The Impact of Ethical Sales Behaviour on Customer Satisfaction, Trust and Loyalty to the Company: An Empirical Study in the Financial Services Industry

The need to be customer-focused to the highly changing marketing environment has never been more important for financial services institutions. However, under the present circumstances, where customers are becoming more demanding and increasingly mobile between competing financial providers, being customer-oriented is not enough. Financial services companies, and more specifically, their contact employees (e.g. salespeople) need to be perceived as ethical by their customers. This research represents an initial step in analysing the role of ethical sales behaviour, as perceived by bank customers, in developing and maintaining relationships with customers. The findings revealed that a salesperson’s ethical behaviour leads to higher customer satisfaction, trust and loyalty to the bank that the salesperson represents. Managerial and research implications are also discussed.

Keywords: ethics, salespeople, financial services, customer relationship outcomes

Introduction

World-wide deregulation, the emergence of new forms of technology, industry-wide consolidation, higher customer expectations, and new economies of scale have created highly competitive market conditions in the financial services industry (Devlin et al. 1995; Beckett et al. 2000). In such a competitive environment the ability of a financial institution to compete on price has become increasingly difficult (Thornton and White 2001). The main price offerings of financial institutions are the interest rates offered on savings and charged on loans (Llewellyn and Drake 1997); and higher levels of competition within the financial industry has forced many of the players in the market to offer similar prices on deposits and loans. The implications for financial institutions are that it is of increasing importance that new, non-price factors, such as ethical sales behaviour of contact employees (e.g.,...
salespeople) be used as a means of differentiation, to achieve higher revenue growth and improved market share.

Ethics is a central issue in financial services (Dunfee and Gunther 1999). Ethical sales behaviour can play a critical role in the formation and maintenance of long-term relationships with customers (Wray et al. 1994), and more importantly, it can also generate liability problems for salespeople’s organizations through both intentional and inadvertent statements (Boedecker et al. 1991). Financial institutions are vulnerable to many legal and ethical abuses and very expensive forms of corruption (Lamb 1999). For example, Prudential Insurance Company of America had to take a $2.6 billion charge against earnings to pay policyholders damages after the company allowed their salespeople to use deceptive sales practices (O’Brian 1999). Financial services are highly abstract services characterized by credence attributes, and consequently difficult for consumers to fully understand. Hence, the consumer must rely on the agent for correct information and proper guidance (Howe et al. 1994). Therefore, as the financial industry has become more competitive, financial services salespeople could, if they chose to act unethically, take advantage of the consumer’s naivety and improve their own position (Wray et al. 1994).

A number of articles in the services literature have been published in the last few years which focus on analysing the effects of frontline employees’ behaviours in developing and maintaining relationships with customers. Examples include (a) prosocial behaviours (Kelley and Hoffman 1997), (b) organisational citizenship behaviours (Bell and Menguc 2002), (c) customer-oriented behaviours (Kelley and Hoffman 1997; Brady and Cronin 2001), and (d) listening behaviours (de Ruyter and Wetzels 2000). Despite the publication of these articles, Liljander and Mattson (2002; p.854) recently concluded that: “further studies are required regarding the effect of employee behaviour on service satisfaction, and on different types of behavioural outcomes”. However, no research, of which we are aware, has examined the effects of contact employees’ ethical behaviours on relational outcomes at the company level. Moreover, recent episodes (e.g. Enron and Allied Irish Bank) continue to damage public confidence in the financial services sector. It is of extreme importance for the industry to create an environment where people generally trust financial institutions to treat them fairly and to handle their money with integrity. Consequently, this article is of great value to the financial services sector since it shows companies how to gain not only customers’ trust but also satisfaction and loyalty to the company through the ethical behaviours of their frontline employees.

In the subsequent sections, the conceptual framework is developed. Then the research hypotheses are tested in a sample of 630 bank customers. Finally, the findings are reported and discussed.
Research Hypotheses

For most services organisations salespeople are the most visible representatives for the company (Enis 1980; Crosby et al. 1990). In Crosby et al.’s (1990; p.68) words: “frequently the service salesperson is the primary – if not sole - contact point for the customer both before and after the purchase”. Consequently, the firm’s sales force is critical to its service delivery process (Sheperd 1999). At the same time, salespeople are exposed to greater ethical pressures than individuals in many other jobs. They work in relatively unsupervised settings, they are primarily responsible for generating the firm’s revenues, which at times can be very stressful; and they are often evaluated on the basis of short-term objectives (Wotruba 1990).

