

**The Benefits and Measurement of Service Firms' Performance Transparency: How and
When Does Performance Transparency Pay Off?**

Yeyi Liu¹

Andreas B. Eisingerich^{2*}

Seigyoung Auh³

Omar Merlo²

Hae Eun Helen Chun⁴

¹Leeds University Business School, University of Leeds, Leeds, UK

²Imperial College Business School, Imperial College London, London, UK

³Thunderbird School of Global Management, Glendale, AZ, USA

⁴Cornell University School of Hotel Administration, Ithaca, NY, USA

*Corresponding Author: Imperial College Business School, Imperial College London, South Kensington Campus, London SW7 2AZ, UK. Email: a.eisingerich@imperial.ac.uk

Abstract

Calls for increased transparency and reduced information asymmetry between service firms and their customers are getting louder in the marketplace. Yet, it remains unclear what exactly constitutes transparency in the eyes of customers and how, if at all, service firms benefit from it. This research contributes to extant knowledge by articulating the key properties of service firms' performance transparency and by developing and validating a parsimonious scale to measure it. We show that through a reduction in customer uncertainty, the provision of accessible and objective information about a firm's service offering is positively associated with customers' intention to purchase and willingness to pay a price premium for its service. Furthermore, we find that the positive effect of performance transparency is influenced by customers' perceptions of a firm's ability to deliver on its service promise. An important managerial implication of the current research is that performance transparency benefits customers by lowering uncertainty, and hence service firms should proactively consider it as a critical measure that helps differentiate their services from competitive offerings, even when customer perceptions of a service firm's ability are low.

Keywords: transparency, customer reviews, uncertainty, customer relationships, price premium

Transparency has become an increasingly popular word in recent years. Recent events such as the financial crisis and reports of the National Security Agency's data collection efforts have reduced customer confidence in governments (arguably one of the largest service providers in the world) and heightened customers' uncertainty toward businesses in general, and in a number of service firms in particular (Forbes 2013; Time 2013). Consumers repeatedly report high levels of uncertainty when dealing with service firms and have called for greater transparency. This trend has received much attention in the media as of late (Fox News 2013; Gunelius 2010; NBC News 2013). A service firm's transparency about its offerings, it seems, matters much to customers.

There are at least two reasons why transparency matters in a service context. First, unlike physical products, services are mainly comprised of experience and credence attributes that make the evaluation of services difficult even after consumption (Crosby, Kenneth, and Cowles 1990). In addition, due to properties such as inseparability of production and consumption, customers introduce a degree of variability (e.g., consider the presence and behavior of other passengers on a busy long-haul flight) that makes it difficult for service providers to deliver consistent service quality (Kwortnik and Thompson 2009; Mittal 1999). As Levitt (1980) once said, with services "you don't know what you aren't going to get until you don't get it." Given these and other well-documented peculiarities of services, such as the occurrence of service failure or unfavorable incidents (Bitner, Booms, and Tetreault 1990; Sajtos, Brodie, and Whittome 2010), customers are increasingly expecting to be able to "see through" the firm and its service offerings (Stewart 2009; Wilkin 2009). Allowing customers to see through service offerings can be important to a firm that wishes to minimize any uncertainty related to its competence at delivering on its service promise.

Second, transparency matters because firms find it increasingly difficult to hide negative information when things go wrong or to prevent negative news from spreading (Porath, MacInnis, and Folkes 2011). For example, with the proliferation of social media, online filters and aggregators, a customer's experience with a service provider can be widely disseminated and shared. Given that the effect of transparency is still unclear, some businesses, for example, release only positive customer testimonies and omit negative experiences. Anecdotal and some scholarly evidence suggests that transparency can be highly beneficial (Foreh and Grier 2003; Stewart 2009; Tapscott and Ticoll 2003). However, there may also be conditions in which being transparent matters more than in others (Berens, van Riel, and van Bruggen 2005).

Given the lack of research in this area and inconclusive findings, it is reasonable for firms to worry about transparency. On the one hand, if the shared information is to the firm's advantage, the firm should accrue the benefits of both its informational value and its signal of fair dealing. On the other hand, if the information is not to the firm's benefit, there is a countervailing force that may negate the positive effects of the signal. As the chief marketing officer of a large, international insurance company puts it in an interview with us, "Transparency is certainly a word we want to use in our magazines but I wish I'd know what it really means."

Thus, a number of critical questions remain: What steps can service firms take to be seen as transparent by customers? How and when can performance transparency help build stronger customer relationships? More specifically, does performance transparency bring about positive benefits in customer responses such as heightened customers' intention to purchase and willingness to pay a price premium for a firm's service? If so, what is the process mechanism that helps explain the influence of performance transparency on customers' willingness to purchase and pay more? Finally, what are some of the boundary

conditions of a service firm's performance transparency and what are the implications for management?

The aim of this research is ultimately to help managers address these important questions. Our findings reveal that performance transparency, as perceived by a service firm's customers, is negatively associated with customer uncertainty and positively associated with customer intentions to purchase and their willingness to pay a price premium for a service. Moreover, the results suggest that being transparent pays off more for firms whose customers perceive it to have a relatively low ability (vs. high ability) to deliver their service offerings.

In the following section, we review extant research in the area and elaborate on the conceptual properties of the transparency construct. We then develop three hypotheses and test them in three studies. In Study 1, we develop and test a scale that measures performance transparency. In Study 2, we manipulate a firm's performance transparency and test whether it brings about positive customer responses and why such effects occur. In Study 3, by measuring a firm's performance transparency, we investigate when such positive effects are more likely to be pronounced. The conceptual model is depicted in Figure 1.

Insert Figure 1 about here

Conceptual Development of the Performance Transparency Construct

In this research, we focus on one particular aspect of service firm transparency, which we call performance transparency and reflects the extent to which customers view the information provided by firms about their services as accessible and objective. Research on marketing communications in business-to-business (B2B) and business-to-consumers has

made a number of contributions to our broader understanding of transparency (e.g., Granados, Gupta, and Kauffman 2010). From the firm's perspective, transparency has been discussed in terms of the ability to be seen through or the degree of visibility and accessibility of information provided by a firm (Zhu 2004). Alternatively, from the customer's perspective, transparency has been defined as an individual's subjective perception of being informed about relevant information held by the other party in an interaction (Eggert and Helm 2003). Given the various types of relevant information, firms can be transparent internally and externally with respect to leadership, organization structure, cost structure, future/past prices, logistics, or technology (Hultman and Axelsson 2007; O'Toole and Bennis 2009). In a service context, transparency has been studied as the willingness of marketers to provide product- and firm-related information to their customers (Hung and Wong 2009). A review of the literature indicates that a central characteristic of transparency is the ability to see through a firm's offerings and to intentionally share information that is not usually shared. Our conceptualization of performance transparency is consistent with this view. Two conceptual points are noteworthy about performance transparency.

First, extant research largely has examined firms' information sharing or disclosing activity as an objective characteristic from the firm's perspective—for example, the absence or presence of certain attribute information provided by a firm, such as nutritional information in food products (Fuan, Miniard, and Barone 2000; Howlett et al. 2009), research and development efforts, and profiles of management staff (Hung and Wong 2009). However, discrepancies between what is perceived as transparent by managers and customers are likely to exist. As a departure from extant research that has examined information activity from the firm's perspective, our transparency concept approaches the communication activities of service firms from the customer's perspective, capturing the subjective perceptions of a firm's communication practices.

Second, existing work has examined firms' communication activities by measuring the presence of different types of information. For example, Cannon and Perreault (1999) measure information exchange in a B2B context in terms of whether a seller and a buyer share proprietary information, cost information, product development information, and supply and demand forecasts information with each other. Similarly, DeKinder and Kohli (2008) capture voluntary disclosure as the total number of a firm's voluntary communication activities about its strategy, earnings, costs, new product development, and human resources decisions. Because the relevance of certain information (e.g., earnings, costs, etc.) is likely to vary across different customers, we focus on the characteristics of performance information offered by service firms rather than whether service firms do provide a certain type of performance information or not. Therefore, we focus on performance transparency in terms of firms' provision of information about their services that is seen as accessible and objective by customers.

Information Accessibility and Objectivity in a Service Context

As noted in prior research, information accessibility is an important criterion to gauge information disclosure (Day 1976). Specifically, for information to be accessible, it not only has to be made available but it also needs to be easily understood by the target audience (Mittal 1999). Too much (Ziamou and Ratneshwar 2002) or too complex information (Lowrey 1998) increases customers' perceived uncertainty about the information and may lead to negative reactions. For instance, the use of overly technical language can have adverse effects on customers who are unable to understand such language (Bradley and Meeds 2004). This takes on added significance in service settings, where often customers do not "own" but "rent" benefits (Lovelock and Gummesson 2004; Vargo and Lusch 2004) and find it difficult to evaluate objectively service quality and as a result perceive risk in their decision making

(De Ruyter, Wetzels, and Kleijnen 2001). We therefore argue that for a service firm to be viewed as transparent by customers, it needs to offer comprehensive information about its service offerings that is accessible and easily understood by customers.

