THE EFFECTS OF COUNTRY OF ORIGIN AND PERCEIVED RISK ON INITIAL TRUST: AN EXPERIMENTAL EVALUATION OF THE PERCEPTION OF INDONESIAN CONSUMERS ON SERVICE INDUSTRY ACROSS HIGH RISK AND LOW RISK SERVICES

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ABSTRACT

To uncover how COO and perceived risk affect the initial trust in service industry; and to compare these effects across two service industry – high risk versus low risk. A total of 180 respondents were evaluated with different combinations across 2 service industries. The research findings confirmed the effect of country of origin and corporate reputation on initial trust and the relationship between perceived risk and COO. Before engaging to a service, respondents put into considerations for COO and corporate reputation. COO effect may differ across different service industry.

Keywords: country of origin, corporate reputation, trust, service industry, perceived risk, and Indonesia.

INTRODUCTION

With the globalization, international trades have been growing at a faster-than-ever rate. One of the factors that had contributed to the growth of international trade would be the growth of service industry. Although the service industry plays an important role in global economy, literature on service internationalization remains sparse. As for Country of Origins, most of the studies on COO are about products where study of COO effect on service is little. Indonesia, amongst the fastest growing developing countries, has huge business potential. Therefore, many foreign businesses seek opportunities to enter Indonesian market. However, not all foreign businesses will succeed in

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Indonesia. Foreign businesses before entering Indonesia have to evaluate factors such as their target market, economic condition, company reputation, and country of origins effect. Different industries have different perceived risks, and trust on foreign companies depending on company reputation and country of origin. Ethnocentrism would be another important factor to be considered about. This research is a replication of a journal taken from International Marketing Review, titled "The effects of country of origin and corporate reputation on initial trust – An experimental evaluation of the perception of Polish consumers" by Manuel Michaelis, David M. Woisetschlager, Christof Backhaus, and Dieter Ahlert. The purpose of this research is to do a study on Indonesian consumers to uncover how extrinsic cues like COO, company reputation, and perceived risk affect the initial trust in service industry, and to compare these effects across two service industry – high risk versus low risk. In terms of high risk service industry, one would categorize bank service, air travel, and insurance to be high risk. As for low risk service industry, restaurant, café, and telecommunication service would be considered relatively low risk. In this research, airline industry is used for the high risk category while donut café is used for low risk category. A pilot survey has been conducted to differentiate the perceived risks in the 2 categories of service industry and to uncover the awareness on airlines and donut café.

LITERATURE REVIEW

As the customers exchange their money, time, and effort, they expect to obtain value from access to goods, labor, professional skills, facilities, networks, and systems; without taking ownership of any of the physical elements involved during production of the service (Lovelock & Wirtz, 2007).
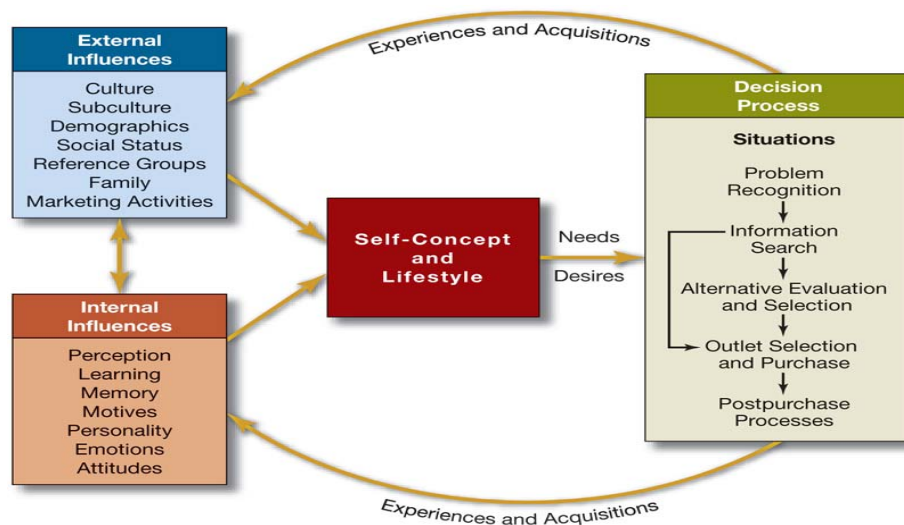
Table 1. Major characteristic of services

1. Intangibility	2. Inseparability
3. Variability	4. Perishability

(Wolak, Kalafatis, & Harris, 1998)

In service industry such as Airlines, perceived risk is relatively higher. Air travelers who have not taken the airline before would evaluate the airline base on its flying records, country of origin, and airline reputation. The perceived risk of having coffee at café would be relatively lower. Passengers who are not satisfied with the service provided by the airline have no choice but to stay in the confined cabin for hours till they reach the destinations and perhaps a return flight with the same airline, while customers at café can just switch to

another café if they are not satisfied with the services provided. When the operations of an aircraft goes wrong, risk of life is possible, however, when the operations of a café goes wrong, it can be just simple things like coffee or food do not taste good. Risk can be defined as the possibilities of negative things happening. High risk can include possible loss of money and life while low risk may only cause unhappiness and dissatisfaction. Online business in Indonesia is not doing well as it is not the culture for Indonesian to sit in front of computer to browse things. Instead, they would go shopping at shopping malls, eat in the restaurants, and have coffee and chatting at cafés. According to Globe Asia, eating out has become more of a pastime hobby rather than a necessity and this has contributed to the booming of restaurant and related service businesses (Kapoor, 2009).

