Perceptions of fairness in financial services:
An analysis of distribution channels

INTRODUCTION and BACKGROUND

It is known that when developing robust buyer-seller relationships fairness is important (see Morgan and Hunt 1994, Grönroos 1994, Gebhardt 2008; Aggrawal and Larrick 2012). Undoubtedly interactions that are perceived as being fair have a positive outcome just as much unfairness will be viewed negatively because psychologically at least, fairness is about some form of justice. The notion of fairness is compelling for services because during each service encounter the customer makes a judgement about how fair or unfair the outcome was (Berry 1995), with customers seldom attempting to obtain the best service but instead seeking fair treatment (Chen *et al.,* 2012). For managers this means that they can no longer simply rely on creating a service with the expectation of a take-up particularly when comparisons about fairness are made (Carr 2007). Therefore, fairness influences how customers judge a service.

Without doubt the development of new technologies has profoundly altered the way in which customers engage with suppliers (Patrícío *et al.,* 2003), with the different platforms having different characteristics (Laukkanen 2007). The establishment of new channels has also resulted in the development of new products supported by those channels (Sousa and Voss 2009). Furthermore, the emergence of new channels such as the Internet and telephony has altered the relationship between financial services providers and their customers (Black *et al.,* 2002). Since the start of the transformation of distribution channel leading to increased competition, the last decade has witnessed a plethora of papers examining the merits of the Internet and other distribution channels, in banking, financial services and beyond. Many of those worthy efforts present analyses of the motivations to adopt new channels, as well as the main impediments (see Dabholkar and Sheng 2012). Related literature has also considered the nature of, and influences upon, service quality and customer satisfaction in online banking and financial services.

Collectively the various papers examining distribution channels have revealed that there is a place for the various technologies within financial services. As a new distribution channel, initially the take up for using Internet technology was fairly modest within financial services with risk being cited as one of the primary reasons for the slower rate of adoption (Gerrard *et al.*, 2006). Further, it is not just an Internet issue, a willingness to embrace other types of self-service technologies, such as telephony, is also influenced by the level of risk customers are willing to accept and their individual capability (Walker and Johnson 2005; 2006).

While the contributions examining the Internet and other distribution channels have served readers well, the works have tended to present their findings from one perspective normally one type of distribution channel and one product type to provide the reader with a "mono-method understanding". Conclusions tend to be made for financial services, while the research may be conducted within the narrow bandwidth of one product category such as retail banking.

The study presented here adds to our earlier work (see Devlin *et al.,* 2014) where we present and validate a fairness scale. Complementing the aforementioned work, we explicitly compare the relative position and role of various distribution channels (Internet, telephone, mail and branch), and evaluate whether there are significant differences in the perceived fairness of product providers when consumers use different channels. Based on a nuanced appreciation of the construct we assess fairness from the perspective of a variety of financial services product types and customers. In doing so, we provide our audience with an insight, in terms of a multi-channel approach and identify customer preferences. Developing a customer-centric focus we identify ways in which managers can design their marketing strategies. Fairness is seen as being crucial in a relationship (van Dijke *et al.*, 2010), not least in engendering the degree of trust thought necessary to encourage genuine engagement on the part of financial service customers (Devlin *et al.*, 2014)*.*

As we allude to in the introduction and as we will examine in more detail later in this article, the persuasive nature of fairness in services is clear (for example see Nguyen et al., 2014). To assess the role that fairness has to play in the financial services sector *per se* and whether there are differences in relation to distribution channels*,* the remainder of this article

is set out as follows. First, we provide a full elaboration of the nature of fairness and conceptualise its various dimensions (and sub-dimensions), at the end of which we present our research question. Next, we outline our data collection and report the results of our measures and ANOVA, thus allowing us to evaluate the differences between the various channels. The final part of this article articulates a discussion which includes the managerial implications from our findings and highlights any short-comings.

CONCEPTUALISING FAIRNESS

Based on a review of the extant body of knowledge, our thesis is that a gap exists in terms of our understanding in relation to which a market position may, or may not, be perceived by customers to be fair. Where research has been undertaken it has tended to largely focus on the behavioural aspects of fairness and where there is a tangible product outcome. The role of fairness is significant because where there is a perception the relationship is unfair it will have a detrimental impact (Samaha *et al.*, 2011). The conceptual focus of our work is customers' perceptions of fairness of financial services and we suggest that fairness is even more important in the case of financial services where evaluations regarding purchases sometimes cannot be made for many years. Further, as part of a process to develop buyer-seller relations, fairness can be positioned as a source of competitive advantage (Loch *et al.*, 2012). Therefore, given a vantage point based on the body of literature, we estimate fairness's importance for financial services because it can help to overcome some of the barriers associated with the high credence qualities of such an intangible service.