Day and Brandt (1974) note that simply providing customers with information that they can access and understand easily is not sufficient for building transparency. It is also important for a firm to offer information that is objective; in other words, information that does not selectively exaggerate the positives and discounts the negatives of a firm's offering (O'Toole and Bennis 2009). In this sense, transparency refers to truth, honesty, frankness, candor, and "without guile or concealment" (Bennis, Goleman, and Biederman 2008; O'Toole and Bennis 2009). Two-sided comparative information has been adopted as a prevailing way of providing objective information to customers and has been shown to enhance customers' perceived credibility of a message, advertiser, or communicator (Bohner et al. 2003; Crowley and Hoyer 1994; Kamins and Assael 1987; Pechmann 1992) and strengthen brand evaluations (Rucker, Petty, and Brinol 2008). Firms however inevitably tend to focus on exaggerating the positives of their offerings and downplaying the potential negatives. Therefore, facilitated by the availability of information sharing websites and social media, customers increasingly seek information from trusted third parties to obtain unbiased and objective information (Zhu and Zhang 2010).

Customer reviews have become an important source of information for people who seek to reduce their own uncertainty and risk of dissatisfaction with a service. Customer-to-customer interaction is increasingly becoming popular in online environments (Hennig-Thurau et al. 2010). A growing number of online media facilitate the exchange of information among people (Libai et al. 2010; van Doorn et al. 2010) and enable customers to share their reviews on purchase websites, blogs, social networking sites, and online communities

(Chevalier and Mayzlin 2006). In light of this, we propose that providing customers with access to third-party information (e.g., reviews by others) is perceived by customers as a critical element of performance transparency.

Hypotheses

We draw on signaling theory to investigate the potential effects of performance transparency. In a market characterized by information asymmetry, an exchange partner communicates unobservable elements in a transaction by providing an observable signal (Rao, Lu, and Ruekert 1999). Any action of a firm that conveys information about its true characterization (e.g., intention, ability, and skill level) represents an important signal (Erdem and Swait 1998; Kirmani and Rao 2000). Given the intangible nature of services (Laroche et al. 2004), customers perceive the effort of providing accessible objective information as a strong signal of a service firm's goodwill. For example, Eisingerich and Bell (1998) show that a professional services firm's information sharing efforts is rewarded with greater customer trust in the firm. In a similar vein, Auh and colleagues (2007) found that communication levels between a service firm and its customers increase customers' confidence to work with the firm and facilitate service coproduction. Customers proactively seek access to information related to the firm and its service offerings, as well as reviews by other users on different media outlets to inform their decision making (Mathwick, Wiertz, and De Ruyter 2008). As suggested by prior work, firms that facilitate such information exchange may signal to customers that they have nothing to hide (Hennig-Thurau et al. 2010).

Furthermore, customers may interpret the extra effort undertaken by a firm that shares accessible and objective information as taking its customers' interests at heart, and hence

assume that their objectives are aligned. Customers are known to value the extra effort made by a firm to help them in their decision making process (Auh et al. 2007; Bell and Eisingerich 2007; Eisingerich and Bell 1998; Trifts and Häubl 2003). Customers appreciate and value firms that enable them to take care of certain tasks in an easy and convenient way, thus making their daily life easier (Park, Eisingerich, and Park 2013). Because customers incur costs when seeking information, such as expenditure of time, money, and energy (Erdem and Swait 1998), performance transparency creates value for customers by reducing their information processing costs. Thus, we expect performance transparency to be not only positively associated with customers' purchase intentions but also with their willingness to pay a price premium for services offered by a firm. Formally stated, we predict the following:

Hypothesis 1: Greater performance transparency is associated with (a) higher purchase intention and (b) a greater willingness to pay a price premium for the offerings of a service firm.

Mediating Role of Customer Uncertainty Reduction

Prior research shows that customers perceive greater levels of uncertainty and risk when they think that there is limited information about a firm and its offerings in the marketplace (De Ruyter, Wetzels, and Kleijnen 2001). These effects are particularly strong in a service context, where customer uncertainty elevates perceived risk and inhibits purchase intention. Thus, we posit that by reducing a customer's uncertainty about a firm's service performance, performance transparency results in greater purchase intention and willingness to pay a price premium. The signaling function of performance transparency can lead to greater confidence and reduce uncertainty in the service firm and its offerings. As customers'

uncertainty in a firm or service offering is reduced, their perceived risk in purchase decision making should also be diminished (McDougall and Snetsinger 1990). Therefore,

Hypothesis 2: Reduced uncertainty mediates the relationship between performance transparency and purchase intention/willingness to pay a price premium for the offerings of a service firm.

The Boundary Condition of Performance Transparency

Customers will have greater certainty about the success of a service experience when they purchase from a firm that they perceive to have stronger ability to deliver a competent offering. We propose that performance transparency leads to a reduction in customers' uncertainty in a firm's competence and ability to deliver service benefits. Yet, performance transparency is only one potential indicator of a firm's ability to deliver on its promise, which reduces customers' uncertainty (Berens, van Riel, and van Bruggen 2005). Other forms of ability associations may compete against performance transparency for customer's attention. For example, when a firm enjoys a strong reputation as being competent, customers are more likely to express intent to purchase from that firm (Aaker, Garbinsky, and Vohs 2012). The argument, thus, can be made that when a service firm is seen as more capable, customers will rely less on performance transparency to make purchase decisions because perceived ability is sufficient to infer the level of quality associated with the service offering. In this case, since ability associations and performance transparency can both function as signaling cues to determine service quality, the effect of performance transparency on purchase intention and willingness to pay a price premium is likely to be lower, marginalizing the contribution of performance transparency. Therefore, we expect the return on performance transparency to

be more pronounced in certain conditions than others and propose the following hypothesis on the boundary condition:

Hypothesis 3a: Perceived ability negatively moderates the relationship between performance transparency and purchase intention/willingness to pay a price premium, such that performance transparency has a greater positive effect on purchase intention/willingness to pay a price premium for relatively low-ability (vs. relatively high ability) service firms.

However, an alternative prediction for the moderating effect of firm ability is that performance transparency may have a stronger effect when ability is high rather than when it is relatively low. According to signaling theory, this effect could be explained by differential “bonding” of the transparency signal for high-ability firms. Ability may be perceived as an intuitive bond in light of the apparent investment that the firm has made to develop its competence (Kirmani and Rao 2000). Thus, a firm’s perceived ability could make the transparency signal all the more credible. When a service firm has strong ability associations, customers will be more dependent on performance transparency to judge the level of service experience because the signals of performance transparency are more credible when they are “bonded.” Therefore, we propose the following alternative hypothesis on the boundary condition:

Hypothesis 3b: Perceived ability positively moderates the relationship between performance transparency and purchase intention/willingness to pay a price premium, such that performance transparency has a greater positive effect on purchase

intention/willingness to pay a price premium for relatively high-ability (vs. relatively low ability) firms.

Empirical Studies

We tested our hypotheses in three different studies by measuring (Studies 1 and 3) and manipulating performance transparency (Study 2). Study 1 focused on developing and validating a scale of performance transparency of a service firm and testing the reliability and validity of that scale. Study 2 examined the mediating role of customer uncertainty in the relationship between performance transparency and purchase intention. Finally, Study 3 replicated the findings of Study 2 and further examined the extent to which firm ability associations influenced the impact of performance transparency on customer purchase intention and willingness to pay a price premium.

Study 1

The aim of Study 1 was to develop a parsimonious scale that could effectively capture the critical dimensions of the performance transparency construct and to test the reliability and validity of the measure. Study 1 examined performance transparency in the context of two different service firms and contexts, namely, HSBC for financial services (N = 109) and Gap (The Gap Inc.) for clothing and accessories retailing (N = 104).

Method

Procedure and participants. We followed the recommended procedure for developing measures of marketing constructs, and empirically verified the reliability, construct validity

(i.e., convergent and discriminant validity), and criterion validity (i.e., predictive validity) of the performance transparency scale (Churchill 1979). First, based on our literature review and a set of interviews with both customers and managers, we generated an extensive list of 35 preliminary items to capture performance transparency. We identified the factors that consumers appreciate as relevant information for them. Based on additional discussions with five managers at three different service firms (bank, insurance company, and hotel) and two focus groups with master of business administration students ($n = 15$), we refined the initial preliminary list and reduced it to 14 items. In Study 1, we tested the remaining 14 items with 109 graduate students, who voluntarily filled out a questionnaire. As a token of appreciation, four participants were randomly selected and each received a US\$25 Starbucks gift voucher at the end of the study. Based on a pretest ($n = 43$) that demonstrated moderately high familiarity with and positive attitudes toward the firms, HSBC (retail banking) was selected as the first focal service firm and Gap (clothing and accessories retailing) as the second focal service firm for this study.

