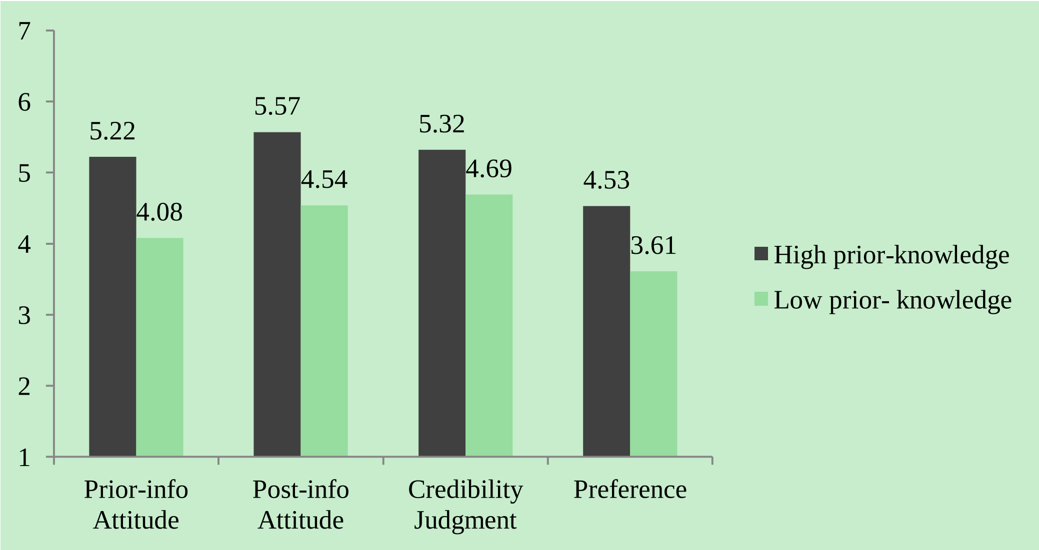
Covariates

Awareness of Credit Unions:

Multivariate analysis results showed that the interactions of prior-info awareness with inequality perceptions as well as negative affect had no significant effect on young adults' evaluations of credit unions. However, the direct effect of awareness on participants' evaluations of credit unions was found in terms of attitudes (both prior-information and post-information attitude), credibility judgments, and preferences (see Figure 3). Specifically, (i) participants with higher prior-information awareness of credit unions had significantly more positive prior-information attitudes ($M_{HighAwareness}$ = 5.22, $M_{LowAwareness}$ = 4.08, F (1,74) = 17.460, p < .001) as well as post-information attitudes ($M_{HighAwareness}$ = 5.57, $M_{LowAwareness}$ = 4.54, F (1,74) =13.393, p < .001) toward credit unions than those with lower awareness; (ii) participants with higher awareness of credit unions had significantly higher credibility judgments of credit unions than those with lower awareness ($M_{HighAwareness}$ = 5.32, $M_{LowAwareness}$ = 4.69, F (1,74) = 5.96, p < .05); and (iii) participants with higher awareness of credit unions had significantly higher preferences for credit unions than those with lower awareness ($M_{HighAwareness}$ = 4.53,

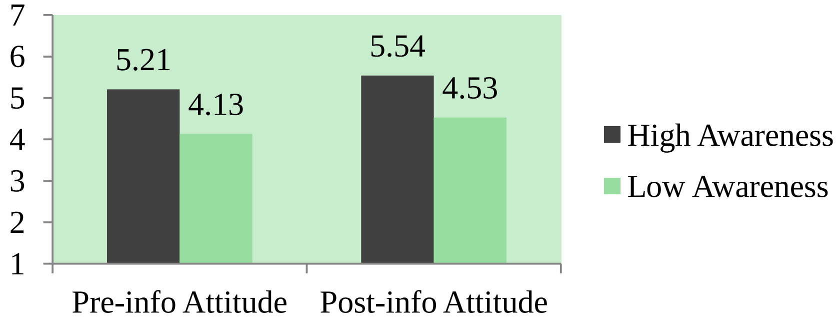
$M_{LowAwareness}$ = 3.61, F (1,74) = 4.91, p < .05). H5 was thus supported.

Figure 3: Impact of Prior Knowledge on Credit Union Evaluations



In addition to the preexisting awareness participants possessed about credit unions, they were also provided information about them during the course of the experiment. Repeated measure ANOVA results showed that participants held significantly more positive attitudes toward credit unions after exposure to additional information about them than prior to it ($M_{PostInfoAttitude}$ = 5.05, $M_{PriorInfoAttiitude}$ = 4.69, F (1, 80) = 12.023, p < .005). Furthermore, prior awareness also had a main effect on participants' attitudes toward credit unions both in terms of attitudes assessed prior to information provision ($M_{HighAwareness}$ = 5.21, $M_{LowAwareness}$ =4.13, F(1,78)=16.520, p < .001) as well as after information was provided (($M_{HighAwareness}$ =5.54, $M_{LowAwareness}$ = 4.53, F(1,78)=13.443, p < .001); see Figure 4). Hypothesis 6 was, thus, also supported.

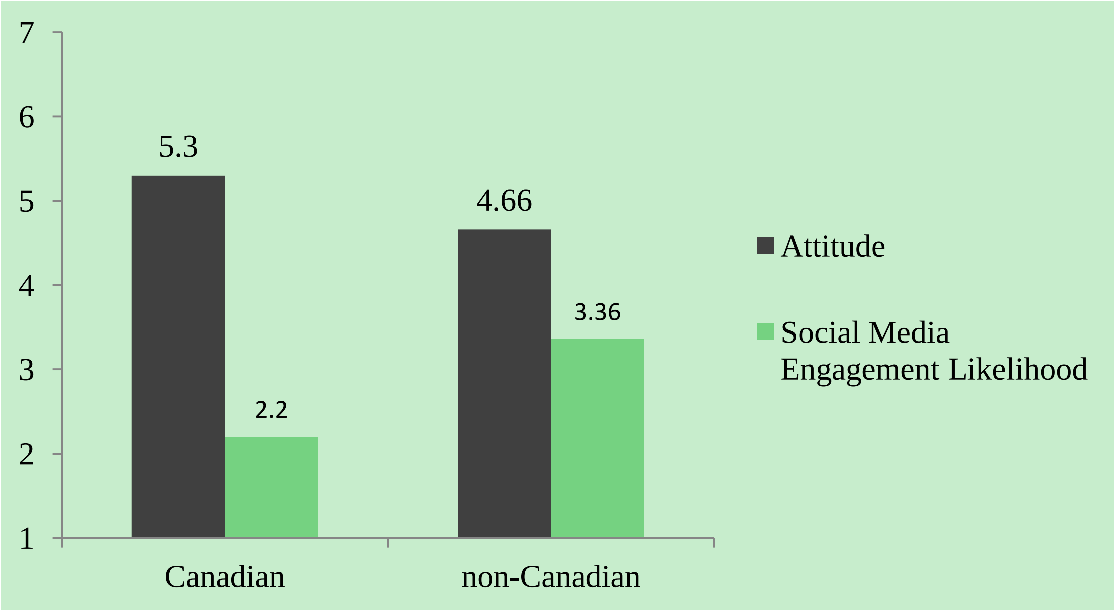
Figure 4: Impact of Post-information Awareness on Attitude toward Credit Unions



Gender: the multivariate analyses resulted in no significant effects of gender on participants' evaluations of credit unions.