This research focuses on salespeople’s ethical behaviour which takes place during the interaction between a salesperson and a customer. Consequently, as in previous research in services marketing (e.g. Suprenant and Solomon 1987; Bitner et al. 1990), the focus is on the interpersonal element of service encounters, and from the customers’ perspective. The salesperson may behave unethically when interacting with different stakeholders such as customers, competitors or their employer. In the hierarchy of stakeholder importance, it appears that salespeople regard ethical transgressions against customers as being more serious than any controversial actions taken against competitors or their employer (Chonko and Burnett 1983; Chonko and Hunt 1985).

There is neither a universally accepted definition of business ethics, nor a standard measure that allows an individual or event to be uniformly judged as ethical or unethical (Turnipseed 2002). Definitions of ethical behaviour versus unethical behaviour are based upon the degree to which a proposed act is perceived as right versus wrong, good versus evil, fair versus unfair, or just versus unjust (Hunt and Vitell 1986).

Ethics requires an individual to behave according to the rules of a moral philosophy (Gundlach and Murphy 1993). It is assumed that ethics is a standard for judging the rightness not of an action per se, but of the action of one person relative to another, i.e. ethics is a basis for judgment in personal interaction (Bartels 1967). Even though ethical selling behaviour is a highly elusive construct and is often situation-specific (Lagace et al. 1991), based on previous research (e.g. Dubinsky et al. 1991; Futrell et al. 2002), in the context of this study, unethical sales behaviour is defined as a short-run salesperson’s conduct that enables him/her to gain at the expense of the customer. Examples of such activities include: lying or exaggerating about the benefits of a product/service, lying about availability, lying about the
competition, selling products/services that people do not need\textsuperscript{2}, giving answers when the answer is not really known, and implementing manipulative influence tactics or high-pressure selling techniques (Hoffman et al. 1991; Lagace et al. 1991; Wray et al. 1994; Howe et al. 1994; Tansey et al. 1994; Cooper and Frank 2002).

The research hypotheses are represented in Figure 1. Ethical sales behaviour, as perceived by the customer, is proposed to directly influence customer satisfaction, both with the core service and the company, trust and loyalty to the company (H1-H4). As for the indirect effects, it is suggested that satisfaction with the core service influences satisfaction with the company (H5). These two variables, in turn, lead to loyalty (H6 and H7). Finally, satisfaction with the company leads to trust (H8), and trust is proposed to increase customer loyalty (H9). The reasoning for these hypotheses is explained below.

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{figure1.png}
\caption{Consequences of Ethical Sales Behaviour on the Customer}
\end{figure}

**Direct Effects on Customer Satisfaction, Trust and Loyalty to the Company**

**Customer Satisfaction**

Satisfaction is an overall evaluation of performance based on all prior experiences with a firm (Anderson and Fornell 1994). There are several

\textsuperscript{2} In the context of financial services it may occur, for example, when selling an extra pension plan to a young person when the money would be better spent paying off a bank loan or a mortgage.
distinct, separate “objects” about which a consumer will make satisfaction judgements (Singh 1991). In the context of life insurance services, Crosby and Stephen (1987) distinguish between satisfaction with the institution, contact person, and the core service (the policy). This research focuses on customer satisfaction with the bank and the core service offered by the salesperson (e.g. mortgages, pensions, investment funds, life insurance and credit cards).

Frontline service employees “are the organization in the customer’s eyes” (Zeithaml and Bitner; 2000, p.287). In many cases, the contact employee is the service –there is nothing else (Zeithaml and Bitner 2000). Even if the contact employee does not perform the service entirely, he or she may still personify the firm in the customer’s eyes. Each of these customer contacts has the potential of positively or negatively impacting customer’s satisfaction with the service as well as the company (Zeithaml and Bitner 2000). More specifically, the services literature has widely recognised the importance of contact employees’ (e.g. salespeople) behaviour for customer satisfaction and loyalty (e.g. Farrell et al. 2001; Ganesh et al. 2000). For example, Solomon et al. (1985) pointed out that “customer satisfaction and repeat patronage may be determined solely by the quality of the personal encounter” (p.100).

According to the expectancy disconfirmation paradigm (e.g. Oliver and DeSarbo 1988; Tse and Wilton 1988), consumers make a comparison between service expectations and performance that will result in either confirmation or disconfirmation. Customers’ expectations are confirmed when product or service performance exactly meet expectations. Disconfirmation will be the result of a discrepancy between expectations and performance. Positive disconfirmation occurs when product/service performance exceeds prior expectations, and negative disconfirmation occurs when expectations exceed performance. Confirmation and positive disconfirmation will be likely to result in satisfaction, whereas negative disconfirmation leads to dissatisfaction.