Insert Table 1 and Tables 2-4 about here

Measures. Participants responded to the 14 performance transparency items (see Table 1). To examine whether performance transparency is related to, but distinct from, customer orientation, we adapted 2 items from Parasuraman, Zeithaml, and Berry's scale (1985; see Table 2). To examine predictive validity and discriminant validity of the performance transparency construct with respect to customer trust in the service firm, we employed Doney and Cannon's (1997) trust scale (Table 2). Willingness to pay a price premium was measured with items adapted from Zeithaml, Berry, and Parasuraman's (1996) scale (Table 2).

Results

Nine-item vs. four-item transparency scale. As a first step, we reduced the original pool of the performance transparency scale from 14 items to 9 items. Specifically, through exploratory factor analysis using varimax factor rotation, two factors were extracted based on Eigenvalues greater than 1.00, together explaining 87.13% of the variance (Table 1). The first factor tapped into information objectivity (e.g., the company offers not only objective two-sided information but openly shares access to customer reviews). The second factor tapped into information accessibility (e.g., the company offers information that is easily accessible and easily understood). Some items displayed high cross-loadings ($>.40$) and thus did not load clearly onto one factor. We removed these items and reduced the original pool of 14 items to 9 items, which illustrated low cross-factor loadings ($<.40$). Subsequent factor analysis of the remaining 9 items showed that the 9 items all had high factor loadings ($>.80$) and low cross-factor loadings ($<.40$; see Table 3). The factor analysis resulted in two factors with Eigenvalues greater than 1.00, together explaining 87.56% of the variance, slightly better than the 14 items.

Although the resultant 9-item scale is not unusually long for academic use, we wanted to develop a more parsimonious scale that would lend itself also to marketing practice. Therefore, we selected items that best map the conceptual definition of the two components based on statistical grounds (strong factor loadings and reliability tests). We reduced the 9-item scale to a 4-item scale, with each factor comprised of only 2 items with the highest factor loadings. To determine whether and to what extent the reduced set of items affected the reliability of the scale, we examined the change in α coefficient and explained variance for the 9-item versus the more parsimonious 4-item scale. As shown in Table 3, the 4 items explain 93.79% of the variance, whereas the 9 items explain 87.56% of the variance. The

Cronbach's α value for the 9-item scale is .95 and that for the 4-item scale is .90. Combined, these results suggest that reducing the number of indicators provides a parsimonious transparency scale that does not sacrifice reliability and explanatory power.

We then compared the effectiveness of the two (9-item vs. 4-item) transparency scales in predicting customer responses by conducting two sets of regressions with performance transparency as the independent variable and customer trust in the service firm and willingness to pay more for its service offering as dependent variables. The results show that performance transparency measured by the 9-item scale is positively associated with trust ($\beta = .86, p < .001, R^2 = .75$) and willingness to pay a price premium ($\beta = .61, p < .001, R^2 = .36$). Similarly, performance transparency measured by the 4-item scale is positively associated with trust ($\beta = .84, p < .001, R^2 = .70$) and willingness to pay a price premium ($\beta = .60, p < .001, R^2 = .34$). These findings suggest that the 4-item performance transparency scale is as effective in explaining trust and willingness to pay a price premium as the 9-item scale. Therefore, we decided to proceed with the 4-item scale to capture the domain of performance transparency, as reducing the number of indicators provides a more parsimonious scale without significant loss of reliability.

Furthermore, as aforementioned, we employed another set of empirical data with The Gap as the second focal firm ($N = 104$) to validate our HSBC-based culling of items. As Tables 1 and 3 show, the results from The Gap and HSBC data generated the same items, further validating our scale. The fact that the scale was validated across two different service firms operating in two different service settings constitutes a contribution of Study 1 and is noteworthy.

Four-item performance transparency scale validity tests. Discussion with eight industry (three in North America, three in Europe, and two in Asia) and four service research experts (three in North America and one in Europe) confirmed the content validity of the

final 4 items for the performance transparency scale. Next, we conducted exploratory and confirmatory factor analyses. We first checked whether items loaded significantly on intended factors. Results showed that all factor loadings were significant and met the conditions proposed by Gerbing and Anderson (1988). Second, all the estimates for the average variance extracted (AVE) were equal to or higher than .50 in support of convergent validity (Bagozzi and Yi 1988). To test discriminant validity, we first followed Fornell and Larcker's (1981) suggested procedure and examined whether the squared intercorrelations between two constructs are less than the AVE estimates of the respective two constructs for all pairs of constructs. Panel A of Table 4 provides the correlations between performance transparency and other measures in Study 1. As can be seen from Panel B of Table 4, the squared correlations between constructs did not exceed the AVE for each of the constructs in the pair. Furthermore, to afford greater confidence in the discriminant validity, we conducted a χ^2 test. Specifically, we compared the model in which our newly developed 4-item performance transparency scale and the customer orientation scale were allowed to correlate, $r = .24$, $\chi^2(32) = 250.2$, with a model in which the two constructs were forced to be perfectly correlated, $\chi^2(33) = 254.5$. The change in χ^2 , $\Delta\chi^2(1) = 4.35$, $p < .05$, was significant. The results thus support discriminant validity and show that performance transparency is related to but distinct from customer orientation. Moreover, the final 4 items of performance transparency demonstrate good reliability, indicated by Cronbach's α ($\alpha = .90$) and composite reliability (CR = .93; Table 4), which exceed stringent threshold values for reliable estimates (i.e., both Cronbach's α and CR exceeding .70).

Discussion

Study 1 developed and provided empirical evidence in support of the reliability and validity of a parsimonious 4-item performance transparency scale. It also supported the argument that both information accessibility and objectivity contribute to the measurement of performance

transparency, studying two different service firms in two different service settings. Moreover, it supported the conceptualization of service firm performance transparency and customer orientation as two related but distinct constructs. We designed Study 2 to test the effect of performance transparency on customers' purchase intention (Hypothesis 1) and to examine the mediating role of customer uncertainty in the relationships between performance transparency and customer willingness to purchase from a service firm (Hypothesis 2).

Study 2

Based on the properties of performance transparency identified in Study 1, Study 2 manipulated a service firm's level of performance transparency. Manipulation allowed us to test the pure effect of performance transparency while minimizing the potential confounds associated with using an existing brand that consumers are already familiar with.

Method

Design. Study 2 used a 2 (performance transparency: transparent vs. control) \times 3 (service setting replicates: hotels, retail banking, airlines) between-subjects experimental design. To have a representative set of diverse service settings, we chose a hotel, a retail bank, and an airline as focal firms for Study 2 based on a pretest ($n = 39$), which showed that the majority of respondents (>96%) had used services from such firms before and were equally familiar with these service settings (e.g., "How familiar are you with the airline industry?" (1) = not at all familiar, (7) = very familiar; M hotel = 4.14, M retailbank = 4.93, and M airline = 5.09; $F(2, 36) = 1.57$, $p = ns$). Respondents in the same pretest also had an equally favorable opinion of these service settings (e.g., "Please rate your overall opinion of the airlines

industry” (1) = unfavorable, dislike, (7) = favorable, like, $r = .72$; $M_{\text{hotel}} = 3.96$, $M_{\text{retailbank}} = 4.00$, and $M_{\text{airline}} = 4.03$; $F(2, 36) = .02$, $p = \text{ns}$).

Respondents and procedures. One hundred and forty-six graduate students took part in Study 2 as part of a regular course. Respondents were randomly assigned to one of the six conditions (Table 5). They received a questionnaire booklet to complete and were asked to indicate, first, their familiarity with the service setting (measured in the same way as in the pretest) and, second, the extent to which they had a favorable opinion of it ($r = .76$, measured identically to the pretest). Respondents then read an excerpt detailing new offerings of the service firm ostensibly from the new product section in the New York Times. Excerpts in the transparent conditions included information about the service firm’s activities that reflected the objectivity and accessibility aspects of our performance transparency construct (see Appendix) and were viewed as transparent in a pretest ($n = 41$; $M = 7.69$; “To what extent do you perceive the service firm as transparent?” (1) = not at all, (9) = very much). Excerpts in the controls did not include such information and instead included general information on how its service offerings will be distributed (e.g., channels of communication; see Appendix). Pretest results ($n = 41$) showed that firms in the controls were not seen as particularly transparent ($M = 3.12$). The length of the excerpts provided to both conditions was kept constant.