The role of fairness in a number of areas is well understood for example, employee performance and reward (see Folger and Konovsky 1989; Sweeney and McFarlin 1993), or employee turnover (Chen *et al.*, 2011). Re-iterating an earlier point, customers have many reasons for making purchase decisions and it is not enough that services are developed with the expectation that customers will make a purchase, plus develop a relationship with the service provider. There is evidence to support the supposition that the importance of fairness is not disputed. The role that perceptions of fairness, amongst others, have to play is witnessed in situations of price fairness, satisfaction and customer relationships and where

there is a need for service recovery (see Smith *et al.*, 1999; Bolton *et al.*, 2010; Bechwati *et al.*, 2009; Oliver and Swan 1989; Kumar *et al.*, 1995; Lii *et al.*, 2012; Noone 2012). The salient factor emerging from the various work streams is that fairness is a property of the individual as a state of mind (Bolton *et al.*, 2010) and because it is a state of mind it is one that can be influenced.

In the recent past, anecdotally at least, financial services providers have had accusations of mis-selling and poor customer treatment levied at them with banks in the UK collectively setting billions aside for compensation payments. It is against such a background that fairness is important, particularly where there has been or where there have deemed to have been service failures (McColl-Kennedy and Sparks 2003) or if there is a need for service recovery. The pertinent point regarding fairness is that there must be consistency in the process and it is this consistency that leads to perceptions of fairness, amongst customers.

Dimension of Fairness

At the centre of its conceptualisation, fairness is a multifaceted construct rooted in equity theory (Adams 1963) while others suggest coherence with justice theory (see Patterson *et al.*, 2006). For those in the relationship, the saliency is that the outcome is fair and those impacted by the outcome view it as being fair, irrespective of whether it is based on justice or equity theory.

As a concept fairness is characterised by a number of features and there are posited to be three main independent dimensions of fairness, namely **Procedural**, **Distributive** and **Interactional**. Procedural fairness is not concerned with the outcome *per se* but the policies and procedures through which the outcome is reached (Thibaut and Walker 1975). Distributive fairness, as the second main dimension of fairness, is characterised by the behavioural aspects of the outcome (Cohen-Charash and Spector 2001), which effectively is about how the pie is shared out between interested parties. As the third main form, interactional fairness has been introduced to the literature in more recent times. This form of fairness is characterised by the quality of the interactions, communication and courtesy afforded prior to any outcome (Patterson *et al.*, 2006).

In a domain sense, we now turn our attention to each of the dimensions of fairness. In the case of financial services, procedural fairness can influence a host of situational factors, particularly where there have been service disruptions or poor quality advice. As Maxham and Netemeyer (2002) argue it can help to add longevity to the buyer/seller relationship. This is because where there is procedural fairness there is likely to be a more positive outcome in terms of justice which might be viewed in a social capacity (Colquitt *et al.*, 2001). Building on an earlier assertion, Colquitt and Rodell (2011) posit that this is because there is viscidity during decision making. For financial services, procedural fairness is about the quality of the explanations that are provided so as to enable decision making that removes any bias. For example, explanations might be biased when there are commissions involved. Thus, as Wang and Mittila (2011) posit, explanation can have a positive impact as part of a service organisation's marketing toolkit.

In a generalist manner, distributive fairness is about the outcome and is congruent with notions of equity theory. Distributive fairness, as Adams (1965) argues, is related to inputs and outcomes, and so there are greater shifts when it comes to perceptions of fairness in comparison to procedural fairness which is more rule based. Thus, there is a distinction between the two dimensions with Sweeney and McFarlin (1993) providing evidence for the distinction between distributive and procedural fairness. For financial services this is about doing what they say they will do and keeping any promises that they make.

The final fairness dimension is the more recently introduced notion of interactional fairness. Prima facie it may appear to be analogous with procedural and interactional fairness, but there are clear differences between the two. Unlike procedural fairness which is about transparency and impartiality (Krawczyk 2011), interactional fairness majors on the interpersonal nature of fairness (Beis and Moag 1986). Essentially this is interpersonal fairness which Tax *et al.*, (1998) contend is about the caring aspect of the fairness. The preceding viewpoint is echoed by Patterson *et al.*, (2006) who also advocate that it is the way in which the engagement happens. The role of interactional fairness is such that it will have a profound role where the offering is high in credence and therefore it is about the service encounter. In the case of financial services this is about benevolent behaviour as well as care and understanding the financial services needs of customers.