Customer expectations regarding the core service are highly dependent on the salesperson’s presentation in the service encounter (Cadotte et al. 1987). If the salesperson behaves ethically, he/she is more likely to provide realistic expectations about the core service (e.g. not exaggerating about the gains to be made from an investment fund), and is less likely to push the customer into buying a service that the customer does not need (Howe et al. 1994, Tansey et al. 1994). Consequently, these actions may result in confirmation or even positive disconfirmation between expectations and service performance, thus resulting in customer satisfaction with the core service. Some preliminary evidence for such a proposition can be found in Kennedy et al.’s (2001) study, where customer satisfaction, in this case with an automobile, was positively related to low-pressure selling tactics.
Accordingly it is proposed that:

**H1:** The greater the salesperson's ethical behaviour as perceived by the customer, the greater the customer satisfaction with the core service.

Results from Oliver and Swan (1989) indicated that a customer satisfaction with the salesperson increased when the customer felt he/she had been fair in the transaction, which is associated to ethical sales behaviour (Futrell 2002). Later, results from the exploratory study of Wray et al. (1994), showed that the perceived ethical standard of the salesperson had a positive impact on customer satisfaction with the salesperson. In some service settings, discriminant validity between satisfaction with the salesperson and the organisation should not be necessarily expected (Goff et al. 1997). Derived from these findings, and taking into account that in a service context the salesperson and the selling organisation are often indistinguishable in the mind of the customer (Crosby et al. 1990), we expect a positive association between ethical sales behaviour and customer satisfaction with the company. Stated formally:

**H2:** The greater the salesperson's ethical behaviour as perceived by the customer, the greater the customer satisfaction with the company.

**Customer Trust in the Company**

Customer trust relates to a belief on the part of the customer that obligations will be fulfilled (Swan and Nolan 1985; Swan et al. 1999). In other words, the customer believes and feels that the selling company can be relied upon to behave in such a manner that the long-term interest of the customer will be served (Crosby et al. 1990). Trust in the company is defined as “customer confidence in the quality and reliability of the services offered by the organization” (Garbarino and Jonhson 1999; p.73). Our conceptualization of trust corresponds to the concept of post-trust that is developed after an exchange episode has taken place (Singh and Sirdeshmukh 2000). Following several researchers, we see trust as a global, unidimensional construct (e.g., Morgan and Hunt 1994; Garbarino and Johnson 1999; Nicholson et al. 2001). This has the benefits of brevity and simplicity, and is more generalizable across situations (Kumar et al. 1992).

Service employees with whom the customer interacts, confirm and build trust in the organization or detract from its reputation and ultimately destroy trust (Zeithaml and Bitner 2000). Findings from Wray et al. (1994) suggested that ethical sales practices, as perceived by financial services customers, increased customer trust in the salesperson. Likewise, different exploratory studies have shown that customer trust in the salesperson can be earned by
the honest actions of sales representatives (Swan et al. 1985; Swan et al. 1988; Beatty et al. 1996), as well as low-pressure selling techniques (Strutton et al. 1996; Kennedy et al. 2001). We expect a positive association between ethical sales behaviour and customer trust in the company. This can be explained by taking into account the important role of salespeople in the service setting. That is, salespeople, as frontline service employees, “are the organisation in the customer’s eyes” (Zeithaml and Bitner; 2000, p.287). Consequently, if salespeople’s behaviours are perceived as ethical, the organisation is also likely to be perceived as ethical, because “customer perceptions of contact employees will affect their perceptions of the company” (Ganesh et al. 2000, p.68). Based on the above discussion the following hypothesis is proposed:

**H3:** The greater the salesperson’s ethical behaviour as perceived by the customer, the greater the customer trust in the company.

### Customer Loyalty to the Company

An important consideration in a service firm’s customer base is the degree to which its customers are loyal (Ganesh et al. 2000). Based on several researchers, customer loyalty to the service company is conceptualised as a combination of customer’s intention to maintain an ongoing relationship with the service company, and to recommend it to other consumers (e.g., Bloemer and Kasper 1995; Bloemer and de Ruyter 1999; Singh and Sirdeshmukh 2000). Customers’ perceptions of face-to-face interaction with the service employees have traditionally been considered one of the most important determinants for loyalty (Solomon et al. 1985; Grönroos 1990). Next, we explain why ethical sales behaviour is likely to play a major role in developing customer loyalty.