Nationality: results of multivariate analyses showed that nationality had a main effect on participants' evaluations of credit unions in terms of attitudes and social media engagement likelihood—Canadian participants held significantly more positive attitudes towards credit unions than did participants from other countries ($M_{Canadian}$ =5.30, M_{Other} =4.66, $F (1, 75) = 4.409$, $p < .05$). However, their intention to follow the Facebook page of credit unions was significantly lower than that of participants from other countries ($M_{Canadian}$ = 2.20, M_{Other} = 3.36, $F (1, 75) = 9.533$, $p < .005$). Figure 5 depicts these phenomena.

Figure 5: Impact of Nationality on Credit Union Evaluations



IV. Discussion

Results of this study demonstrate an intensification of young adults' perceptions of context-specific (but not general) social inequality upon receiving low quality as opposed to high quality service from banks. Similarly, negative affect toward banks (in terms of discrete feelings of anger, being upset and embarrassed) as a consequence of lower quality service received from them also intensifies. Moreover, although the linkages between young adults' context-specific inequality perceptions, negative affect, and subsequent credit union related evaluations remains unclear, it is worth mentioning that general socio-economic inequality perceptions indirectly impacted credibility judgments and recommendation likelihood for credit unions through preexisting (i.e., prior-information) attitudes towards them. This mediating mechanism suggests that young adults evaluate credit unions not as a consequence of a single service interaction, but rather on their perceptions of societal inequality that exists more generally and attitudes towards credit unions that were reported prior to additional experimental provision of information about them. And, such impressions are likely reinforced upon exposure to low quality treatment from service providers such as banks, thereby raising the appeal of credit unions within the young adult demographic.

Such perceptions and attitudes arguably have a close relationship with the demographic characteristics of the young adult group—i.e., that of low current income levels and access to valued resources, with resultant challenges to financial well-being. Young people therefore are more likely to perceive a generally unequal distribution of income in society upon comparing themselves with others that are better off and opt for financial institutions that operate in a way that makes them feel more valued. This is embodied within the member-owned, democratic characterization of credit unions where all members enjoy the same benefits regardless of the size of their deposits. The value of such an egalitarian approach is likely exacerbated upon receiving poor treatment from traditional banks where customer value is squarely contingent upon material resources.

Another important result that emerged was the key role played by how aware young adults are about credit unions. These effects were found both in terms of participants' awareness that pre-dated this experiment as well as that which was engendered as a consequence of taking part in the study. Where initial awareness was high, perceived credibility, attitudes, and preferences related to credit unions was higher than when awareness was low. Moreover, information provided during the experiment further enhanced attitudes toward credit unions. This is indicative of the importance of disseminating information and making people aware of the membership benefits from credit unions.

The study results also show that nationality plays a role in young adults' evaluations of credit unions in terms of their attitudes and social media engagement likelihood. Canadian participants tended to display lower intentions to engage with credit unions via Facebook than participants from other countries. On the other hand, Canadian participant proved to have significantly stronger credit union related attitudes than non-Canadians. Credit unions enjoy greater awareness within North America than in many other regions, and would explain the former result. At the same time, there is also significant variance in the consumption of social media across countries. This would explain a stronger orientation toward social media engagement exhibited by the non-Canadian participants.

One concern is that some non-Canadian participants might also possess high awareness of credit unions as they tend to be the main form of financial institutions in some countries. Since the 87 participants of this study were composed of 54 Canadians (39 in the high awareness condition, 14 in the low awareness condition, 1 with missing data) and 33 non-Canadians (4 high awareness and 29 low awareness), such concerns appeared worthy of exploration— 4 non-Canadian participants indicated that they had high awareness of credit unions. The question then was whether the removal of these 4 observations would make a difference to results already found. Univariate analysis using the truncated dataset (that exclude these 4 non-Canadian participants) found Canadian participants to still report significantly more positive attitudes toward credit unions than their non-Canadian counterparts ($M_{Canadian}$ =5.235, M_{Other} = 4.473, $F(1, 80) = 6.351$, $p < .05$). The inclusion of the 4 non-Canadian participants that possessed high credit union awareness therefore did not make a difference to the study results, and it is reasonable to argue that within this sample, Canadian participants had greater awareness of credit unions than did non-Canadian participants.

Another consideration is that of study participant characteristics—a mix of domestic as well as international university students. Since international students are away from their home countries, social media are an essential tool for obtaining new information as well as maintaining social relationships within their home countries. This greater engagement with social media may result in greater likelihood of using this even within the commercial domain. Such results also indicate the importance for credit unions to distinguish their international student prospects from domestic students within marketing initiatives that occur especially via social media platforms.

However, there are also more traditional ways for credit unions to promote themselves via non-social media platforms. This raises further question related to the source of such promotional information and its persuasiveness—for instance, that of newspaper ads over word-of-mouth communications that informally originates from peers, friends, and family members. Study 2 was designed to address this issue.

CHAPTER FIVE: STUDY 2

This study aims to examine the impact of the type of source from where credit union related information originates on the formation of young adults' perceived social inequality and their evaluations of credit unions.

I. Participants

One hundred and six undergraduate students (M=55.7%) taking the Introduction to Marketing course at the Asper School of Business at the University of Manitoba in the Fall semester of the 2013 academic year participated in this study in exchange for course credit. The average age of the participants was 20.3 years (SD = 2.40).

II. Design and Procedure

This study was a 2 (bank service quality: high vs. low) x 2 (credit union information source: an ad vs. a friend) between subjects design, with evaluations of credit union as the dependent variable.

The study was conducted at the marketing lab at Asper School of Business. And the first part of the study was the same as Study 1—participants were randomly assigned to either the high service quality condition or low service quality condition using a hypothetical banking scenario that described an interaction with a bank customer service manager as participants tried to set up an account (the experimental manipulation can be found in Appendix A). After being exposed to the service provided by the bank, participants were asked to rate its quality (manipulation check), and social class inequality perceived subsequently.

Participants were then randomly assigned to either of two credit union information source conditions. This information was portrayed as being from either a newspaper ad or a friend (manipulations can be found in Appendix H). Participants were asked to read the information carefully and were also provided with the Facebook page of the credit union. Participants finally evaluated credit unions.