Taking the various dimensions of fairness we posit that there are sub-dimensions which encapsulate a number of areas. The prevailing view is that procedural fairness is about impartiality, refutability, explanation and familiarity; distributive fairness centres on the fairness of the exchange; and, interactional fairness which is about courtesy, respect and the consideration that is demonstrated (Devlin *et al.*, 2014).

In summary, market conditions are such that the challenges faced by financial services are varied and deep, which necessitate a demand for fairness within the sector (Loch *et al.*, 2012). The timing of our work is important because policymakers, not just in the UK but further afield, recognise that customers may find the purchase process problematic because of the complex nature of the product offerings and a lack of clarity in terms of products which sometimes are simple variants of each other. As discussed previously, the high credence qualities of financial services only add to the complexity. Thus, the outcomes of the lack of clarity have been the under consumption of certain products and the overconsumption of others, for example the low density of pensions against debt products. As a corollary of the need to treat financial services customers fairly, fairness has become an important part of the scenery for product providers.

Taken together, there is a compelling need to understand fairness within the financial services sector, given the benefits that are accrued with being perceived as being fair. Not only this, but given the emergence and embedding of channels to market beyond the traditional bricks and mortar, our primary research question is:

To what degree are customers' perceptions of fairness influenced by distribution channel choice and in particular, are certain channels associated with particular challenges in terms of being judged as fair?

METHODOLOGY

In our earlier work (see Devlin *et al.,* 2014) we presented a fairness scale which we use as a basis for the measurement employed in this study to assesses perceptions of fairness amongst customers of financial services providers and draw conclusions regarding the impact of the distribution channel used. Given the contribution we are making by understanding perceptions of fairness, we treated the constructs as being latent. As an

approach this is congruent to numerous other studies measuring perceptions where the protocol has been the use of latent constructs.

Scale Development

Before going further, it is important to note that the basis for the scale development used to underpin the present study is presented in Devlin *et al.,* (2014). The precise scale development followed a structured, sequential approach which encompassed three primary steps, as set out next.

Step One – Item Generation

The first step was the generation of an item pool, and in doing so we drew on existing items. This initial item pool was purified but when utilising some of the existing items we were mindful that they had been developed in a context specific manner. Notwithstanding this, we were of the view that the items were transferable to our research domain, but as a further check they were discussed with academics at one of the researcher's host University (these academics were unconnected with this specific research). The result was that they agreed with the viability of the items for our constructs.

The items were developed from an existing pool but were not directly taken from that source. The items for the three dimensions of fairness were informed by Tax *et al*., (1996) and Patterson *et al*., (2006). The items by the aforementioned authors were developed to measure perceptions of fairness when dealing with scenarios where there is a need for service recovery, following a service breakdown. In comparison to the aforementioned works our scale has two main advantages. Firstly we have more items in our scale than Patterson *et al*., (2006) thus providing us a more a detailed measurement. Secondly, as previous items have been developed for service failure our items are less bounded by that scenario and therefore more applicable to other contexts. For the sub-dimensions of procedural fairness we drew insight from Kumar (1996) and the earlier work of Leventhal (1980).

Step Two – Scale Feedback

As an additional check on our scale development we sought guidance from ten academics at other institutions (unconnected with our research). The purpose of the exercise was to ensure that we had considered the various dimensions of service fairness and the sub-

dimensions, in addition to re-evaluating the items for our scale. The finding from this exercise was that we were able to reconcile with the literature. As part this process we were able to share our scale items with industry practitioners and policymakers; this group was contacted via email and telephone calls. Taken together, our scale had broad support.

For our survey instrument we utilised a 5-point scale that was anchored as follows: 5=strongly agree; 3=neutral; and, 1=strongly disagree.

Step Three – Pilot Survey Exercises

As part of the scale development process for the first stage pilot we shared our survey instrument with a group of 30 mature postgraduate MBA students. The objective of the exercise was to assess how our survey tool was being interpreted plus evaluating the instrument's quality. Based on the feedback from the MBA students and academic colleagues we made some minor adjustments to our original survey instrument.

While we were encouraged by the feedback we received, we nevertheless piloted our survey instrument amongst a sample of UK customers of financial services, using a Computer Assisted Telephone Interview (CATI) system to capture the responses. The pilot survey, which was completed with 50 members of the public, allowed us to check the data for unidimensionality and reliability, both of which yielded positive results. The items for the final research instrument are shown in Table-1.