From a theoretical perspective, Dubinsky et al. (1991) noted that unethical sales behaviour is a short-run, expedient perspective devoid of any sense of social responsibility. Likewise, Gundlach and Murphy (1993) argued that following ethical principles allows sellers to foster long-term relationships with buyers. Building on equity theory, ethical sales behaviour can be considered to be an investment in the equity formulation. If customers feel they are being treated unfairly by the salesperson (e.g. because of unethical behaviour), perceptions of inequity will emerge (Alexander 2002), which in turn may translate into a desire of the customer to leave the relationship with the company represented by that salesperson (Huppertz et al. 1978).

As for the empirical evidence, Trawick et al. (1991) showed that a salesperson’s behaviour, that is perceived as unethical by the industrial buyer, had a negative impact on intentions to choose the firm represented by that salesperson. Furthermore, Whalen et al. (1991) found evidence for a negative relationship between a consumer’s perception of a seller’s unethical
behaviour and purchase intention. Therefore, we formulate the following:

**H4:** The greater the salesperson’s ethical behaviour as perceived by the customer, the greater the customer loyalty to the company.

**Relationships among the outcome variables**

Early research by Czepiel et al. (1974) proposed that satisfaction with an organisation depends on satisfaction with specific components, such as the people and the products/services. In this sense, Westbrook (1981) demonstrated that satisfaction with a retail establishment was influenced by satisfaction evaluations with the products. Similarly, Crosby and Stephens (1987) found, in a sample of life insurance policyholders, that satisfaction with the core service (the policy) positively and significantly influenced satisfaction with the company. Based on their results, they concluded by noting that “some segments of buyers may generalize their feelings about the agent or the company to the core service, but typically the effects seem to flow in the opposite direction” (Crosby and Stephens 1987; p.410). Derived from these findings, the following hypothesis is formulated:

**H5:** The greater the customer satisfaction with the core service, the greater the customer satisfaction with the company.

Research in services marketing has widely shown that customer satisfaction leads to customer loyalty (Crosby and Stephens 1987; Cronin and Taylor 1992; Taylor and Baker 1994; Gwinner et al. 1998; Bloemer and de Ruyter 1999; Jones et al. 2000; Dabholkar et al. 2000; Liljander and Mattson 2002). For instance, Crosby and Stephens (1987) found that whether customers had replaced their insurance policies or allowed them to lapse depended on their prior satisfaction with the whole life coverage. Similarly, Jones et al. (2000), in a sample of banking and hairstyling customers, found that core-service satisfaction was positively associated with repurchase intentions. Findings from Moutinho and Smith (2000), with a sample of bank customers, indicated that customer satisfaction with the bank had a significant and positive effect on bank loyalty. Results from Cronin et al. (2000), obtained with a sample of customers from different service industries, provided evidence of the positive influence of customer satisfaction both with the service provider and the core service on customer intention to use the facility’s services again, and recommend the service company to a friend. Based on the previous findings the following hypotheses are proposed:

**H6:** The greater the customer satisfaction with the core service, the greater the customer loyalty to the company.
H7: The greater the customer satisfaction with the company, the greater the customer loyalty to the company.

With respect to the relationship between satisfaction with the company and trust in the company, the latter has been viewed from a global perspective as an overall impression of the company (Plank et al. 1999). There is a long-term orientation in this variable, since trust is also conceptualised as “a cumulative process that develops over the course of repeated, successful interactions” (Nicholson et al. 2001; p.4). Satisfying encounters are hypothesised to reinforce customers’ trust in the service organisation. A highly satisfying experience with the service organisation may not only reassure the customer that his or her trust in the service provider is well placed, but also enhance it (Singh and Sirdeshmukh 2000). Empirical research in marketing channels (Ganesan 1994; Selnes 1998), and in the consumer behaviour literature (Garbarino and Johnson 1999) supports this contention. Accordingly, we propose that:

H8: The greater the customer satisfaction with the company, the greater the customer trust in the company.