Insert Table 5 about here

Next, respondents answered questions unrelated to this research to minimize the risk of guessing the hypotheses of this study. Twenty minutes later, respondents answered questions related to the study. Specifically, they were asked to remember the service firm they had read about earlier and evaluate it on a 2-item scale (e.g., “Please rate your overall opinion of the airline on the following scales” (1) = unfavorable, dislike, (7) = favorable, like;

$r = .95$) and to note their likelihood of using this particular firm in the future ($r = .70$). Next, respondents answered items adapted from Urbany, Dickson, and Wilkie's (1989) consumer uncertainty scale ($\alpha = .95$). Respondents then answered questions regarding the extent to which they saw the service firm's performance as being transparent ($\alpha = .95$). As in Study 1, the Cronbach's α of the 4-item scale did not differ significantly from the Cronbach's α of the 9-item scale (α s = .95 and .97, respectively). Finally, they rated the excerpt's believability on a 2-item scale ($r = .87$). Measures were counterbalanced in the questionnaire booklet to ensure that the order of the measures did not impact results, which it did not ($p = ns$).

Results

Manipulation and confound checks. A 2 (performance transparency: transparent vs. control) \times 3 (service setting replicates: hotels, retail banking, airlines) analysis of variance (ANOVA) on the manipulation check revealed that the manipulation of performance transparency was successful (see Table 5), and the analysis revealed a main effect of performance transparency, M transparent = 5.22 vs. M control = 3.44; $F(1, 145) = 35.20$, $p < .001$. No other effects were observed. As shown in Table 5, a set of 2 \times 3 ANOVAs on variables that might produce potential confounds demonstrated that there were no differences across the conditions in service setting familiarity, attitude, and excerpt believability ($p = ns$).

Purchase intentions. A 2 \times 3 ANOVA on customer purchase intentions revealed a main effect of performance transparency. Respondents noted stronger purchase intentions when the service firm's performance was transparent versus the control condition, M transparent = 3.66 vs. M control = 2.34; $F(1, 145) = 26.08$, $p < .001$. There was also a significant interaction between performance transparency and the service setting, $F(1, 145) = 4.07$, $p < .05$. Although we found the positive effects of performance transparency for each of the three service firms, the effect was more pronounced for airlines. No other effects were observed. As can be seen

from Model 2 in Table 6, performance transparency was positively associated with customer purchase intentions from a service firm ($\beta = .44$, $t = 7.11$, $p < .001$). We thus find Hypothesis 1 supported.

Customer uncertainty. Consistent with our theorizing, a set of 2×3 ANOVAs on uncertainty revealed a main effect of performance transparency. Respondents indicated lower levels of uncertainty when the firm's performance was transparent vs. the control condition ($M_{\text{transparent}} = 1.64$ vs. $M_{\text{control}} = 5.90$; $F(1, 145) = 659.21$, $p < .001$). No other effects were observed (see Table 5). Moreover, as can be seen from Model 1 in Table 6, performance transparency was negatively associated with customer uncertainty ($\beta = -.50$, $t = -5.69$, $p < .001$).

The mediating role of uncertainty. We followed Hayes' (2013) recommended bootstrap procedure to further decompose the mediation of customers' uncertainty in the effect of performance transparency on purchase intentions. Specifically, a dummy variable was included in the regression model to represent different levels of transparency (0 = control group and 1 = transparency group). The result shows that customer uncertainty mediates the effect of performance transparency on purchase intentions. Specifically, performance transparency has a positive total effect on purchase intention ($B = 1.32$, $SE = .27$, $t = 4.98$, $p < .000$) with a significant positive indirect effect ($B = .140$, $SE = .65$, 95% confidence interval [CI] = [0.10, 2.72]). Hayes' (2013) macro produces a 95% CI for the indirect effect of the independent variable, which is significant ($p < .05$) and further zero is not included in the CI. The results demonstrate that uncertainty mediates the effect of performance transparency on purchase intentions, in support of Hypothesis 2.

Discussion

Study 2 offered additional support for the parsimonious 4-item performance transparency scale developed in Study 1. Furthermore, Study 2 showed that performance transparency has a positive effect on customer purchase intention and that this effect is mediated by customer uncertainty, lending support to Hypotheses 1 and 2. It is also noteworthy to see that results were replicated across different service contexts (hotel, retail bank, and airline). We designed Study 3 to further test the robustness of these findings, this time by measuring (as opposed to manipulating) performance transparency in a field study setting. Study 3 also tested a boundary condition of the positive effect of performance transparency on purchase intention and customers' willingness to pay a price premium for a service.

Study 3

Study 3 was designed to examine the extent to which customers' perceptions of a service firm's ability act as a boundary condition for the positive effects of performance transparency.

Method

Participants and measures. Data for this study were collected from travelers outside the terminal of a large, international airport. Participants were informed that their responses will be helpful for academic research and that individual responses will be treated with strict confidentiality. Over 5 days we collected 281 usable responses; 61.9% of respondents were male. Participants were asked to indicate which airline they were using that day, their familiarity with the airline (1 = not at all familiar and 7 = very familiar) and, if they had used this particular airline before, and what their prior experience had been (1 = primarily negative and 7 = primarily positive).

Unless indicated otherwise, we used the same measures as we did in Studies 1 and 2. We adapted items from Urbany, Dickson, and Wilkie's (1989) consumer uncertainty scale for participants to indicate their uncertainty when they started seeking information and booking their flights ($\alpha = .97$; Table 2). Also, participants noted the extent to which they saw the airline's performance as transparent ($\alpha = .97$) and indicated their purchase intention ($r = .86$). In addition, participants were asked to report their willingness to pay a price premium ($\alpha = .95$) and answered 4 items adapted from Brown and Dacin's (1997) corporate ability associations scale ($\alpha = .97$; see Table 2). All measures were counterbalanced in the survey to reduce the potential for common method variance (Podsakoff et al. 2003) and to ensure the order of the measures did not impact the results, which it did not ($p = ns$).

Results

We had participants answering the questions for 33 different airlines. The majority of participants however answered the questions for eight airlines. Other airlines, each of which had fewer than 10 responses, were categorized as "others" in our sample ($n = 64$). A simple ANOVA shows that there was no significant difference in participants' gender, familiarity with, and attitudes toward, the different airlines in our sample ($p = ns$). We conducted regression analyses to test the proposed relationships with eight dummy variables representing different airlines (the coefficients of all dummy variables are not significant, $p = ns$, supporting again that our results are independent of airlines). In short, Study 3 replicated the results from Study 2 and extended the findings to another dependent variable, willingness to pay a price premium. More specifically, performance transparency was again positively associated with customer purchase intention ($B = .80$, $t = 12.72$, $p < .001$) and willingness to pay a price premium ($B = .83$, $t = 13.25$, $p < .001$), in support of Hypothesis 1. Based on Hayes's (2013) bootstrapping technique, we found support for the mediating role of

uncertainty on the performance transparency-purchase intention relationship ($B = .23$, $SE = .04$, 95% CI [.11, .40]) and the performance transparency-willingness to pay a price premium relationship ($B = .23$, $SE = .07$, 95% CI [.12, .41]). Thus, we find support for Hypothesis 2.

Moderating role of ability associations. We tested the boundary condition of the performance transparency-purchase intention/willingness to pay a price premium relationship. The results are shown in Table 6. With purchase intention as the dependent variable, Model 3 shows that the interaction between performance transparency and ability associations is negative and significant ($B = -.08$, $t = -2.47$, $p < .05$). Similarly, with willingness to pay a price premium as the dependent variable, Model 6 indicates a negative interaction effect ($B = -.07$, $t = -2.20$, $p < .05$). These findings provide support for Hypothesis 3a (vs. Hypothesis 3b), which proposed that ability associations negatively moderate the relationship between performance transparency and purchase intention/willingness to pay a price premium. We further explored the moderating effect. The results of a simple slope test (Aiken and West 1991) show that performance transparency is related positively and significantly to purchase intention at both low ($\gamma = .64$, $t = 8.63$, $p < .001$) and high levels of ability associations ($\gamma = .48$, $t = 6.14$, $p < .001$). However, the positive relationship between performance transparency and purchase intention was significantly higher at low levels of ability associations than at high levels of ability associations ($t = -2.47$, $p < .05$). Similar results were achieved for willingness to pay a price premium.² Hence, Hypothesis 3a is supported while Hypothesis 3b is not.

Insert Table 6 about here

Discussion

Study 3 replicated and extended the findings of Study 2, confirming that performance transparency reduces customer uncertainty and strengthens customer purchase intention and willingness to pay a price premium for a service. Furthermore, Study 3 revealed that customers' ability associations with a service firm weaken the influence of performance transparency on intention to purchase and pay a price premium for a service. These results indicate that the positive effects of performance transparency are more pronounced when firm ability associations are relatively low rather than high. For firms with high-ability associations, there seems to be little room for performance transparency to encourage higher purchase intention or more willingness to pay a price premium. In contrast, performance transparency appears to be a particularly valuable strategic option for service firms that do not enjoy high-ability associations. Further, the observation that for firms with relatively high ability and high performance transparency, the mean responses for purchase intention are well below the top of the scale (4.29 on a 7-point scale) implies that the significant interaction effect is not due to an artifact of relatively high-ability firms approaching a ceiling effect.