Take in Table-1 about here

Main Survey Data Collection

The data were collected in the UK from customers of financial services, with the sample selected on a random basis using a suitable sample frame. In order to gain our data, both a telephone and web based interface approaches were used during the middle of 2013. We used a well-known UK market research company, specialising in opinion polling, to undertake the fieldwork. Some participants completed the survey using the telephone method while others received an email with a link to the survey.

The UK has a rich history of undertaking telephone based research but recent times have witnessed the emergence and acceptance of web based methods. We were mindful of the differing approaches as part of the same study and consequently the validity of our findings. However, an on-line survey will produce results that are comparable with a paper based methodology (Deutckens *et al.*, 2006), thus our survey methodology maintained equivalence.

For the purpose of our study data were gained in relation to a variety of financial services and in total we gained 1,010 units of data. The realized sample was stratified broadly equally between: bank; building society; general insurance company; life-insurance company; investment company; broker/advisor; and, credit card company. These service providers capture most of the UK's activity for financial services with the greatest market density amongst customers, thus encompassing a broad range of product types. We recognize that there are issues associated with a stratified approach namely weighting toward one group or another, but given that we are attempting to examine fairness across a broad range of financial services product categories the stratified approach enables us to develop a nuanced understanding. Thus, unlike other studies which have gone before, with their mono-method approach, our comprehensive assessment using a stratified approach allows us to draw conclusions regarding financial services *per se*. Each respondent was also asked to nominate their preferred channel for interacting with their provider and were given a choice of branch, telephone, Internet and postal mail. For the sample as a whole, the branch was preferred in 173 cases, telephone in 289 cases, Internet in 456 cases and postal mail in 92 cases.

DATA ANALYSES and RESULTS

Data analyses were conducted in three stages. In the first stage exploratory factor analysis (EFA) was used to check for the unidimensionality of the fairness dimensions. In the second stage confirmatory factor analysis was used to establish the reliability and validity of the scales used to measure the constructs in our study. Finally, we utilized one-way ANOVA to test for the differences of fairness across the different channels.

Exploratory Factor Analysis

For the EFA, to evaluate the unidimensionality i.e. a factor is considered unidimensional if the first eigenvalue of the correlation matrix is greater than 1 and the second one is very far from 1 (Tenehaus *et al.*, 2005 p.163) of fairness, we employed principal components analysis and direct oblimin rotation. We chose an oblique rotation as, conceptually, there is no reason to assume that the dimensions of fairness outlined earlier would be totally unrelated and, therefore, orthogonal, in nature. In our EFA, as is common practice, a cut-off Eigen value of 1.0 was employed to determine unidimensionality of the fairness dimensions (Tenehaus *et al.*, 2005). Factor loadings greater than or equal to 0.5 were retained in the analyses; the factor loadings from our survey ranged from 0.72 to 0.95.

Table-2 shows the results of the EFA. The total variance extracted by the fairness dimensions is greater than 70 percent. In terms of dimensionality, each solution yielded seven fairness dimensions that corresponded exactly to the sub-dimensions and scale items expected with no cross-loading, namely impartiality (procedural), refutability (procedural), explanation (procedural), familiarity (procedural), bilateral communication (interactional), courtesy (interactional), and distributive fairness. The measure of reliability, Cronbach's Alpha which shows the internal consistency of the measurement scale are greater than 0.70 for all the fairness dimensions, which is considered to be good by Hair *et al.*, (2010).

Take in Table-2 about here

Confirmatory Factor Analysis

In the second stage a confirmatory factor analysis (with AMOS 20.0) was conducted to establish the reliability and validity of the fairness factors. The model fit indices for the dataset were acceptable (χ^2 = 1342.50, df = 384, CFI = 0.93, NFI = 0.91, TLI = 0.92, IFI = 0.94, RMSEA = 0.06). The presence of common method bias was tested by adding an unmeasured latent methods factor to our measurement model. The correlations of this factor with all other latent constructs were set to 'zero'. On running the measurement model the change in model fit was not significant and all factor loadings for the latent variables were

significant. Therefore, it is concluded that the common method bias was not a significant cause of concern in our study (Netemeyer *et al.*, 1997; Schepers *et al.*, 2012). Construct reliabilities were assessed by two criteria which are Cronbach's alpha and composite reliabilities (as shown in Table-3). Cronbach's alpha values of all the constructs are greater than 0.7 which is acceptable (Hair *et al.*, 2010). The composite reliability of the constructs are also reported here because it is generally acknowledged that composite reliability is a better measure of scale reliability than Cronbach's alpha coefficient (Bagozzi and Yi, 1988). The composite reliability values of all the constructs are greater than or equal to 0.6 which further strengthens the assessment of reliability of the constructs.