While the marketing literature acknowledges the importance of trust in buyer-seller relationships (Ganesan 1994; Morgan and Hunt 1994), little consideration has been given toward its impact on customer loyalty. Empirical research in marketing channels indicates that trust positively affects loyalty (Chow and Holden 1997). Likewise, in a sample of consumers, Garbarino and Johnson (1999) found that trust was a significant determinant of future intentions. Dick and Basu (1994) acknowledged that “confidence with a service supplier is often a key to loyalty” (p.108). Evidence in services marketing literature suggests that customer trust in a service provider increased commitment to the relationship with the service provider (Moorman et al. 1992; Grayson and Ambler 1999). This influence is supported by social exchange theory as increments in trust serve to increase the social embeddedness of the consumer-provider relationship, thereby enhancing the customer’s commitment to the relationship (Singh and Sirdeshmukh 2000). Building on this research, we formulate the following:

H9: The greater the customer trust in the company, the greater the customer loyalty to the company.

Methodology

Data collection and sample
The model is tested in the context of the financial services salesperson-customer relationship, that we define as existing when there is an ongoing
series of interactions between a salesperson and a customer and the parties
know to each other (Czepiel 1990). The co-operation of three banks of
approximately the same size was obtained in Spain. Then, following
Herrington and Lomax (1999) a total of 210 salespeople were selected
stratified by geographic distribution. Next, the financial institutions gave us a
list of 30 customers for each salesperson. Constraints imposed by the
participating banks prohibited us from directly selecting the customers. As a
result, we indicated to the companies that these 30 customers had to be
randomly identified from individuals that had bought a product/service
during the last month; the latter condition to ensure valid service encounter
recall.

Following several researchers (e.g. Hartline et al. 2000; Bell and Menguc
2002), we obtained three customer interviews per salesperson, that is, six
hundred and thirty telephone interviews were successfully completed.
Multiple informants eliminate errors resulting from the one informant’s
selective perception, thus increasing reliability (Phillips 1981) and validity
(Bagozzi and Phillips 1982). In addition, this approach also provides a more
comprehensive evaluation of a salesperson’s behaviour. Based on the
procedure by Hartline et al. (2000) and Bell and Menguc (2002), customers’
questionnaires (630) were aggregated and averaged to create 210 final
observations. The respondents consisted of 441 men and 189 women. 45% of
the respondents were between 26 and 45 years old, 25% had a college degree,
and 26.3% were entrepreneurs. 28.4% of them were customers of 3 or more
banks.

**Measures**

In-depth interviews were first carried out with ten financial services
consumers of different sex, age, education and income in order to get a better
understanding of the research variables. Additionally, preliminary versions
of the questionnaire were administered to a convenient sample of 249
consumers, and pretest and results were used to improve measures and
design an appropriate structure.

All scales consisted of 10-point multiple-item Likert questions, ranging
from “1=totally disagree” to “10=totally agree”, except for the ethical sales
behaviour scale, which ranged from “1=never” to “10=always”. Based on the
results of the in-depth interviews and the literature review (e.g. Hoffman et
al. 1991; Lagace et al. 1991; Howe et al. 1994; Wray et al. 1994), salesperson’s
ethical behaviour as perceived by the customer was measured by five items
that represented the predominant ethical problems faced in the Spanish
financial services industry: “This salesperson lies about availability in order
to make a sale”3, “This salesperson lies about competition in order to make the sale”, “This salesperson gives answers when he/she doesn’t really know the answers”, “This salesperson applies sales pressure even though he/she knows the product/service is not right for me”, and “This salesperson paints rosy pictures of the products/services to make them sound as good as possible”4.

Customer satisfaction with the core service was measured using a three-item scale adapted from Westbrook and Oliver (1991). Similar to Brady and Cronin (2001), respondents were asked to report the degree to which they were “happy”, “pleased”, and “delighted” with the financial services purchased from their salesperson. Following Wray et al. (1994) and Ganesh et al. (2000), customer satisfaction with the company and trust in the company were measured by single-items: “Overall, I am very satisfied with this bank”, and “This bank is trustworthy” respectively. The use of single-item scales is common in services marketing literature (e.g. Cronin and Taylor 1992; Bloemer and de Ruyter 1999; Reddy and Czepiel 1999; Ganesh et al. 2000). Based on Cronin et al. (2000), customer loyalty to the company was approached by a two-item scale: “I plan to continue doing business with this bank”, and “I would recommend this bank to a friend”.