General Discussion and Implications

In recent years, transparency has risen to the top of the corporate agenda. The concept of transparency is of particular relevance to service firms, given that high levels of customer uncertainty still largely plague service settings. Our goal in this research was to articulate the defining properties of performance transparency and examine how a service firm's performance transparency affects customer behaviors. Moreover, we sought to examine a potential mechanism of how, and a potential boundary condition of when, the positive effect of a service firm's performance transparency can be observed.

The proposed performance transparency construct complements extant research on customer-firm relationships and offers thought-provoking insights for theory building. First, we articulated the properties of performance transparency, that is, objectivity and accessibility, and conceptually distinguished this construct from existing provision, disclosure, and sharing of information. Second, based on the critical and nonredundant properties of performance transparency, we developed a managerially viable, parsimonious 4-item scale that captures the indicators of transparency effectively. Third, we empirically demonstrated the positive influence of performance transparency on customer purchase intention and willingness to pay a premium for a service. This is a nontrivial finding, as it indicates that customers are willing to pay a premium for services from a performance transparent firm. Furthermore, we found that a reduction in customer uncertainty pertaining to a service acts as an underlying mechanism through which performance transparency benefits a service firm. Moreover, firms' ability associations moderate the effects of performance transparency. Noticeably, and contrary to what some might believe, service firms have much to gain from being seen as transparent by customers especially when firm ability associations are relatively low.

The research findings offer direct implications for service management. In order to be perceived as performance-transparent by customers, service firms need to consider not only how easily accessible and understood the information that they provide is but also the objectivity of the information provided. Specifically, service firms could consider offering both pros and cons of their services vis-à-vis other firms' offerings and openly give access to customer reviews and ratings. In addition, the information should be provided in such a way that customers can easily access it and are not intimidated or confused by overly technical language. This could be achieved, for example, through effective website design, analysis of customer data, testing of customers' understanding of technical language, and so forth. Our

results strongly suggest that being seen as performance transparent plays an important role for service firms in reducing customers' uncertainty about service quality. This suggests that adopting policies geared toward maximizing performance transparency benefits the service firms, especially those that traditionally face high customer uncertainty (e.g., professional service contexts, including legal, finance, consulting, health care, etc.).

Through conversations with managers, we get a sense that firms generally have been wary of performance transparency, perhaps in fear that the “emperor may be seen as having no clothes.” Our research shows that service firms do not suffer, but rather have much to gain from being transparent, even more so when a firm is perceived as relatively low in ability. The current findings place customers at the center of service firms' activities, thus complementing work on customer keeping and leveraging efforts by service firms (Lemon, White, and Winer 2002; Merlo, Eisingerich, and Auh 2014; Ostrom et al. 2010; Shah et al. 2006). Specifically, the moderating effect of ability associations suggests that service firms with relatively low-ability associations may leverage performance transparency to strengthen customer purchase intention and greater willingness to pay a premium. In a competitive landscape where service firms struggle to compete on price, performance transparency can thus act as a critical tool for differentiation that is valued by customers even when customers perceive a service firm's ability to be relatively low.

Future Research

The findings of this research need to be viewed in light of the following limitations that also point to some promising avenues for further research. We only focused on one type of transparency, that is, performance transparency, and find that performance transparency has positive effects on customers' purchase intention and willingness to pay a price premium. However, other types of transparency, such as cost transparency, may negatively affect

customer responses depending on the nature of the information provided (e.g., when customers perceive the price markup to be excessive or unjustified). Future research may explore the potential impact of cost transparency on customer intention to purchase from a firm and willingness to pay a price premium for its service. We examined customer uncertainty as a potential underlying mechanism that explains the effect of performance transparency on customer behavior. However, it is plausible that additional mechanisms, such as overall trust in the service provider, also help explain the effects of performance transparency. Thus, further work testing the role of other potential mediators as opposed to or in conjunction with customer uncertainty would be worthwhile.

Moreover, our parsimonious model might have neglected other important moderating variables, such as customer involvement in a service setting or risk aversion. One wonders whether service firms operating in settings characterized by low customer involvement benefit less or more from being seen as transparent as compared to service contexts where customer involvement is high. One also wonders whether the extent to which transparency efforts by firms can potentially strengthen customer interest and involvement (i.e., customers begin to see the greater value in a service offering and begin to care more about it). For example, Kellogg's invites consumers to use a dedicated website, OpenForBreakfast.com, to submit questions about Kellogg's products (Birkner 2015). Customer participation helps tie customers more closely to a firm (Eisingerich, Auh, and Merlo 2014) and thus transparency efforts may be part of a wider effort of a firm to engage its customers. In addition, customers who are risk averse might be more motivated to reduce the perceived uncertainty associated with the service and its offerings, thereby weighing a firm's transparency more heavily.

Distinct from ability associations, social responsibility associations are another important perceptions customers have about service firms (i.e., how they affect wider society). In contrast to ability associations, social responsibility associations primarily reflect the

organization's commitment to social causes rather than commitment to excellent service experience and, thus, could be examined as an alternative moderator to firm ability.³ Performance transparency reflects customers' perceptions of the firm being open and fair in its information sharing activities and the need for customers to minimize risk or uncertainty associated with a firm's service offerings. In this regard, social responsibility associations, which are not related to expertise or performance of services, should not play a significant moderating role in the outcome of transparency. Although social responsibility associations are believed to enhance the trustworthiness and likability of a business (Klein and Dawar 2004), they are not directly relevant to evaluating service offerings and they provide little information that would reduce uncertainty about the service experience. Therefore, if future research indeed demonstrates the strong effect of performance transparency independent of perceived social responsibility, it will provide additional support for our finding that transparency works through an "uncertainty reduction" mechanism.

Finally, it is also likely that a firm's specific motivation to be transparent will influence the effects of performance transparency. For instance, the noted positive effects of performance transparency might dissolve when customers feel that a firm has been forced to be more transparent or when customers are skeptical about the firm's motivations for "acting transparent" (Friestad and Wright 1995). Thus, we invite future work to explore the role of firms' motivation, as perceived by customers, for being transparent in these relationships. In addition, our performance transparency scale reflects the importance of offering access to other customers' comments or ratings of a firm's services. Offering access to third-party reviews and ratings, however, may be complicated by the specific regulations in different countries and by competing firms' efforts to block direct links to their websites. We also invite future research to examine how performance transparency impacts employees' or investors' reactions, and whether the effects and boundary conditions discovered in this

research remain the same or differ for other stakeholder groups.

Appendix

Study 2: Transparent Condition

The following information was obtained from the *New York Times*' new product section. Please read it carefully.

Airlines Industry

The airlines industry had its fair share of challenges as of late. Because of increased competition and the financial crisis, a lot of airlines have been struggling financially. On top of this, feedback from customers suggests that they are often not satisfied with the level of service received. A large, international airline said it will introduce new helpful and innovative services to its customers. According to the airline, these new services will make for a more pleasant customer experience. They should also make customers' lives easier. The airline noted that it will offer clear information about its services that can be easily understood. It also indicated that it will compare the pros and cons of its services vis-à-vis the offerings of other airlines and provide access to other customers' comments of its service offerings. The airline aims to weather the storm of the global financial crisis and return to sustainable profitability.

Study 2: Control Condition

The following information was obtained from the *New York Times*' new product section. Please read it carefully.

Airlines Industry

The airlines industry had its fair share of challenges as of late. Because of increased competition and the financial crisis, a lot of airlines have been struggling financially. On top of this, feedback from customers suggests that they are often not satisfied with the level of service received. A large, international airline said it will introduce new helpful and innovative services to its customers. According to the airline, these new services will make for a more pleasant customer experience. They should also make customers' lives easier. The airline noted that it will offer additional information about its services in newly designed brochures. It also indicated that it will share information using social media and employ different TV channels as well as radio stations to inform customers about its service offerings. The airline aims to weather the storm of the global financial crisis and return to sustainable profitability.