Convergent and discriminant validity were evaluated by calculating the average variance extracted (AVE) for each of the eight constructs in the model. Table-3 shows that all the indicators had significant loadings onto the respective latent constructs with values between 0.8 and 0.95. This reflects the convergent validity of the constructs. In addition the average variance extracted (AVE) for each construct is equal to or greater than 0.50, which further supports the convergent validity of the constructs (Fornell and Larcker, 1981).

Take in Table-3 about here

Discriminant validity was assessed by comparing the average variance extracted (AVE) with the corresponding inter-construct squared correlation estimates (Fornell and Larcker 1981) as shown in Table-4.

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All the AVE values are greater than the squared inter-construct correlations which show the distinctiveness of the constructs. Thus, measurement model in this study reflects adequate construct reliability and validity.

Analysis of Variance (ANOVA)

ANOVA was used to test whether fairness perceptions differ significantly across different channels. Before conducting the ANOVA (using SPSS 20.0) a composite factor mean was calculated for each of the fairness dimensions, as well as a mean overall fairness score based on the mean of all the items employed in the study to measure fairness. Mean scores were then subject to one way ANOVA tests, using the four specified preferred contact methods as the categorical variable and the composite mean scores detailed earlier as the metric dependent variable in each case. In such a manner an insight was generated that enables us to shed light on our main research question. For the ANOVA test, the null hypothesis is that there is no difference in mean perceptions of fairness across the four different distribution channels studied. Separate ANOVA tests were carried out for each sub-dimension of fairness and for the overall composite score. For an ANOVA test, greater variation between groups (i.e. channels in our case) relative to within groups leads to a higher F statistic. Above a certain level, the F statistic becomes "significant", which signifies meaningful statistical differences between some or all of the groups. Post-Hoc tests are then employed to establish the precise nature of those differences. Our results are shown in Table-5. Dealing firstly with the composite fairness measure, our analysis indicates that there are significant differences between the preferred channels, as shown by the first two rows of results, with a significance of 0.033. Table-5 also shows that there are significant differences between the preferred channels for procedural fairness-refutability with a significance level of 0.044; for procedural fairness-familiarity with a significance level of 0.012. Finally, we also find significant differences between the preferred channels for the interactional fairness-communication with significance level of 0.01 and for interactional fairness-courtesy with the significance level of 0.017.

Take in Table-5 about here

As is standard procedure during the analysis of experiments *post hoc* Scheffe's tests were employed to identify the nature of perception differences between channels. As an

accepted parsimonious procedure the use of Scheffe's tests allowed us to correct for the alphas to allow for pairwise comparison of means. To begin, Table-6 shows the result for overall assessments of fairness.

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In terms of interpretation, Table-6 indicates that there is a significant difference in overall perceptions of fairness of a provider for those that interact by postal mail compared to the telephone, with those who use the latter perceiving significantly greater levels of fair treatment. Differences between other channels are less clear cut, but it is interesting to note that the Internet generally struggles to engender fairness perceptions at a par with more intimate interaction methods. The data indicate that differences in assessments of impartiality, a dimension of procedural fairness are only marginally significant, so we do not report any further analysis here. Equally, although some general differences are identified during the ANOVA tests related to refutability and familiarity (two further dimensions of procedural fairness), *post hoc* tests do not identify meaningful differences between channels.

Table-7 shows *post hoc* test results in the case of familiarity, a further element of procedural fairness. This element is found to have highly significant differences across different channels.

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Postal mail is shown to be rated as significantly worse in terms of engendering familiarity than the channel of the telephone and once again it is interesting to note that the Internet appears to face a challenge in terms of persuading consumers that it is capable of allowing companies to become sufficiently familiar with their customers. As can be seen from Table-8, a broadly similar pattern of results is apparent in the case of communication, an

element of interactional fairness. These results provide further evidence that postal mail and to a lesser extent the Internet channels are laggards in terms of delivering fair interactions.

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The results in the case of courtesy, part of interactional fairness are more stark. Here, as shown in Table-9, postal mail and the Internet are in a homogenous sub-set which is perceived by customers to offer significantly less courteous interactions than channels such as the telephone.

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In the case of distributive fairness, the analysis shows that there are no perceived differences between channels.

Lastly, we present Table-10 which show refutability, although no sub-sets were available for comparative purposes.