Table 1. Correlations and Reliability Estimates

<table>
<thead>
<tr>
<th>Coefficient Alphas</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
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</thead>
<tbody>
<tr>
<td>1. Ethical sales behaviour</td>
<td>.88</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Customer satisfaction with the core service</td>
<td>.95</td>
<td>.37</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Customer satisfaction with the company</td>
<td>-</td>
<td>.25</td>
<td>.51</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>4. Customer trust</td>
<td>-</td>
<td>.26</td>
<td>.51</td>
<td>.63</td>
<td>1</td>
</tr>
<tr>
<td>5. Customer loyalty</td>
<td>.80</td>
<td>.43</td>
<td>.60</td>
<td>.75</td>
<td>.76</td>
</tr>
</tbody>
</table>

All correlations significant at the 1% level

Reliability of the measures was confirmed with coefficient alpha higher than the recommended level of .7 (Nunnally 1978) (see Table 1). The multi-item

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3 The term availability for banking products/services is referring, for example, to the period of time the customer has to wait between ordering a credit card and actually being able to use it, or the gap between having a bank loan approved and the money being available.

4 Items of this scale were reverse-scored. Therefore, a high score indicates a high degree of ethical sales behaviour.
scales were further evaluated through confirmatory factor analysis using the maximum likelihood procedure in LISREL 8.30 (Jöreskog and Sörbom 1996). The results demonstrated acceptable levels of fit, convergent, and discriminant validity of the scales. The estimated correlation matrix between the constructs is shown in Table 1.

**Results**

Following Anderson and Gerbing (1988), the measurement and structural submodels were simultaneously estimated. The results, shown in Table 2, provided support for all hypotheses, except H2. The chi-square was significant ($\chi^2(47)=149.69$), although this is not unexpected given the large sample size (Anderson and Gerbing 1988; Hair et al. 1998). The model performed favorably on other fit diagnostics. For example, the CFI and the TLI were greater than .90 and the RMSEA and RMSR were not greater than .08. The model explained 14% of the variance in customer satisfaction with the core service, 26% of the variance in satisfaction with the company, 41% of the variance in trust, and 75% of the variance in loyalty. These results suggest that the model is a reasonable basis upon which to test the research hypotheses.

With respect to the direct consequences of ethical sales behaviour (H1-H4), this behaviour had a positive impact on customer satisfaction with the core service (H1; standardised coefficient = .37; p < .01), trust (H3; standardised coefficient = .12; p < .05), and loyalty to the company (H4; standardised coefficient = .18; p < .01). In examining H5-H9, which relates to the associations between the outcome variables, customer satisfaction with the core service led to satisfaction with the company (H5; standardised coefficient = .48; p < .01). Customer satisfaction with the core service (H6; standardised coefficient = .13; p < .05) and with the company (H7; standardised coefficient = .82; p < .01) had a positive impact on loyalty.

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5 Overall goodness-of-fit estimates of the measurement model suggested a good fit between theory and data (CFI = .95; GFI = .90; TLI = .93; RMSR = .04; RMSEA = .08) (Hair et al. 1998). The resulting measurement model $\chi^2(32)$ was 115.60 (p < .001). The chi-square statistic was significant. However, this statistic tends to be significant in samples greater than 200 (Anderson and Gerbing 1988; Hair et al. 1998). All items loaded on their hypothesized factors, and the estimates were positive and significant (the lowest t was 11.14) which provided evidence of convergent validity (Bagozzi and Yi 1988). Discriminant validity among the dimensions of each of the five constructs considered was assessed by restricting factor intercorrelations (Φ) pairwise to unity and subsequently computing a chi-square difference test (CDT), following Anderson and Gerbing’s (1988) suggestions. All model comparison statistics were significant, indicating that the null hypotheses of equal fit should be rejected, which provided evidence of discriminant validity.
The results of the structural model showed that ethical behaviour had no significant direct effect on customer satisfaction with the company (H2; standardised coefficient = .07; p > .05). However, to further investigate this hypothesis, since the correlation between the two variables was positive and highly significant (ρ = .25; p < .01), the structural model was reestimated. In this new model the path from customer satisfaction with the core service to customer satisfaction with the company was not calculated, and the standardized coefficient that we obtained from ethical behaviour to satisfaction with the company was positive and highly significant.
(standardised coefficient = .28; p < .01). That is to say, when satisfaction with the core service was not considered, ethical behaviour had a strong and direct effect on satisfaction with the company. On the other hand, if satisfaction with the core service was included in the model, ethical behaviour did increase customer satisfaction with the company; yet this effect was not direct, but mediated by satisfaction with the core service.

**Discussion and Management Implications**

Most service marketers recognise today the importance of initiating and maintaining enduring relationships with customers (Lemon et al. 2002). This is particularly true in services contexts such as financial services, characterized by continuous exchange activity and considerable purchase uncertainty (Wray et al. 1994; Devlin et al. 1995; Reddy and Czepiel 1999). In this context the salesperson’s ability to affect customer’s loyalty and dependency on the financial institution may be determined largely by the behaviours he/she implements when interacting with the customer.