This study was also approved by the Joint Faculty Research Ethics Board and all participants provided consent prior to the start the study. Finally, participants were thanked and debriefed.

III. Measures

Manipulation check

Perceived bank service quality: The success of the manipulation of perceived bank service quality was assessed via the same scale that was used in Study 1 (see Appendix D).

Credit union information source: Two 7-point scale items were used to check the manipulation of the credit union information source. Participants were asked whether: “the information they received about credit unions was from an ad”; and “the information they received about credit union was from a friend” where 1 represented *strongly* *disagree* and 7 represented *strongly agree* (see Appendix I).

Outcome variable

As in the first study, the outcome variables assessed were *perceived social inequality* (see Appendix D), *negative affect* (Appendix E), and *evaluations of credit unions* (Appendix F).

IV. Results

Manipulation check

Perceived Bank Service Quality: results of a one-way analysis of variance (ANOVA) showed that participants who are assigned to the low service quality condition rated the service they received as significantly lower than those assigned to the high service quality condition ($M_{LowSQ} = 2.07$, $M_{HighSQ} = 6.18$, $F(1, 105) = 438.88$, $p < .001$). The manipulation therefore found to be successful.

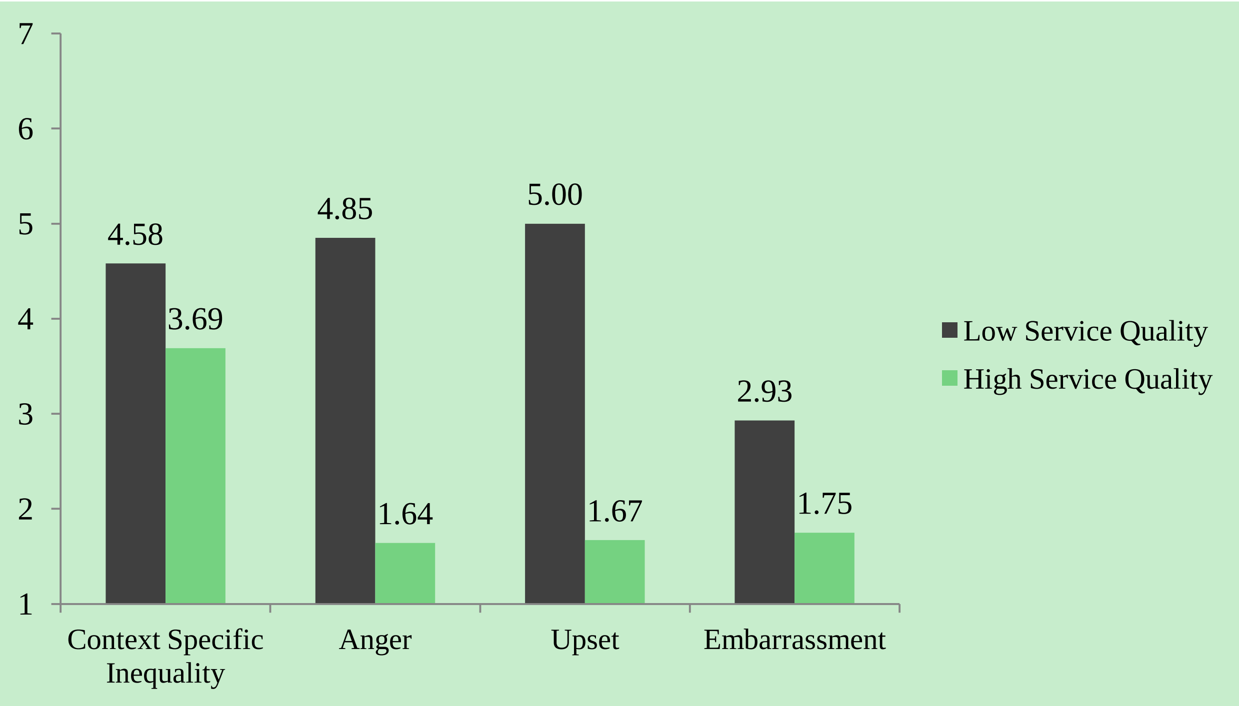
Credit Union Information Source: two one-way ANOVAs were performed and results showed that participants who received the information from an ad rated it as their information source with significantly greater certainty than those who received the credit union information from a friend ($M_{Ad} = 5.42$, $M_{Friend} = 2.74$, $F(1, 100) = 59.28$, $p < .001$). Further, participants who received credit union related information from a friend rated this person as their information source with significantly higher certainty than those who received the information from an ad ($M_{Friend} = 5.61$, $M_{Ad} = 3.14$, $F(1, 105) = 42.88$, p

< .001). Therefore this manipulation was also successful.

Outcome variables

Results of univariate analyses showed that bank service quality significant impacted participants' perceptions of context-specific inequality ($M_{LowSQ} = 4.58$, $M_{HighSQ} = 3.69$, $F = (1, 104) = 23.07$, $p < .001$), negative affect in terms of anger ($M_{LowSQ} = 4.85$, $M_{HighSQ} = 1.64$, $F = (1, 104) = 84.15$, $p < .001$), feeling upset ($M_{LowSQ} = 5.00$, $M_{HighSQ} = 1.67$, $F = (1, 104) = 106.09$, $p < .001$) and embarrassed ($M_{LowSQ} = 2.93$, $M_{HighSQ} = 1.75$, $F = (1, 102) = 11.69$, $p < .001$). These results, depicted in Figure 6, replicate the findings from Study 1. Hypothesis 1b, and Hypotheses 3a, b and c received support again.

Figure 6: Impact of Bank Service Quality on Perceived Inequality & Negative Affect



However, multivariate analysis results showed that the interaction of bank service quality and credit union information source had no significant impact on participants' evaluations of credit unions in terms of their attitudes, credibility judgments, preferences, social media engagement likelihood, and recommendation likelihood.

V. Discussion

Results of Study 2 replicate effects found in Study 1—namely, that lower service quality provided by banks significantly enhances young adults' perception of context-specific inequality and negative affect (in terms of being angry, upset, and embarrassed). Study 2, however, is unable to replicate the effect of perceived general socio-economic inequality on evaluations of credit unions mediated through prior-information attitude. As previously discussed in Study 1, young adults' evaluations of credit unions might not be a direct outcome of one service quality transaction with a bank. Such an encounter may simply reinforce existing perceptions of general socio-economic inequality. This raises interest in understanding the effects of priming perceived social income inequality on young adults' credit union evaluations. Study 3 was conducted to examine this issue.

CHAPTER SIX: STUDY 3

Study 3 further examines the impact of directly primed social class inequality perceptions and credit unions information source type on young adults' evaluations of them.