References

- Aaker, Jennifer L., Emily N. Garbinsky, and Kathleen D. Vohs (2012), "Cultivating Admiration in Brands: Warmth, Competence, and Landing in the Golden Quadrant", *Journal of Consumer Psychology*, 22, 191-194.
- Aiken, Leona S. and Stephen G. West (1991), *Multiple Regression Testing and Interpreting Interactions*, Newbury Park, CA: Sage.
- Auh, Seigyoung, Simon J. Bell, Colin S. McLeod, and Eric Shih (2007), "Co-Production and Customer Loyalty in Financial Services," *Journal of Retailing*, 83 (August), 359-70.
- Bagozzi, Richard P. and Youjae Yi (1988), "On the Evaluation of Structural Equation Models," *Journal of the Academy of Marketing Science*, 16 (Spring), 74-94.
- Baron, Reuben M., and David A. Kenny (1986), "The Moderator-Mediator Variable Distinction in Social Psychological Research: Conceptual, Strategic, and Statistical Considerations." *Journal of Personality and Social Psychology*, 51 (6): 1173-1282.
- Bennis, Warren, Daniel Goleman, and Patricia W. Biederman (2008), "Creating a Transparent Culture," *Leader to Leader*, 2008 (50), 21-27.
- Berens, Guido, Cees B. M. van Riel, and Gerrit H. van Bruggen (2005), "Corporate Associations and Consumer Product Responses: The Moderating Role of Corporate Brand Dominance," *Journal of Marketing*, 69 (3), 35-48.
- Bitner, Mary Jo, Bernard H. Booms, and Mary Stanfield Tetreault (1990), "The Service Encounter: Diagnosing Favorable and Unfavorable Incidents," *Journal of Marketing*, 54 (January), 71-84.
- Bohner, Gerd, Sabine Einwiller, Hans-Peter Erb, and Frank Siebler (2003), "When Small Means Comfortable: Relations between Product Attributes in Two-Sided Advertising," *Journal of Consumer Psychology*, 13 (4), 454-463.

- Bradley, Samuel D. and Robert Meeds (2004), "The Effects of Sentence-Level Context, Prior Word Knowledge, and Need for Cognition on Information Processing of Technical Language in Print Ads," *Journal of Consumer Psychology*, 14 (3), 291-302.
- Brown, Tom J. and Peter A. Dacin (1997), "The Company and the Product: Corporate Associations and Consumer Product Responses," *Journal of Marketing*, 61 (1), 68-84.
- Cannon, Joseph P. and William D. Perreault Jr. (1999), "Buyer-Seller Relationships in Business Markets," *Journal of Marketing Research*, 36 (4), 439-460.
- Chevalier, Judith A. and Dina Mayzlin (2006), "The Effect of Word of Mouth on Sales: Online Book Reviews," *Journal of Marketing Research*, 43 (August), 345-54.
- Churchill, Gilbert A. (1979), "Paradigm for Developing Better Measures of Marketing Constructs," *Journal of Marketing Research*, 16 (1), 64-73.
- Crosby, Lawrence A., Kenneth A. Evans, and Deborah Cowles (1990), "Relationship Quality in Services Selling: An Interpersonal Influence Perspective," *Journal of Marketing*, 54 (July), 68-81.
- Crowley, Ayn E. and Wayne D. Hoyer (1994), "An Integrative Framework for Understanding 2-Sided Persuasion," *Journal of Consumer Research*, 20 (4), 561-574.
- Day, George S. (1976), "Assessing the Effects of Information Disclosure Requirements," *Journal of Marketing*, 40 (2), 42-52.
- Day, George S. and William K. Brandt (1974), "Consumer Research and the Evaluation of Information Disclosure Requirements: The Case of Truth in Lending," *Journal of Consumer Research*, 1 (1), 21-32.
- DeKinder, Jade S. and Ajay K. Kohli (2008), "Flow Signals: How Patterns over Time Affect the Acceptance of Start-up Firms," *Journal of Marketing*, 72 (5), 84-97.

- De Ruyter, Ko, Martin Wetzels, and Mirella Kleijnen (2001), "Customer Adoption of E-Service: An Experimental Study," *International Journal of Service Industry*, 12 (2), 184-207.
- Doney, Patricia M. and Joseph P. Cannon (1997), "An Examination of the Nature of Trust in Buyer-Seller Relationships," *Journal of Marketing*, 61 (2), 35-51.
- Eggert, Andreas and Sabrina Helm (2003), "Exploring the Impact of Relationship Transparency on Business Relationships: A Cross-Sectional Study among Purchasing Managers in Germany," *Industrial Marketing Management*, 32 (2), 101-108.
- Eisingerich, Andreas B. and Simon J. Bell (1998), "Perceived Service Quality and Customer Trust: Does Enhancing Customers' Service Knowledge Matter?," *Journal of Service Research*, 10 (February), 256-68.
- Erdem, Tülin and Joffre Swait (1998), "Brand Equity as a Signaling Phenomenon," *Journal of Consumer Psychology*, 7 (2), 131-157.
- Forbes (2013), "How Can Bankers Recover Our Trust?"
<http://www.forbes.com/sites/stevedenning/2013/02/06/will-we-ever-trust-bankers-again/>, accessed July 8th, 2013.
- Foreh, Mark R and Sonya Grier (2003), "When Is Honesty the Best Policy? The Effect of Stated Company Intent on Consumer Skepticism," *Journal of consumer psychology*, 13 (3), 349-356.
- Fornell, Claes and David F. Larcker (1981), "Structural Equation Models with Unobservable Variables and Measurement Error: Algebra and Statistics," *Journal of Marketing Research*, 18 (3), 382-388.
- Fox News (2013), "Apple, Google, Facebook, Microsoft, Twitter Call For Transparency on NSA Spying," <http://www.foxnews.com/tech/2013/07/18/apple-google-facebook-microsoft-twitter-call-for-transparency-on-nsa-spying/>, accessed July 28th 2013.

- Friestad, Marian and Peter Wright (1995), "Persuasion Knowledge: Lay People's and Researchers' Beliefs About the Psychology of Advertising," *Journal of Consumer Research*, 22 (1), 62-74.
- Fuan, Li, Paul W. Miniard, and Michael J. Barone (2000), "The Facilitating Influence of Consumer Knowledge on the Effectiveness of Daily Value Reference Information," *Journal of the Academy of Marketing Science*, 28 (3), 425-436.
- Gerbing, David W. and James C. Anderson (1988), "An Updated Paradigm for Scale Development Incorporating Unidimensionality and Its Assessment," *Journal of Marketing Research*, 25 (2), 186-192.
- Granados, Nelson, Alok Gupta, and Robert J. Kauffman (2010), "Research Commentary- Information Transparency in Business-to-Consumer Markets: Concepts, Framework, and Research Agenda," *Information Systems Research*, 21(2), 207-226.
- Gremler, Dwayne, Mary Jo Bitner, and Valarie A. Zeithaml (2012), *Services Marketing (6th Edition)*, New York, NY: McGraw-Hill.
- Gunelius, Susan (2010), "Consumers Want Transparent, Honest, Socially Responsible Brands," (accessed August 31, 2011), [available at Corporate-Eye.com].
- Hayes, Andrew F. (2013). *Introduction to Mediation, Moderation, and Conditional Process Analysis: A Regression-Based Approach*. New York, NY: Guilford Press.
- Hennig-Thurau, Thorsten, Edward C. Malthouse, Christian Friege, Sonja Gensler, Lara Lobschat, Arvind Rangaswamy, and Bernd Skiera (2010), "The Impact of New Media on Customer Relationships," *Journal of Service Research*, 13 (3), 311-30.
- Howlett, Elizabeth A., Scot Burton, Kenneth Bates, and Kyle Huggins (2009), "Coming to a Restaurant near You? Potential Consumer Responses to Nutrition Information Disclosure on Menus," *Journal of Consumer Research*, 36 (3), 494-503.

- Hung, Humphry and Y.H. Wong (2009), "Information Transparency and Digital Privacy Protection: Are They Mutually Exclusive in the Provision of E-Services?," *Journal of Services Marketing*, 23 (3), 154-164.
- Hultman, Jens, and Björn Axelsson (2007), "Towards a Typology of Transparency for Marketing Management Research," *Industrial Marketing Management*, 36 (5), 627-635.
- Kamins, Michael A. and Henry Assael (1987), "Two-Sided Versus One-Sided Appeals: A Cognitive Perspective on Argumentation, Source Derogation, and the Effect of Disconfirming Trial on Belief Change," *Journal of Marketing Research*, 24 (1), 29-39.
- Kirmani, Amna and Akshay R. Rao (2000), "No Pain, No Gain: A Critical Review of the Literature on Signaling Unobservable Product Quality," *Journal of Marketing*, 64 (2), 66-79.
- Klein, Jill and Niraj Dawar (2004), "Corporate Social Responsibility and Consumers Attributions and Brand Evaluations in a Product-Harm Crises," *International Journal of Research in Marketing*, 21 (3), 203-217.
- Kwortnik, Robert J. Jr. and Gary M. Thompson (2009), "Unifying Service Marketing and Operations with Service Experience Management," *Journal of Service Marketing*, 11 (4), 389-406.
- Laroche, Michel, Gordon H.G. McDougall, Jasmin Bergeron, and Zhiyong Yang (2004), "Exploring How Intangibility Affects Perceived Risk," *Journal of Service Research*, 6 (May), 373-89.
- Lemon, Katherine N., Tiffany Barnett White, and Russell S. Winer (2002), "Dynamic Customer Relationship Management: Incorporating Future Considerations into the Service Retention Decision," *Journal of Marketing*, 66 (January), 1-14.
- Levitt, Theodore (1980), "Marketing Success through Differentiation — of Anything,"