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DISCUSSION and IMPLICATIONS

The major contribution we set out to make was to complement the debate in relation to how fairness is perceived relative to different distribution channels, for financial services. This understanding of fairness is important given the contribution it makes to service operations management. Further, understanding fairness and the fair treatment of customers is of wider societal importance because of the interest shown by policymakers towards the fair treatment of customers. Specifically, this is important because of recent scandals of miss-

selling in the UK where customers may have bought protection type products unwittingly. Thus, underpinned by a detailed nuanced approach to fairness and with data drawn from customers, we provide insights for both financial services practitioners and theorists alike.

Emergent from our analyses is that there are differences between the distribution channels. Also emanating from our research is that while the recent past has witnessed the emergence of new channels, customers of financial services still seem to have a preference for the traditional distribution channel (branch) where there can be a direct interaction that provides an opportunity to manage the service encounter. The opportunity for direct interaction is a key component for demonstrating fairness and ultimately creating longevity through interactions.

For each of our dimensions of fairness and its sub-dimensions, Internet is rated the second lowest in terms of perceived fairness. Only dealing with financial services providers via the postal mail is rated lower than the Internet; postal mail may be rated the lowest because of the slower speed associated with this form of provider/customer interaction. The low rating for Internet in comparison to branch and telephone in our estimation is probably because of the arms-length relationship that is developed and it is one that presents little opportunity to provide explanation; explanation is a key dimension of procedural fairness. Further, the little chance to provide explanations will have an impact on the ability to develop the bi-lateral communications that are a central component of developing a strong buyer-seller relationship (Theron *et al.*, 2010).

From a managerial perspective this could be related to the types of financial services that are available and clarity in terms of the customer being sure of their purchase. As we have seen from previous research (see Gerrard *et al.*, 2006), the notion of confidence is important when making Internet purchase decisions and it may be the case that for financial services there is a lack of willingness to embrace the potential loss. Adding to an earlier point, given the lack of opportunity to provide explanation, the Internet channel might be viewed as not providing the fail safes that are needed by customers (Sousa and Voss, 2009). However, the risks could be reduced by optimising web site design (Sousa *et al.,* 2008). Given this lack of confidence, policies may be needed to increase the customer's knowledge base so that usage levels can increase. These policies, for example, could encapsulate making clear to

customers what the various choice decisions are, and particularly the downsides when decision making.

To demonstrate distributive fairness, financial services have to demonstrate that the deals they provide are fair and concise, not only this, but there are clear interactions from which both the product provider and customer benefit. The clear interaction is part of the co-creation and through co-creation value is added to the relationship (Vargo and Lusch 2004[a]; Vargo and Lusch 2004[b]). This idea of co-creation can go as far as service recovery (Dong *et al.,* 2008), and Ahmad (2002) notes is even more important in on-line situations. Terms, which normally relate to the conditions of doing business, are important for distributive fairness within the sector and because they can sometimes be complex it may not always be possible to explain those via the Internet, as can happen during a branch interaction.

When demonstrating interactional fairness, unlike the Internet, contact with the financial services provider via the branch or telephone gives the product provider a bandwidth to show courtesy and respect towards the customer. Demonstrating interactional fairness means consideration is shown towards customers' need and understanding their opinions, to develop longevity in a financial services relationship (Sekhon *et al.*, 2014). Chen *at al.,* (2012) note that the fair treatment of financial services customers can lead to increased satisfaction and trust, which we estimate is achieved when customer needs are better understood. A limitation of the Internet as a distribution channel is that it does not provide customers with an opportunity for bi-lateral communications even though a number of service providers make virtual real-time support available. To re-iterate an earlier point that Theron *et al.*, (2010) articulate, bi-lateral communications are important because they provide customers with a chance to explain their product needs and from this interaction perceptions of fairness can be drawn. If financial services providers want to demonstrate fairness, the Internet will provide less opportunity to do so, and it is at the branch level where a service interaction can take place to develop a relationship.

While the evidence from our work is the emergence of the low rating for the Internet, there is nevertheless a place for it in financial services. Therefore, the foci of managerial activity should be on the type of activities where product type provides opportunity for economies. For example, where simple transactions are made such as on-line payments,

motor insurance and it is these types of engagements that service providers should focus their efforts towards. These are typically the types of service that rely on the customer to take ownership for the risk of purchase and to be conversant with the risk; the onus is on the customer to make the correct purchases but this can only happen if the customer is well-enough informed to make the purchase decision. For customers, these products are relatively low engagement and do not present a significant long-term risk, or a need to wait for long-term maturity.