I. Participants

Ninety six undergraduate students (M = 64, F = 32) enrolled in the Introduction to Marketing course at the Asper School of Business at the University of Manitoba in the Fall semester of the 2013 academic year participated in this study in exchange for course credit. The average age of the participants was 20.5 years (SD= 2.55).

II. Design and Procedure

This study was a 2 (social class: high vs. low) by 2 (credit union information source: an ad vs. a friend) between subjects design where the evaluations of credit union were the dependent variables.

First, participants were randomly assigned to either the high or low social class condition. Social class was manipulated through the widely-used social ladder – a metaphorical ladder that people try to climb during their lifetimes (Lannelli and Paterson 2005). On such a social ladder, people at the very top are the best off in society – they have the most money, most education, and the most respected jobs. People at the very bottom of the ladder are the worst off in society—they have the least money, least education, and the least respected jobs. Thus, in the high social class condition, participants were asked to imagine themselves as being at the very top of the ladder. They have graduated from a prestigious university, and work in a senior management position at a reputed company. They are very well paid and live in a prestigious area of the city. In the low social class condition, participants were asked to imagine that they were at the very bottom of the ladder. They have a high school diploma and work as a correctional officer in a prison. They have low income and live in a less prestigious area of the city.

After that, participants in each condition were randomly assigned to two conditions which provided them with the same information about credit unions, except that they were shown as being from two different sources – either a newspaper ad or a friend (the manipulation can be found in Appendix J). Participants were asked to read the information that also contained references the credit union's Facebook page, and evaluate the credit union.

III. Measures

Manipulation check

Primed Social Class: a single 7-point scale item was used to check the manipulation of primed social class. Participants were asked to rate their own social class as described within the scenario (1 = very low, and 7 = very high; see Appendix K).

Credit Union Information Source: the same two 7-point item scale as in Study 2 was used to check this manipulation. Participants were asked whether the information they received about credit unions was presented either within ad or through a friend (1 = strongly disagree, and 7 = strongly agree; see Appendix I).

Outcome variable

In addition to the *evaluations of credit unions* (see Appendix F), participants' *credibility judgments related to the information source* (see Appendix L) was also measured.

IV. Results

Manipulation check

Primed Social Class Inequality: results of a one-way ANOVA showed that participants who were assigned to the low social class condition rated the social class that they perceived as significantly lower than those assigned to the high social class condition ($M_{LowSocialClass}$ =1.65, $M_{HighSocialClass}$ = 6.38, $F (1, 95) = 405.26$, $p < .001$). Primed social class was therefore successfully manipulated.

Credit Union Information Source: two one-way ANOVAs were performed and results showed that participants who received information from an ad identified it as their information source with significantly higher certainty than those who received the information from a friend (M_{Ad} = 5.53, M_{Friend} = 3.43, $F (1, 94) = 33.249$, $p < .001$). Further, participants who received the credit union information from a friend identified the friend as their information source with significantly higher certainty than those who received the information from an ad (M_{Friend} =5.36, M_{Ad} =3.08, $F(1, 94) = 35.99$, $p < .001$). The manipulation was thus successful.

Outcome variables

Results of multivariate analyses showed that the interaction between primed social class inequality and credit union information source had no significant impact on participants' evaluations of credit unions as well as their credibility judgments of the information source.

However, credit union information source was found to significantly affect participants' perceptions of credibility – participants rated friends as more credible information sources than ads (M_{Friend} = 4.90, M_{Ad} = 4.38, $F(1, 95) = 3.838$, $p =.05$).

V. Discussion

Although the results of Study 3 showed no significant impact of priming perceived social class inequality on young adults' evaluations of credit unions, it still reveals an important finding—namely, that young adults judge word-of-mouth communications from friends as significantly more credible than ad messages.

CHAPTER SEVEN: STUDY 4 (exploratory)

In the previous three studies, as the linkage between young adults' perceptions of social inequality (both at the societal level and context-specific) as well as negative affect (specifically, feeling embarrassed, angry, upset) and their subsequent evaluations of credit unions was unclear, this study addresses the possibility that the consequence of poor quality service provided by banks may ultimately reflect on themselves rather than credit unions. A small scale exploratory study was designed and conducted to assess this possibility.

I. Participants

Twenty five undergraduate students (M = 12, F = 13) from a major U.S. university participated in this study in the winter semester of the 2014 academic year in exchange for course credit. The average age of the participants was 19.4 years (SD = 1.55).

II. Design and procedure

This study was a one-way between subjects design (high vs. low bank service quality) with evaluations of banks as the dependent variable. The study procedure followed the pattern of previous studies. First, participants were randomly assigned to one of two hypothetical banking scenarios that described an interaction with a bank customer service manager while attempting to set up an account. Manipulations for high vs. low service quality were the same as in previous studies and can be found in Appendix A. After being exposed to service provided by the customer service manager, participants were asked to rate the quality of the service they received, perceptions of social inequality, and negative affect. Subsequently, participants evaluated the service provider—i.e., the bank—itself.

III. Measures

Manipulation check

Perceived Bank Service Quality: the same six 7-point scale items used in prior studies was used to check the manipulation of perceived bank service quality (see Appendix D).

Outcome variables

In addition to *perceived social inequality* (see Appendix D), and *negative affect* (see Appendix E), participants were also asked to *evaluate the banks* on the same five facets of attitudes, credibility judgments, preferences, social media engagement likelihood, and recommendation likelihood (see Appendix F).

IV. Results

Manipulation check

Perceived bank service quality: a one-way ANOVA was performed and results showed that participants who were assigned to the low service quality condition rated the service as being of significantly poorer quality than those assigned to the high service quality condition ($M_{LowSQ} = 2.58$, $M_{HighSQ} = 5.97$, $F(1, 23) = 76.10$, $p < .001$). The manipulation was therefore successful.

Outcome variables

Perceived Social Inequality:

(a) ***General socio-economic inequality:*** results of a univariate analysis of variance showed that the difference in general socio-economic inequality between participants who are assigned to the high and low service quality condition was not significant (M_{LowSQ} = 5.29, M_{HighSQ} = 5.15, F (1, 23) =.133, ns). Therefore, Hypothesis 1a was rejected again.

(b) ***Context specific inequality:*** results of a univariate analysis showed that participants who are assigned to the low service quality condition showed significantly higher perceived social class inequality than those assigned to the high service quality condition (M_{LowSQ} = 4.61, M_{HighSQ} = 3.36, $F(1,23)=15.998$, $p < .005$). This again supported Hypothesis 1b.

The results shows that when perceived service quality received at a bank is low, participants' perceptions of context-specific inequality will be greater than when perceived service quality is high. However, the service quality from a bank does not significantly influence participants' perception of general socio-economic inequality.