- Harvard Business Review*, 58, January-February, 83-91.
- Libai, Barak, Ruth Bolton, Marnix S. Bügel, Ko de Ruyter, Oliver Götz, Hans Risselada, and Andrew T. Stephen (2010), "Customer-to-Customer Interactions: Broadening the Scope of Word of Mouth Research," *Journal of Service Research*, 13 (3), 267-82.
- Lovelock, Christopher and Evert Gummesson (2004), "Whither Services Marketing? In Search of a New Paradigm and Fresh Perspectives," *Journal of Service Research*, 7 (August), 20-41.
- Lowrey, Tina M. (1998), "The Effects of Syntactic Complexity on Advertising Persuasiveness," *Journal of Consumer Psychology*, 7 (2), 187-206.
- Mathwick, Charla, Caroline Wiertz, and Ko De Ruyter (2008), "Social Capital Production in a Virtual P3 Community," *Journal of Consumer Research*, 34 (6), 832-49.
- McDougall, Gordon H. G. and Douglas W. Snetsinger (1990), "The Intangibility of Services: Measurement and Competitive Perspectives," *Journal of Services Marketing*, 4 (4), 27-40.
- Mittal, Banwari (1999), "The Advertising of Services Meeting the Challenge of Intangibility," *Journal of Service Research*, 2 (August), 98-116.
- Murray, Keith B. and John L. Schlacter (1990), "Consumers' Assessment of Perceived Risk and Variability," *Journal of the Academy of Marketing Science*, 18 (1), 51-65.
- NBC News (2013), "Obama Pledges Greater Transparency in Surveillance Programs," <http://www.nbcnews.com/id/52716281#UgoMMJK1HnE>, accessed August 11th 2013.
- Ostrom, Amy L., Mary Jo Bitner, Stephen W. Brown, Kevin A. Burkhard, Michael Goul, Vicki Smith-Daniels, Haluk Demirkan, and Elliot Rabinovich (2010), "Moving Forward and Making a Difference: Research Priorities for the Science of Service," *Journal of Service Research*, 13 (1), 4-36.

- O'Toole, James and Warren Bennis (2009), "What's Needed Next: A Culture of Candor," *Harvard Business Review*, 87 (6), 54-61.
- Parasuraman, A., Valarie A. Zeithaml, and Leonard L. Berry (1985), "A Conceptual Model of Service Quality and Its Implications for Future Research," *Journal of Marketing*, 49 (4), 41-50.
- Pechmann, Cornelia (1992), "Predicting When Two-Sided Ads Will Be More Effective Than One-Sided Ads: The Role of Correlational and Correspondent Inferences," *Journal of Marketing Research*, 29 (4), 441-453.
- Podsakoff, Philip M, Scott B MacKenzie, Jeong-Yeon Lee, and Nathan P Podsakoff. (2003), "Common Method Biases in Behavioral Research: A Critical Review of the Literature and Recommended Remedies," *Journal of Applied Psychology*, 88 (5), 879.
- Porath, Christine, Deborah MacInnis, and Valerie S. Folkes (2011), "It's Unfair. Why Customers Who Merely Observe an Uncivil Employee Abandon the Company," *Journal of Service Research*, 14 (3), 302-17.
- Rao, Akshay R., Qu Lu, and Robert W. Ruekert (1999), "Signaling Unobservable Product Quality through a Brand Ally," *Journal of Marketing Research*, 36 (2), 258-268.
- Rucker, Derek D., Richard E. Petty, and Pablo Brinol (2008), "What's in a Frame Anyway?: A Meta-Cognitive Analysis of the Impact of One Versus Two Sided Message Framing on Attitude Certainty," *Journal of Consumer Psychology*, 18 (2), 137-149.
- Sajtos, Laszlo, Roderick J. Brodie, and James Whittome (2010), "Impact of Service Failure: The Protective Layer of Customer Relationships," *Journal of Service Research*, 13 (2), 216-229.
- Shah, Denish, Roland T. Rust, A. Parasuraman, Richard Staelin, and George S. Day (2006), "The Path to Customer Centricity," *Journal of Service Research*, 9 (November), 113-24.

- Stewart, James B. (2009), "More Clarity, Not Limits, for Consumers," *Wall Street Journal*, 253 (146), D1-D2.
- Tapscott, Don and David Ticoll (2003), *The Naked Corporation: How the Age of Transparency will Revolutionize Business*, Toronto: Penguin.
- Taylor, James W. (1974), "The Role of Risk in Consumer Behavior," *Journal of Marketing*, 38 (2), 54-60.
- Time U.S. (2013), "The Surveillance Society," <http://nation.time.com/2013/08/01/the-surveillance-society/> accessed August 13th, 2013.
- Trifts, Valerie and Gerald Häubl (2003), "Information Availability and Consumer Preference: Can Online Retailers Benefit from Providing Access to Competitor Price Information?," *Journal of Consumer Psychology*, 13 (1/2), 149-159.
- Urbany, Joel E, Peter R Dickson, and William L Wilkie (1989), "Buyer Uncertainty and Information Search," *Journal of Consumer Research* 208-215.
- Van Doorn, Jenny, Katherine N. Lemon, Vikas Mittal, Stephan Nass, Doreén Pick, Peter Pirner, and Peter C. Verhoef (2010), "Customer Engagement Behavior: Theoretical Foundations and Research Directions," *Journal of Service Research*, 13 (3), 253-66.
- Vargo, Stephen L and Robert F. Lusch (2004), "The Four Service Marketing Myths Remnants of a Goods-Based, Manufacturing Model," *Journal of Service Research*, 6 (4), 324-335.
- Voss, Kevin E., Eric R. Spangenberg, and Bianca Grohmann (2003), "Measuring the Hedonic and Utilitarian Dimensions of Consumer Attitude," *Journal of Marketing Research*, 40 (3), 310-20.
- Wilkin, Sam (2009), "Heed the Calls for Transparency," *Harvard Business Review*, 87 (7/8), 16-17.

- Zeithaml, Valarie A., Leonard L. Berry, and A. Parasuraman. (1996), "The Behavioral Consequences of Service Quality," *Journal of Marketing*, 60 (2), 31-46.
- Zhu, Feng and Xiaoquan Zhang (2010), "Impact of Online Consumer Reviews on Sales: The Moderating Role of Product and Consumer Characteristics," *Journal of Marketing*, 74 (2), 133-148.
- Zhu, Kevin (2004), "Information Transparency of Business-to-Business Electronic Markets: A Game-Theoretic Analysis," *Management Science*, 50 (5), 670-685.
- Ziamou, Paschalina (Lilia) and S. Ratneshwar. (2002), "Promoting Consumer Adoption of High-Technology Products: Is More Information Always Better?," *Journal of Consumer Psychology*, 12 (4), 341-351.

Table 1. Study 1: Factor Analysis Results of 14-Item Performance Transparency Scale

<i>Items</i>	HSBC		GAP	
	1	2	1	2
[Firm name] offers access to other customers' comments or ratings of its services.	.91	.29	.91	.27
[Firm name] compares the pros and cons of its services versus competitor offerings.	.87	.30	.87	.28
[Firm name] makes it difficult for customers to access reviews made by other customers about its services. [†]	.88	.38	.88	.36
[Firm name] openly shares customer reviews about its services.	.89	.35	.89	.33
[Firm name] conceals negative information about its own services. ^{a, †}	.89	.40	.89	.38
[Firm name] provides relevant information about its services. ^a	.86	.42	.85	.42
[Firm name] plays down disadvantages of its own services. ^{a, †}	.86	.44	.86	.43
[Firm name] provides helpful information about its services.	.80	.29	.81	.17
[Firm name] provides updated information about its services.	.79	.47	.78	.48
The information provided by [firm name] about its services is misleading. ^a	.67	.56	.65	.54
Information about [firm name]'s services is easily accessible.	.36	.87	.32	.87
Information provided by [firm name] about its services is easily understood.	.34	.90	.30	.90
It is difficult to obtain sufficient information about [firm name]'s service offerings. ^{a, †}	.34	.89	.29	.89
Information provided by [firm name] about its services is not clear. [†]	.36	.83	.34	.82
<i>Eigenvalue</i>	7.59	4.60	7.49	4.46
<i>Variance explained %</i>	54.24	32.89	53.51	31.89

Note. ^aRemoved items; [†]Reverse coded items.