This research contributes to the marketing literature because it is the first empirical study to show the key role of front line employees’ ethical behaviour in keeping customers and making them into better customers, by increasing customer satisfaction (indirectly), trust and loyalty to the bank. These relationships were tested by getting three bank customer interviews per salesperson, yielding a final, more comprehensive sample of salesperson’s behaviour, of 210 observations.

More specifically, our findings show that ethical sales behaviour had a direct influence on customer satisfaction with the core service (H1), but not on satisfaction with the company (H2). Yet, ethical sales behaviour and satisfaction with the company were significantly and positively correlated. Moreover, the former affected satisfaction with the company through satisfaction with the core service. This finding highlights the relevance of contact employees’ behaviour in increasing customer satisfaction (e.g. Ganesh et al. 2000).

Another valuable finding here is that ethical sales behaviour led to customer trust in the service company (H3). This is, at first glance, not consistent with Kennedy et al.’s (2001) results, who found that car buyers trust in the manufacturer was not related to the use of low-pressure selling tactics by the salesperson. Yet, it provides further support for the fact that in the selling of services as opposed to tangible products, the salesperson and the firm are often indistinguishable in the mind of the consumer, and thus, salespeople’s behaviours (e.g. ethical behaviours) not only have consequences at the salesperson-customer level, but also at the firm-customer level. Furthermore, our finding is of extreme importance in the context of the present study since results from several studies carried out in the financial
services industry revealed that trust is one of the most significant attributes valued by customers (e.g. Schulz and Prince 1994; ABA Banking Journal 2001).

In this study, customer loyalty to the bank was positively influenced by ethical sales behaviour (H4). This provides empirical evidence to previous theoretical arguments defending that ethics facilitates the development of relationships that are formed on the basis of honesty (e.g. Gundlach and Murphy 1993). Likewise, it is somewhat consistent to Drake et al.’s (1998) findings, where 1,400 Barclays Life customers considered “acting honestly, fairly, and in a trustworthy manner” the most important factor in contributing to the satisfaction and loyalty to the bank (p.290).

As for the interrelationships among the outcome relational variables (satisfaction, trust and loyalty to the company), satisfaction with the core service influenced satisfaction with the company (H5). Moreover, customer satisfaction both with the core service and the company were shown to be important antecedents to customer loyalty (H6 and H7 respectively). Customer satisfaction with the company led to trust in the company (H8). Finally, customer trust positively influenced loyalty to the company (H9). The significant results obtained when analysing the interrelationships among the outcome relational variables enhance the role of ethical sales behaviour in developing customer relationships with the service firm.

Retaining customers and maintaining customer loyalty demands that banks listen to their customers and understand their needs (Dibb and Meadows 2001). Many banks have responded by increasing customer orientation, for example, by offering new products and creating new ways for customers to access their services. Yet, in today’s competitive environment - where consumers are becoming more demanding and increasingly mobile between competing financial providers (Egan and Shipley 1995), - these actions are not enough to succeed. The financial services industry needs not only to provide the necessary expertise, but to do so with integrity. For most financial service organisations, salespeople are the most visible representatives of the company. Consequently, managers should place special emphasis on the fact that of all members of the organisation, salespeople are cognizant of ethical behaviours, upholding the image and reputation of the industry of which they are a part, as well as the legal implications of their actions.