Negative Affect: the impact of bank service quality on young adults' negative emotions was measured on the same three facets of feeling angry, upset, and embarrassed.

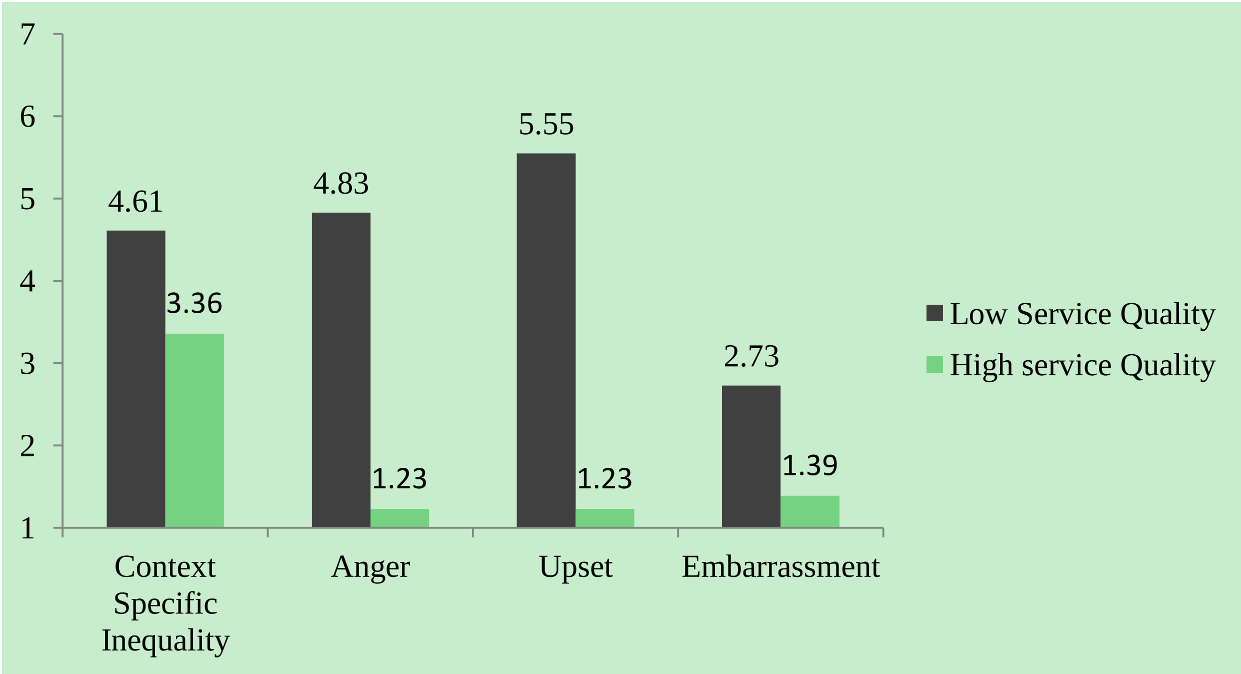
(a) ***Anger:*** results of a univariate analysis showed that participants who were assigned to the low service quality condition expressed significantly greater anger than those assigned to the high service quality condition (M_{LowSQ} = 4.83, M_{HighSQ} = 1.23, $F (1, 23) = 51.778$, $p < .001$). Hypothesis 3a was supported again.

(b) ***Upset:*** results of a second univariate analysis showed that participants who were assigned to the low service quality condition were significantly more upset than those assigned to the high service quality condition (M_{LowSQ} = 5.55, M_{HighSQ} = 1.23, $F (1, 22) = 97.476$, $p < .001$). Hypothesis 3b was also supported.

(c) ***Embarrassment:*** results of a third univariate analysis showed that participants who are assigned to the low service quality condition were significantly more embarrassed than those assigned to the high service quality condition (M_{LowSQ} = 2.73, M_{HighSQ} = 1.39, $F (1, 22) = 4.797$, $p < .05$). Hypothesis 3c also received support.

These results demonstrated that when perceived service quality received at a bank is low, young adults' negative affect in terms of anger, being upset and embarrassed is greater than when perceived service quality is high (see Figure 7).

Figure 7: Impact of Bank Service Quality on Perceived Inequality & Negative Affect



Evaluations of Banks: participants' evaluations of banks were measured from on the same five dimensions as for credit unions in previous studies (i.e., in terms of attitudes, credibility judgments, preferences for a different bank, social media engagement likelihood, and recommendation likelihood for a competing bank).

Results of regression analyses showed that as perceived context-specific inequality due to treatment provided by banks rises, young adults display significantly lower attitudes (β (se) = -1.56 (.29), t (23) = - 5.30, $p < .001$), and credibility judgment for the bank (β (se)= - 1.20 (.26), t (23)= - 4.57, $p < .001$), as well as significantly higher preferences for a different bank (β (se) = .87 (.33), t (23) = 2.63, $p < .05$).

With respect to negative affect, as anger due to the treatment received from the banks rose, the young adult participants reported significantly lower attitudes (β (se) =

$-.82$ (.10), $t(23) = -8.31$, $p < .001$) and credibility judgments of this bank (β (se) = $-.62$ (.10), $t(23) = -6.16$, $p < .001$), as well as significantly higher preferences (β (se) = .59 (.12), $t(23) = 5.00$, $p < .001$) and recommendation likelihood for a different bank (β (se) = .36 (.15), $t(23) = 2.32$, $p < .05$).

Moreover, as feeling upset due to the treatment provided by banks rose, participants exhibited significantly lower attitudes (β (se) = $-.69$ (.11), $t(23) = -6.41$, $p < .001$) and credibility judgments related to the bank (β (se) = $-.55$ (.09), $t(23) = -5.90$, $p < .001$), as well as significantly higher preferences (β (se) = .54 (.11), $t(23) = 4.85$, $p < .001$) and recommendation likelihood for a different bank (β (se) = .35 (.14), $t(23) = 2.47$, $p < .05$).

However, results of regression analysis also showed that as embarrassment due to treatment received at the bank rose, there was no significant change in young adults' bank related evaluations.

V. Discussion

Results of this exploratory study demonstrate that low bank service quality has significantly deleterious effects on young adults' context-specific inequality perception and negative emotions. Also importantly, such emotions and perceptions lead to negative evaluations of the offending bank (i.e., the bank that provides poor quality service), and more favorable evaluations for a competing banks. Such results reinforce the argument that banks should be aware of the adverse consequences of providing low quality service to customers, and risk of losing their business to other competing banks or financial institutions.