Finally, we would expect that as usage of the Internet as an established distribution channel increases, then so too will the confidence of customers to make deeper purchases using Internet capability. But, as we have seen there will continue to be a place for the in-branch service encounter with the opportunity to demonstrate fairness and accrue the benefits from that interaction.

Limitations

The intention of this study was measure differences in fairness perceptions in the financial services sector relative to distribution channel used. Notwithstanding the fact while we provide compelling insight there are nevertheless some limitations that are associated with the mono-country nature of our sample whereby. The main limitation is that if our study is replicated elsewhere we would expect variances to emerge in terms of perceptions of fairness.

Our study examined fairness in the case of the business-to-customer sector, as a result of which we would encourage future researchers to evaluate fairness in the business-to-business financial services sector with its different modus operandi. The manifestation of our research is that for the financial services that the branch network is a preferred contact method, but it may be that for other types of services other avenues may be more appealing.

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Table-1: Measurement Instrument

Impartiality (Procedural): IM
My FSI makes sure it is not biased towards certain customers (I1)
My FSI makes efforts to treat all customers equally (I2)
My FSI makes sure that it does not favour some customers over others (I3)
Refutability (Procedural): RE
My FSI takes notice when I complain about something (R1)
My FSI is willing to change things when I tell them I am not satisfied (R2)
My FSI lets me change things on fair and reasonable terms (R3)
Explanation (Procedural): EX
My FSI takes time to explain its decisions to me (Ex1)
My FSI is willing to explain its products and services (Ex2)
My FSI tries to make sure I understand the information it provides (Ex3)
My FSI tries to make sure that I understand what I am buying (Ex4)
My FSI provides me with clear information at all times (Ex5)
My FSI keeps me appropriately informed when providing products and services (Ex6)
My FSI's promotional material is accurate and informative (Ex7)
Familiarity (Procedural): FA
My FSI makes the effort to understand my circumstances (F1)
My FSI provides advice which is suitable for me (F2)
My FSI provides advice which takes account of my circumstances (F3)
Bilateral Communication (Interactional): BC
My FSI listens to my needs and reacts accordingly (BC1)
My FSI is willing to listen to my point of view (BC2)
My FSI takes notice of any points and suggestions that I make (BC3)
Courtesy (Interactional): CY
My FSI shows courtesy in its dealings with me (CY1)
My FSI treats me with respect (CY2)
My FSI is considerate in its dealings with me (CY3)
Distributive Fairness: DF
My FSI provides products which perform as I have been led to expect (D1)
My FSI keeps its promises (D2)
My FSI delivers what it says it will (D3)
I benefit from my interactions with my FSI as much as they do (D4)
My FSI ensures that any charges I pay are far (D5)
My FSI gives me a fair deal (D6)
My FSI makes sure that I end up with products which take account of my circumstances and are suitable for me (D7)
My FSI ensures that any terms and conditions attached to products are fair (D8)

Table-2: Exploratory Factor Analysis

Construct	Factor Loading	Reliability-Cronbach Alpha
Impartiality		
I1	0.83	
I2	0.92	0.91
I3	0.91	
Refutability		
R1	0.79	
R2	0.97	0.88
R3	0.92	
Explanation		
EX1	0.79	
EX2	0.69	
EX3	0.72	
EX4	0.81	0.93
EX5	0.86	
EX6	0.85	
Ex7	0.72	
Familiarity		
F1	0.88	
F2	0.89	0.90
F3	0.87	
Bilateral Communications		
BC1	0.84	
BC2	0.89	0.89
BC3	0.84	
Courtesy		
CY1	0.93	
CY2	0.92	0.95
CY3	0.95	
Distributive Fairness		
DF1	0.80	
DF2	0.83	
DF3	0.87	
DF4	0.72	
DF5	0.82	0.95
DF6	0.84	
DF7	0.78	
DF8	0.77	

Table-3: Results of Confirmatory Factor Analysis

Construct	Standardized Loading	AVE	C.R.
Impartiality			
I1	0.91		
I2	0.94	0.92	0.90
I3	0.93		
Refutability			
R1	0.86		
R2	0.89	0.83	0.81
R3	0.82		
Explanation			
EX1	0.83		
EX2	0.81		
EX3	0.83		
EX4	0.83	0.82	0.74
EX5	0.89		
EX6	0.86		
Ex7	0.80		
Familiarity			
F1	0.92		
F2	0.93	0.89	0.83
F3	0.92		
Bilateral Communications			
BC1	0.87		
BC2	0.90	0.84	0.80
BC3	0.91		
Courtesy			
CY1	0.90		
CY2	0.94	0.90	0.85
CY3	0.91		
Distributive Fairness			
DF1	0.85		
DF2	0.86		
DF3	0.80		
DF4	0.80	0.77	0.72
DF5	0.86		
DF6	0.87		
DF7	0.82		
DF8	0.78		