This research has several implications for practitioners. Our results show that perceived ethical behaviour has a major impact on the development and maintenance of the buyer-seller relationship. Therefore, financial services companies that value the critical importance of long term relationships with their customers, should achieve an environment where the potential for unethical behaviour is at a minimum. In doing so, we recommend...
management the following activities. First, they need to create, communicate, and enforce a thorough corporate code of ethics (Weeks and Nantel 1992). Employees should know that management is taking serious action to ensure that the code is followed. When a violation arises, it is extremely important that employees are informed of punitive actions taken against the violator. Second, the code of ethics must form the basis of ongoing training regarding the handling of ethical dilemmas. Management needs to design sales training programs where the sales manager can present salespeople with several different potential ethical scenarios and solicit how they would respond to each one. Sales managers can then discuss how the organization desires such situations to be handled. Third, managers should try to communicate with their salespeople, assisting and guiding them in accurately viewing their day-to-day sales activity from an ethical perspective; then they should not reward them on a 100% commission based on the sales made, but evaluate their various activities, not just the outcomes achieved (sales volume). We do not imply that companies should avoid incentive programs, rather they could use a combination of base salary plus incentive pay in the form of commissions, bonuses or both based not only on the sales performance but on how well long-term objectives such as customer satisfaction have been achieved. Recent research in the financial services industry has shown that “measuring employee performance on the basis of end results without also considering how ethical the means were to achieve those results” fostered employees’ unethical behaviour (Cooper and Frank 2002, p.18). Likewise, managers should understand the importance of their own ethical behaviours, so that they set the appropriate standards to follow, since supervisors serve as role models for ethical behaviour within organizations (Finn 1988). For example, the sales manager who urges subordinates to behave ethically, yet who regularly overstates products’ capabilities when accompanying salespeople, is sending an ambiguous message. In addition, it is recommendable that annual audits are conducted regarding the ethical issue. This audit should indicate what the employees perceive as being ethical dilemmas. Also, the audit should determine and assess the employees’ feelings regarding corporate guidance for dealing with these situations. Finally, for sales professionals in the financial services sector, being ethical means a formidable regulatory challenge. Therefore, financial salespeople should make sure clients understand all of the relevant facts about their financial options –without bewildering them with an encyclopaedic amount of information. For example, if a salesperson has any doubt about how well a particular client has understood what he/she was trying to communicate, the salesperson should not hesitate to ask questions. As a general rule, financial salespeople will not compromise ethics if they always have customers’ interests at heart.
In addition, given the key importance of customer trust in the financial services sector, and following our results (where ethics had a significant and direct effect on customer trust in the company), we recommend financial services companies to emphasise frontline employees' ethical behaviours that particularly lead to customer trust, that is, they need to be honest and implement low-pressure selling techniques.

Conclusion

Overall, the results presented here illustrate the central role that salespeople play in affecting variables that are essential to the survival of the company such as customer satisfaction, trust and loyalty. The literature has emphasised the importance of creating bonds between the company and the customer, as opposed to only between the salesperson and the customer (Sheth and Parvatiyar 1995; Beatty et al. 1996), yet, as suggested by Reynolds and Beatty (1999), empirical evidence is quite limited. More specifically, for the financial services literature, our findings highlight the fact that frontline employees' behaviour is increasingly important when it comes to influence the quality of the relationship between the customer and the financial service institution (Devlin et al. 1995; Egan and Shipley 1995; Turnbull and Demades 1995).

The previously discussed results and implications should be viewed within the limitations of this study. This study has been restricted to the banking industry, and replication studies should prove useful. While it is quite likely that the methodology is appropriate to a wide range of buyer-seller situations, ethical behaviour is perceived as being an important characteristic of financial services salespeople (because customers' ability to evaluate their offer is low), yet it may be of less relevance when a salesperson is dealing with a tangible product. In addition, while the causal ordering of the constructs in the proposed model (Figure 1) is plausible, and the results are supportive, the cross-sectional nature of the research design does not permit a test of this causal ordering in the pure sense. For example, consistent with previous research it has been shown that satisfaction leads to loyalty, yet we encourage future studies to further examine this relationship because it is also possible that a loyal customer is more likely to find the service encounter and the overall experience with the service provider more satisfying than a non-loyal customer (e.g. Shankar et al. 2003). Consequently, results from experimental and/or longitudinal designs may provide new insights into the relationship between satisfaction and loyalty.

Customer trust has been conceptualised as a global, unidimensional construct. Yet, additional research may consider trust as a multifaceted construct where the attributes of salespeople that determine trust, such as
benevolence, honesty and so on, are considered as trust components (e.g. Swan et al. 1999). Moreover, following theory by Singh and Sirdeshmukh (2000), future research may also incorporate the distinction between the level of trust before initiation of an exchange episode (pre-trust), and following its termination (post-trust).

Further studies of ethical sales behaviour could investigate the construct from the perspective of the salesperson. Research of this nature might take a dyadic approach, considering differences between salesperson and customer perceptions of ethical behaviour, and thus analyzing how ethical sales behaviour -as perceived by the salesperson- influences the quality of the relationship -as perceived by the customer. Additional research on sales ethics could also consider the effect of variables such as the customer’s industry knowledge/familiarity (e.g. Coulter and Coulter 2003), the extent of the relationship, both in terms of time, purchase frequency and volume (volume would refer to financial maturity in the banking industry), that may moderate the effect of ethical sales behaviours on relationship outcomes.

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