CHAPTER EIGHT: GENERAL DISCUSSION, CONCLUSIONS, LIMITATIONS, AND FUTURE RESEARCH

I. General Discussion and Conclusions

Study 1 results demonstrate that young adults perceive themselves as less socially equal upon receiving unfavorable treatment from banks. More specifically, it is perceived context- specific inequality, rather than general socio-economic inequality, that is impacted by poor service quality. Young adults are also found to experience greater negative emotions in the form of anger, being upset, and feeling embarrassed when service quality received is lower. These findings are robust and have been replicated in Studies 2 and 4. In addition, a mediating role of anger and being upset within the impact of service quality level on context-specific inequality perceptions is also found in Study 1.

Although the linkage between context-specific inequality, negative affect and evaluations of credit unions remains unclear in the first three studies, the effect of general socio-economic inequality on young adults' credit union related credibility judgments and recommendation likelihood is found to be mediated via attitudes toward credit unions (prior to the provision of credit union related information). These findings suggest that while evaluations of credit unions are not impacted by specific transactions at banks, they are contingent on more generalized perceptions of inequality that exist in society. These generalized perceptions are likely formed over time as similar experiences reinforce each other to form a holistic assessment.

Another key finding relates to the important role played by knowledge about credit unions—both in terms of the knowledge that young adults already possessed prior to the experimental studies, as well as information that was imparted during the exercise. Young adults with higher prior awareness of credit unions exhibited more positive attitudes, credibility judgments, and preferences for credit unions. Moreover, additional information provided about credit unions further enhanced attitudes towards them.

Participants' nationality (that was treated as a covariate) also played a significant role in evaluations. Canadian young adults displayed more favorable attitudes toward credit unions than did those from other countries. This is understandable as Canada is one of the most developed countries in the world and possesses a highly developed financial market. More importantly, Canada was amongst the first few countries to establish credit unions. Such a long history makes Canadian citizens more familiar with credit unions than people from many other countries. However, young adults of Canadian origin also express lower intentions to engage with credit unions via social media platforms (i.e., to follow the Facebook page of credit unions) than did participants from other countries. This phenomenon may be due to Canadian young adults' higher prior knowledge of credit unions which makes incremental information less desirable. This may also be attributed to the characteristics of our participants (university students) that include both domestic and international students. International students that are away from their home countries may use social media more extensively for accessing information as well as maintaining social ties with friends and family in their home countries. Finally, information about credit unions sourced from friends rather than ads resulted in higher credibility attributions. Young adults did trust their friends over corporate advertising—a result that has implications for the manner in which credit unions promote themselves within this demographic.

Finally, although the impact of context-specific inequality and negative affect on credit union evaluations was not significant, the results of Study 4 indicate their significant influence on evaluations of banks themselves (reflected by both more negative attitudes towards the focal bank, and more positive social media engagement intentions and recommendation likelihood for competing banks).

II. Theoretical and Practical Contributions

This research has implications for both theory and practice. From a theoretical standpoint, this research draws connections between literatures on service quality, social inequality, and information processing. Within the service quality domain, this research reveals affective mechanisms that underlie the impact of poor service. Customer dissatisfaction, which is expressed in the form of negative affect such as anger, frustration and helplessness, has been identified by existing research as the direct effect of service failure on customers.

In addition to such emotions, another type of negative affect is also likely to be felt by customers faced by poor service quality provision—namely, that of embarrassment. The mere presence of other people (either the service provider him or herself, or the real or imagined presence of other customers or employees) that witness the poor treatment received may be enough to trigger this emotion. Service interactions are fraught with this likelihood given the public nature of consumption of many services. Young adults, that are lower on the socio-economic scale, may be especially sensitive and vulnerable to real or perceived slights. Results of this research confirm the existence of embarrassment amongst young adult customers when are unfavorably treated by banks. Moreover, this research provides details not only about customers' evaluations of the service providers themselves, but also that of their competitors. The results show that for financial institutions, poor service quality may not directly lead to customers' bank switching behaviors due to the higher risk inherent within financial products and services (where customers may need more information prior to making a decision). However, customers' unfavorable attitudes toward the banks themselves intensify.

Within the domain of inequality literature, existing research mainly looks at the antecedents and consequences of inequality at general societal levels. For example, determinates of economic inequality have been investigated from such perspectives as macro-economic upswings and downturns, political environmental changes, and rising demand for certain types of skill sets. The consequences of economic inequality have also been examined on health outcomes, crime rates, mortality, education, and politics and social capital. This research, on the other hand, is focused on inequality that is perceived within specific consumption contexts (banking services) for a particular demographic (young adults) and their subsequent behavioral patterns. Through such context-specific examination, financial institutions can have more knowledge about how the service quality will affect their relationship with customers as well as the potential influence on their competitors. By separately examining perceptions of inequality and negative affect as consequences of bank service failure, results of this research highlight the importance of providing high quality of service to customers.

Results found here also have practical implications for the functioning of both banks as well as credit unions. Banks need to realize the consequences of providing low quality service to customers (young adults in this context) since unfavorable treatment triggers negative emotions. Further, credit unions can market themselves through a few paths. First, credit unions can provide more information to young adults about themselves, such as how they are different from banks in order to enhance awareness and attitudes toward them. Second, it is more favorable for credit unions to use word-of-mouth communications as the source of information rather than advertising especially in promotional activities targeted toward young adults (that trust their peers more than they do advertising). Further, credit unions need to make people aware that income disparities exist in society and their mission is to reduce such disparities potentially through introducing the history of credit unions and their tradition targets (those lower on the socio-economic scale and marginal communities such as farmers) and launching programs for young adults (e.g., the Young & Free campaign which provides young adults with access to credit and other financial services that may be unavailable from more traditional financial institutions).

Marketing materials disseminated by credit unions can make young adults aware of: (1) the existence of general socio-economic inequality in society, (2) the unequal accessibility of financial services as a consequence of income disparities, and (3) the core mission of credit unions to narrow such inequality gaps and help individuals that are less financially better-off via a community based, collaborative philosophy. Such impressions may be reinforced and translated into higher credibility judgments especially when low quality service is received from traditional financial institutions such as banks. Finally, results found here show non-Canadian to have greater intentions to engage with credit unions via social media than Canadian nationals. Social media platforms therefore are a promising avenue for reaching non-traditional international/immigrant populations. This finding takes on greater significance given that credit unions also rely heavily on promotions that occur online via social media.

III. Limitations and Implications for Future Research

The unclear linkages between service quality provided by banks and subsequent evaluations of credit unions found here may be explained based on the nature of the financial institutions and associated services studied. High levels of risk associated with financial products and services may make the lower social class demographic - young adults, hesitant while evaluating credit unions simply based on the quality of service received from traditional (but better known) banks. If this is the case, credit unions would benefit by understanding barriers to persuasion amongst young adults.