Table-4: Discriminant Validity

	1	2	3	4	5	6	7
(1) BC	**0.91**						
(2) IM	0.65	**0.95**					
(3) RE	0.67	0.61	**0.91**				
(4) EX	0.61	0.60	0.71	**0.9**			
(5) FA	0.70	0.61	0.70	0.68	**0.94**		
(6) CY	0.72	0.56	0.71	0.75	0.66	**0.94**	
(7) DF	0.63	0.69	0.69	0.72	0.69	0.51	**0.88**

Note: The diagonal elements are the square roots of the AVE values of the constructs in the measurement model

Table-5: Results of ANOVA

Sources of variation		Sum of Squares	df	Mean Square	F	Sig.
Overall Fairness-My FSI	Between Groups	9790.454	3	3263.485	2.930	.033*
	Within Groups	1120498.933	1006	1113.816		
	Total	1130289.387	1009			
PF-Impartiality-My FSI	Between Groups	8595.644	3	2865.215	2.159	.091
	Within Groups	1335270.143	1006	1327.306		
	Total	1343865.787	1009			
PF-Refutability-My FSI	Between Groups	10059.173	3	3353.058	2.705	.044*
	Within Groups	1246886.922	1006	1239.450		
	Total	1256946.095	1009			
PF-Explanation-My FSI	Between Groups	10017.696	3	3339.232	2.397	.067
	Within Groups	1401613.997	1006	1393.254		
	Total	1411631.693	1009			
PF-Familiarity-My FSI	Between Groups	19729.263	3	6576.421	3.683	.012*
	Within Groups	1796387.624	1006	1785.674		
	Total	1816116.887	1009			
IF--Communication-My FSI	Between Groups	17100.394	3	5700.131	3.821	.010*
	Within Groups	1500798.396	1006	1491.847		
	Total	1517898.790	1009			
IF--Courtesy-My FSI	Between Groups	14711.272	3	4903.757	3.394	.017*
	Within Groups	1453517.551	1006	1444.848		
	Total	1468228.823	1009			
Distributive Fairness-My FSI	Between Groups	6534.334	3	2178.111	1.638	.179
	Within Groups	1338035.630	1006	1330.055		
	Total	1344569.964	1009			

Note: * indicates F-value is significant at $p < 0.05$

Table-6: Post Hoc Testing – Overall Fairness

	Preferred Contact Method	*n=*	Subset of Alpha = 0.05	
			1	2
Scheffe[a,b]	Mail	92	3.28	
	Internet	456	3.40	3.40
	Telephone	289	3.48	3.48
	Branch	173		3.49
	Sig.		0.53	0.62

Table-7: Post Hoc Testing – Familiarity

	Preferred Contact Method	*n=*	Subset of Alpha = 0.05	
			1	2
Scheffe[a,b]	Mail	92	3.22	
	Internet	456	3.31	3.31
	Telephone	289	3.44	3.44
	Branch	173		3.47
	Sig.		0.10	0.32

Table-8: Post Hoc Testing – Communications

	Preferred Contact Method	*n=*	Subset of Alpha = 0.05	
			1	2
Scheffe[a,b]	Mail	92	3.17	
	Internet	456	3.25	3.25
	Telephone	289	3.39	3.39
	Branch	173		3.40
	Sig.		0.70	0.33

Table-9: Post Hoc Testing – Courtesy

	Preferred Contact Method	*n=*	Subset of Alpha = 0.05	
			1	2
Scheffe[a,b]	Mail	92	3.22	
	Internet	456	3.31	3.31
	Telephone	289	3.44	3.44
	Branch	173		3.47
	Sig.		0.10	0.32

Table-9: Post Hoc Testing – Courtesy

	Preferred Contact Method	*n=*	Subset of Alpha = 0.05	
			1	2
Scheffe[a,b]	Mail	92	3.22	
	Internet	456	3.31	3.31
	Telephone	289	3.44	3.44
	Branch	173		3.47
	Sig.		0.10	0.32

Table-10: Post Hoc Testing – Refutability

	Preferred Contact Method	n=	Subset for Alpha = 0.05
			1
Scheffe[a,b]	Mail	92	3.15
	Internet	456	3.23
	Telephone	289	3.31
	Branch	173	3.49
	Sig.		0.080