Table 2. Measures Used in Studies*Items**Communication* (in Study 1, adapted from Parasuraman, Zeithaml, and Berry, 1985)

To what extent do you agree with the following statement (1 = “strongly disagree”, 7 = “strongly agree”):

[Firm name] explains the trade-off between the services it offers and their costs.

[Firm name] provides individualized attention.

[Firm name] makes an effort to understand my needs.

Trust (in Study 1, adapted from Doney and Cannon, 1997)

To what extent do you agree with the following statement (1 = “strongly disagree”, 7 = “strongly agree”):

[Firm name] keeps promises it makes to me.

I believe the information that [firm name] provides me.

I trust [firm name] keeps my best interests in mind.

[Firm name] is trustworthy.

Willingness to pay a price premium (in Study 1, adapted from Zeithaml, Berry, and Parasuraman, 1996)

To what extent do you agree with the following statement (1 = “strongly disagree”, 7 = “strongly agree”):

I continue to do business with [firm name] if its prices increase somewhat.

I pay a higher price than competitors charge for the benefits I currently receive from [firm name].

I am willing to pay a price premium to buy from [firm name].

Likelihood of future usage (in Study 2)

To what extent do you agree with the following statements (1 = “strongly disagree”, 7 = “strongly agree”):

The chance of me using this airline in the future is very high.

I will use this airline in the future.

Believability (in Study 2)

Please answer the following questions (1 = “not at all”, 7 = “very”):

How believable is the description in the New York Times article about the airline?

How trustworthy is the description in the New York Times article about the airline?

Uncertainty (in Studies 2–3, adapted from Urbany, Dickson, and Wilkie, 1989)

Thinking back to the time when you ..., how sure were you about (1 = “unsure”, 7 = “sure”):

- ... which airline to choose for your next flight?
- ... the relative performance of the airline versus alternative airlines?
- ... the features of the services offered by the airline?
- ... the airline’s service quality?

Willingness to pay a price premium (in Study 3)

To what extent do you agree with the following statements (1 = “strongly disagree”, 7 = “strongly agree”):

- I am willing to pay a 15% price premium for using this rather than an alternative airline
- I am willing to pay a price premium to be able to use the services of this airline
- I am willing to pay more to be able to use this particular airline

Ability associations (in Study 3, adapted from Brown and Dacin, 1997)

To what extent do you agree with the following statements (1 = “strongly disagree”, 7 = “strongly agree”):

- [Firm name] is a leader in its industry.
 - [Firm name] excels in its employee expertise and training.
 - [Firm name] has a strong research and development capability.
 - [Firm name] has higher levels of expertise than other airlines.
-

Table 3. Study 1: Factor Analysis Results of Nine-Item vs. Four-Item Performance Transparency Scale

<i>Items</i>	HSBC		GAP	
	objectivity	accessibility	objectivity	accessibility
<i>Nine-Item Scale</i>				
[Firm name] offers access to other customers' comments or ratings of its services.	.91	.31	.91	.30
[Firm name] compares the pros and cons of its services versus competitor offerings.	.87	.30	.87	.29
[Firm name] openly shares customer reviews about its services.	.88	.38	.88	.36
[Firm name] provides helpful information about its services.	.82	.30	.83	.19
[Firm name] makes it difficult for customers to access reviews made by other customers about its services. [†]	.86	.40	.87	.38
Information about [firm name]'s services is easily accessible.	.34	.88	.30	.88
Information provided by [firm name] about its services is easily understood.	.33	.90	.29	.91
It is difficult to obtain sufficient information about [firm name]'s service offerings.	.31	.89	.26	.89
Information provided by [firm name] about its services is not clear. [†]	.36	.84	.34	.83
<i>Eigenvalue</i>	4.22	3.66	4.15	3.56
<i>Variance explained %</i>	46.92	40.64	46.09	39.60
<i>Four-Item Scale</i>				
[Firm name] offers access to other customers' comments or ratings of its services.	.90	.34	.91	.32
[Firm name] compares the pros and cons of its services versus competitor offerings.	.93	.28	.93	.24
Information provided by [firm name] about its services is easily understood.	.31	.92	.28	.93
Information about [firm name]'s services is easily accessible.	.32	.93	.28	.93
<i>Eigenvalue</i>	1.85	1.90	1.85	1.89
<i>Variance explained %</i>	46.34	47.45	46.25	47.25

Table 4. Study 1: Correlations and Discriminant Validity

<i>A: Correlations</i>						
Variables	M	SD	1	2	3	4
1. Performance Transparency	3.47	1.89	1.00			
2. Trust	3.85	2.15	.84**	1.00		
3. Willingness to pay a price premium	3.35	1.41	.59**	.70**	1.00	
4. Communication	3.52	1.26	.76**	.65**	.39**	1.00
<i>B: Discriminant Validity</i>						
Variables	CR	AVE	1	2	3	4
1. Performance Transparency	.93	.76	.76			
2. Trust	.97	.91	.70	.91		
3. Willingness to pay a price premium	.89	.59	.35	.49	.59	
4. Communication	.80	.58	.58	.42	.15	.58

Note. M = Mean; SD = Standard Deviation; Diagonal elements in Panel B represent average variance extracted and off-diagonal elements represent squared correlations between latent variables; ** $p < .01$ (two-tailed).

Table 5. Study 2: Manipulation Check and Hypotheses Testing

(N = 146)	Service Setting					
	Hotels		Retail Banking		Airlines	
	Transparent (N = 26)	Control (N = 25)	Transparent (N = 21)	Control (N = 24)	Transparent (N = 24)	Control (N = 26)
<i>Manipulation check</i>						
Performance Transparency	5.09 ^a	3.60 ^b	5.17 ^a	3.33 ^b	5.42 ^a	3.40 ^b
<i>Confounds</i>						
Service setting familiarity	5.15 ^a	4.84 ^a	4.67 ^a	5.21 ^a	4.92 ^a	5.23 ^a
Service setting attitude	5.12 ^a	5.20 ^a	5.00 ^a	5.33 ^a	5.08 ^a	5.38 ^a
Excerpt believability	6.25 ^a	6.42 ^a	6.45 ^a	6.31 ^a	6.48 ^a	6.35 ^a
<i>Mediating variable</i>						
Customer uncertainty	1.70 ^b	6.09 ^a	1.48 ^b	5.82 ^a	1.75 ^b	5.80 ^a
<i>Dependent variable</i>						
Purchase intention	3.13 ^{ab}	2.54 ^b	3.38 ^a	2.33 ^b	3.65 ^a	2.34 ^b

Note. Means with different superscripts are significantly different, $p < .05$.

Table 6. Study 3: Regression Results

	DV: Purchase Intention						DV: Willingness to Pay a Price Premium					
	Model 1		Model 2		Model 3		Model 4		Model 5		Model 6	
	B (SE)	t-value	B (SE)	t-value	B (SE)	t-value	B (SE)	t-value	B (SE)	t-value	B (SE)	t-value
<i>Intercept</i>	4.65 (.51)	9.09***	3.64 (.60)	6.11***	3.79 (.59)	6.39***	4.63 (.52)	8.98***	3.66 (.59)	6.17***	3.79 (.59)	6.41***
<i>Control variables</i>												
Familiarity	-.05 (.05)	-.83	-.00 (.05)	-.02	.01 (.05)	.19	-.05 (.06)	-.86	-.00 (.05)	-.04	.01 (.05)	.15
Attitude	.51 (.06)	9.11***	.02 (.08)	.23	-.01 (.08)	-.09	.51 (.06)	8.97**	-.02 (.08)	-.20	-.04 (.08)	-.48
Gender	-.09 (.14)	-.65	-.12 (.13)	-.92	-.10 (.13)	-.78	-.03 (.14)	-.18	-.06 (.13)	-.45	-.04 (.13)	-.32
<i>Mediator</i>												
Uncertainty	-.47 (.04)	-11.46***	-.32 (.05)	-6.83***	-.33 (.05)	-7.18***	-.48 (.04)	-11.61***	-.32 (.05)	-7.03***	-.34 (.05)	-7.33***
<i>Main effect</i>												
Ability			-.06 (.03)	-1.89 ⁺	-.06 (.03)	-1.86 ⁺			-.07 (.03)	-2.27*	-.07 (.03)	-2.24*
Performance Transparency			.56 (.07)	8.30***	.55 (.07)	8.15***			.59 (.07)	8.79***	.58 (.07)	8.64***
<i>Interaction</i>												
Ability × Performance Transparency					-.03 (.01)	-2.48*					-.03 (.01)	-2.25*
R ²	.65		.72		.73		.65		.73		.74	

Note. $N = 281$; Unstandardized regression coefficients are reported; ⁺ $p < .10$, * $p < .05$, ** $p < .01$, *** $p < .001$ (two-tailed test).

Figure 1. Conceptual Model