The replicability of the study results is also worth discussing. Since study 1, 2 and 3 are conducted at the University of Manitoba and our samples are college students, would the study results be different within other provinces in Canada? As an agricultural province, Manitoba has more credit unions than other provinces in Canada. This makes residents here have higher awareness about credit unions. However, as suggested by the study results, higher awareness about credit union leads to more positive attitudes toward them. Since such positive attitudes are still unable to lead to young adults' favorable evaluations of credit unions, I would speculate that in other provinces where residents have lower awareness about credit unions, they would be even less likely to have favorable evaluations towards credit unions. The results found here therefore would not change.

Two future research avenues suggest themselves against this backdrop. First, future researchers can investigate the effects of priming perceived social inequality and variable sources of information within the decision making process. Examinations within different, lower-risk service categories that are more familiar to young adults (e.g., laptop computers) may also be undertaken. Second, investigations into factors that affect young adults' service evaluations other than service quality are also warranted.

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APPENDIX A

Manipulation of Bank Service Quality

Condition 1 - High service quality:

Imagine that you have made an appointment with the customer service manager in a bank in order to open a new account. On the day of the appointment, you go to the bank as scheduled.

You enter the bank five minutes before your appointment, and the receptionist greets you warmly. You mention your appointment with the customer service manager and the receptionist confirms that the manager will see you as scheduled. You are kindly invited to take a seat, and help yourself to some coffee and cookies.

The customer service manager shows up on time. She receives you warmly, leads you to her office and seats you. When you make your request for a new account, the manager reviews your eligibility and suggests the type of account that is most suitable for students. She also takes the time to explain the details of this account. You take her suggestion and agree to open the recommended account. It is set up smoothly after signing a few documents. Then the customer service manager encloses all the documents in an envelope and hands it to you. After confirming that you have no more questions, she thanks you, and sees you off at the door.

APPENDIX A (Continued)

Manipulation of Bank Service Quality

Condition 2 - Low service quality:

Imagine that you have made an appointment with the customer service manager in a bank in order to open a new account. On the day of the appointment, you go to the bank as scheduled.

You enter the bank five minutes before your appointment, and the receptionist greets you coldly. You mention your appointment with the customer service manager and the receptionist tells you that the customer service manager is with another customer now and you need to wait for a while until they are finished.

The customer service manager shows up 15 minutes later than scheduled. She receives you in an offhand manner, leads you to her office quickly, and says that she has another appointment soon after. When you make your request for a new account, the manager reviews your eligibility and gives you a list of accounts that students are eligible for. When you ask for details for the different accounts, she quickly outlines a few differences, and pushes you to make a decision. You select an account and the manager asks you to sign a few documents without any explanation. Then she tells you your account is set up, encloses all the documents in an envelope, hands it to you, and you leave her office.

APPENDIX B

Information about Credit Unions

Credit unions are member-owned, not-for-profit financial cooperatives that provide savings, credit and other financial services to their members. Credit unions run more locally than banks and the members usually share a common bond, such as where they live and work. Credit unions conduct business for the mutual benefit and general welfare of their member-owners. As a result, in credit unions, after expenses are paid and reserves set aside, surplus earnings are returned to members in different ways, such as lower interests on loans, higher interest rates and low cost or free services.

APPENDIX C

Measure of Perceived Bank Service Quality

How would you evaluate the quality of the service you received in the bank?

1) The service was provided at promised time.

Strongly Disagree 1 2 3 4 5 6 7 Strongly Agree

2) I was given individual attention in the bank.

Strongly Disagree 1 2 3 4 5 6 7 Strongly Agree

3) The customer service manager was willing to help me.

Strongly Disagree 1 2 3 4 5 6 7 Strongly Agree

4) The customer service manager understood my needs.

Strongly Disagree 1 2 3 4 5 6 7 Strongly Agree

5) The customer service manager sincerely solved problem for me.

Strongly Disagree 1 2 3 4 5 6 7 Strongly Agree

6) The customer service manager had my best interest at heart.

Strongly Disagree 1 2 3 4 5 6 7 Strongly Agree

APPENDIX D

Measure of Perceived Inequality

Please indicate the extent to which you agree or disagree with each of the following statements.

1) Generally, there are income disparities among individuals in our country.

   Strongly Disagree 1 2 3 4 5 6 7 Strongly Agree

2) Inequalities benefit people at higher level of the income distribution rather than those at lower level of the income distribution.

   Strongly Disagree 1 2 3 4 5 6 7 Strongly Agree

3) Banks treat customers differently based on their income levels.

   Strongly Disagree 1 2 3 4 5 6 7 Strongly Agree

4) I was treated unequally by the bank.

   Strongly Disagree 1 2 3 4 5 6 7 Strongly Agree

5) The bank should treat customers more equally.

   Strongly Disagree 1 2 3 4 5 6 7 Strongly Agree

APPENDIX E

Measures of Negative Affect

Please describe how you felt as a result of this encounter:

1) Angry :

   Not at all 1 2 3 4 5 6 7 Very much so

2) Upset:

   Not at all 1 2 3 4 5 6 7 Very much so

3) Embarrassed:

   Not at all 1 2 3 4 5 6 7 Very much so

APPENDIX F

Evaluations of Credit Unions

A. Credibility Judgments:

In general, what are you impressions about the way that credit unions operate?

In a biased manner	1	2	3	4	5	6	7	In an unbiased manner
In an unfair manner	1	2	3	4	5	6	7	In a fair manner
In an undependable manner	1	2	3	4	5	6	7	In a dependable manner
In an untrustworthy manner	1	2	3	4	5	6	7	In a trustworthy manner
In an non-credible manner	1	2	3	4	5	6	7	In a credible manner

B. Attitude toward credit unions:

In general, what are your feelings toward credit unions?

Unfavorable	1	2	3	4	5	6	7	Favorable
Negative	1	2	3	4	5	6	7	Positive
Bad	1	2	3	4	5	6	7	Good
Dislike	1	2	3	4	5	6	7	Like

C. Preferences:

In the future, if you had to make the choice between opening an account at a bank versus at a credit union, how likely would you be to choose a credit union?

Very unlikely	1	2	3	4	5	6	7	Very likely

APPENDIX F (Continued)

Evaluations of Credit Union

D. Social Media Engagement Likelihood:

How likely would you be to follow the Facebook page of the credit union?

Very unlikely	1	2	3	4	5	6	7	Very likely

E. Recommendation Likelihood:

In the future, if your friends had to make the choice between opening an account at a bank versus at a credit union, how likely would you be to recommend a credit union to them?

Very unlikely	1	2	3	4	5	6	7	Very likely

APPENDIX G

Demographic Information

1. What is your gender? _____Male _____Female

2. What is your age (in years)? __________ Years

3. What is your nationality? _____ Canadian _____ Other (please specify_____)

4. What language do you commonly speak at home most often?

_____ English _____ Other (please specify____)

APPENDIX H

Manipulation of Credit Union Information Source

Condition 1 –Advertising

Imagine that you now come across information about credit unions. This information is presented to you in an ad campaign that a credit union is running. Please read the information that the ad provides carefully. The ad tells you that:

“Credit unions are member-owned, not-for-profit financial cooperatives that provide savings, credit and other financial services to their members. Credit unions run more locally than banks and the members usually share a common bond, such as where they live and work. Credit unions conduct business for the mutual benefit and general welfare of their member-owners. As a result, in credit unions, after expenses are paid and reserves set aside, surplus earnings are returned to members in different ways, such as lower interests on loans, higher interest rates and low cost or free services.”

APPENDIX H (continued)

Manipulation of Credit Union Information Source

Condition 2 – Word-of-Mouth

Imagine that you now come across information about credit unions. This information is presented to you by your friend who is also a student. Please read the information that your friend gives you carefully.

"Credit unions are member-owned, not-for-profit financial cooperatives that provide savings, credit and other financial services to their members. Credit unions run more locally than banks and the members usually share a common bond, such as where they live and work. Credit unions conduct business for the mutual benefit and general welfare of their member-owners. As a result, in credit unions, after expenses are paid and reserves set aside, surplus earnings are returned to members in different ways, such as lower interests on loans, higher interest rates and low cost or free services."

APPENDIX I

Measure of Credit Union Information Source

In the scenario that was presented to you, please indicate the source that you received information regarding credit unions:

1) You heard about credit unions from your friend

Strongly Disagree 1 2 3 4 5 6 7 Strongly Agree

2) You heard about credit unions through an ad

Strongly Disagree 1 2 3 4 5 6 7 Strongly Agree

APPENDIX J

Manipulation of Social Class Inequality and Credit Union Information Source

Manipulation of Social Class – Social Ladder

Below you will be shown a picture and provided with a scenario. Look at the picture carefully and follow the instructions on how to understand the picture. After that, please spend a few minutes visualizing the following scenario. Read carefully through each sentence, then close your eyes and project yourself into the situation as far as possible. Then answer some questions that follow.

[A clipart picture of a ladder was shown to participants]

This is a ladder with 10 rungs, representing people's social class in Canada. People at the very top of the ladder are the best off in society – they have the most money, most education and the most respected jobs. People at the very bottom of the ladder are the worst off in society - they have the least money, least education and the least respected jobs.

APPENDIX J (continued)

Manipulation of Social Class Inequality and Credit Union Information Source

Condition 1 – High Social Class and Advertising

Imagine that you are at the very top of the ladder. You have graduated from a prestigious university and work in a senior management position at a reputed company.

You are very well paid and live in a prestigious area of the city.

These days you are thinking about opening a bank account. While reading the newspaper one day, you happen to see an ad that talks about credit unions. The ad tells you that:

"Credit unions are member-owned, not-for-profit financial cooperatives that provide savings, credit and other financial services to their members. Credit unions run more locally than banks and the members usually share a common bond, such as where they live and work. Credit unions conduct business for the mutual benefit and general welfare of their member-owners. As a result, in credit unions, after expenses are paid and reserves set aside, surplus earnings are returned to members in different ways, such as lower interests on loans, higher interest rates and low cost or free services."

The ad also provides the Facebook page of the credit union and suggests that you can follow it to learn more if you are interested in becoming a member.

APPENDIX J (continued)

Manipulation of Social Class Inequality and Credit Union Information Source

Condition 2 – High Social Class and Word-of-Mouth

Imagine that you are at the very top of the ladder. You have graduated from a prestigious university and work in a senior management position at a reputed company.

You are very well paid and live in a prestigious area of the city.

These days you are thinking about opening a new bank account. While eating lunch one day, your friend talks about credit unions. She tells you that:

"Credit unions are member-owned, not-for-profit financial cooperatives that provide savings, credit and other financial services to their members. Credit unions run more locally than banks and the members usually share a common bond, such as where they live and work. Credit unions conduct business for the mutual benefit and general welfare of their member-owners. As a result, in credit unions, after expenses are paid and reserves set aside, surplus earnings are returned to members in different ways, such as lower interests on loans, higher interest rates and low cost or free services."

Your friend also shows you the Facebook page of her credit union and suggests that you can follow it to learn more if you are interested in becoming a member.

APPENDIX J (continued)

Manipulation of Social Class Inequality and Credit Union Information Source

Condition 3 – Low Social Class and Advertising

Imagine that you are at the very bottom of the ladder. You have a high school diploma and work as a correctional officer in a prison. You have a low income and live in a less prestigious area of the city.

These days you are thinking about opening a bank account. While reading the newspaper one day, you happen to see an ad that talks about credit unions. The ad tells you that:

"Credit unions are member-owned, not-for-profit financial cooperatives that provide savings, credit and other financial services to their members. Credit unions run more locally than banks and the members usually share a common bond, such as where they live and work. Credit unions conduct business for the mutual benefit and general welfare of their member-owners. As a result, in credit unions, after expenses are paid and reserves set aside, surplus earnings are returned to members in different ways, such as lower interests on loans, higher interest rates and low cost or free services."

The ad also provides the Facebook page of the credit union and suggests that you can follow it to learn more if you are interested in becoming a member.

APPENDIX J (continued)

Manipulation of Social Class Inequality and Credit Union Information Source

Condition 4 – Low Social Class and Word-of-Mouth

Imagine that you are at the very bottom of the ladder. You have a high school diploma and work as a correctional officer in a prison. You have a low income and live in a less prestigious area of the city.

These days you are thinking about opening a new bank account. While eating lunch one day, your friend talks about credit unions. She tells you that:

“Credit unions are member-owned, not-for-profit financial cooperatives that provide savings, credit and other financial services to their members. Credit unions run more locally than banks and the members usually share a common bond, such as where they live and work. Credit unions conduct business for the mutual benefit and general welfare of their member-owners. As a result, in credit unions, after expenses are paid and reserves set aside, surplus earnings are returned to members in different ways, such as lower interests on loans, higher interest rates and low cost or free services.”

Your friend also shows you the Facebook page of her credit union and suggests that you can follow it to learn more if you are interested in becoming a member.

APPENDIX K

Manipulation Check of Priming Perceived Social Class

How would you rate your social class that is described in the scenario?

Very Low1 2 3 4 5 6 7 Very high

APPENDIX L

Measure of Information Source Credibility

How would you evaluate this source of information?

Insincere	1	2	3	4	5	6	7	Sincere
Dishonest	1	2	3	4	5	6	7	Honest
Not dependable	1	2	3	4	5	6	7	Dependable
Not trustworthy	1	2	3	4	5	6	7	Trustworthy
Not credible	1	2	3	4	5	6	7	Credible