Figure 1. Overall Model of Consumer Behavior
(Hawkins, Mothersbaugh, & Best, 2007)

Figure 2. Factors influencing consumer behavior
(Kotler, Armstrong, Ang, Leong, Tan, & Tse, 2005)

Theories taken from Service Marketing (Lovelock & Wirtz, 2007) and modified according to the industries in this industry. Service is tangible and intangible objects served by corporate while customers do not take ownership of any physical space. More and more international services are available with the speedy growth of globalization. Customers enjoy services provided by businesses. However, services are often hard to be evaluated before engaging and there is risk of undesired outcomes. Therefore, customers would lower the risk by first determine whether they trust the company or not. When a customer trusts the company, he/she will expect the outcome of the purchase to be positive. The decision whether to trust the company, a customer will evaluate the company based on factors such as company reputation, word of mouth, country of origin, and so on. Company reputation serves as an important factor as a reference for customers. A positive company reputation will have a favorable impact on customers' trust and vice versa. When engaging a service with a company with bad reputation, the perceived risk for the customer would be high. Firm reputation is critical because it can't be altered in a short time. Country of origin has been generally used by consumers as an extrinsic indicator of quality. Indeed, some countries have formed the image of expertise on certain products, such as French wine. Evaluation of COO on product differs from services. Apple iPod is designed by Apple America, but assembled in China. When customers trust Apple, it wouldn't matter so much where it is assembled. As for service, although Krispy Kreme is operated in Indonesia by Indonesian employees, they follow the set of standard of operations from America and carry the image of American donut.

Table 2. Perceived Risks in Purchasing and Using Services in the case of airlines and donut café

TYPE OF RISKS	EXAMPLES OF CUSTOMER CONCERNS
Functional (Unsatisfactory performance Outcomes)	• Will this airline take me to the destination I intended? • Will the airline transit at the city that I need to go? • Will this donut café have the flavor of donut that I like?
Financial (monetary loss, unexpected costs)	• Could my identity be stolen if I make air ticket purchase on the Internet? • Could my purse be stolen while I am sitting at the donut café? • Will I incur unanticipated expenses if I go with this airline? • Will the air ticket cost more than the original estimate?
Temporal (wasting time, consequences of delays)	• Will I have to wait in long line for check-in? • Will I have to wait in long line just to buy donut and coffee? • Will the flight be delayed or cancelled that affect my schedules?
Physical (personal injury or damage to possessions)	• Will the plane crash if I take this airline? • Will the airline personnel handle my luggage with care? • Will I get diarrhea after consuming at this donut café? • Will I catch H1N1 in the airplane?
Social (how others think and react)	• What will my friends think of me if they know that I travel with this airline? • Will my peer approve of the donut café I have chosen for the meeting? • Will my business colleagues disapprove of my selection of an unknown airline?
Sensory (unwanted effects on any of the five senses)	• Will I get a nice window seat with good view? • Will the food serve on airplane taste disgusting? • Will the passenger who sits beside me on the airplane make a lot of noise? • Will the passenger who sits beside me has some kind of body odor? • Will the donut café chairs be uncomfortable? • Will the donut café smell of cigarette smoke? • Will the coffee at donut café taste awful?

HYPOTHESIS DEVELOPMENT

H1. Perceived risk of a service has a negative influence of initial trust.

"Empirical findings indicate that corporate reputation positively influences a number of customer-outcome variables, including trust (Michaelis, Woisetchlager, Backhaus, & Ahlert, 2008). Consumers are more likely to engage a service with a company which has favorable reputation because consumers believe that company with good reputation has put in efforts in maintaining its reputation; and company reputation cannot be built up or altered in short period of time. When the perceived risk is high, customers' willingness to engage to the service is lower, and customers seek for second-hand information about the company to evaluate the company. "In the case of a positive corporate reputation, consumers will quickly develop trusting beliefs" (Michaelis, Woisetchlager, Backhaus, & Ahlert, 2008).

H2. Corporate reputation has a positive impact on initial trust.

Although it is stated that corporate reputation has an effect on trust, COO is also another factor that influence trust (Michaelis, Woisetchlager, Backhaus, & Ahlert, 2008). Some companies have good reputation in certain field of products. For example, Apple is reputable in its iPod products. With the good reputation, customers buy Apple iPod without much consideration knowing that Apple is headquartered in U.S. and products are designed by Apple. It doesn't matter whether it is produced in China because customers know that Apple is reputable and trustable. In the questionnaire, a situation is given and respondents are asked to trust the provided company name.

H.3 Perceived risk of a service enforces the positive relationship of COO on initial trust.

Researches assume that trust can more or less easily be influenced by marketing activities. However, psychology findings indicate that trust tends to be a personal trait, which is mostly developed during early childhood (Kenning, Vol. 36 No. 6, 2008). "In general, consumers with a high level of general trust are assumed to be more willing to trust an unknown company in all cases (Michaelis, Woisetchlager, Backhaus, & Ahlert, 2008)". A number of researches have shown that ethnocentrism has some moderate effect on COO. Customers with strong ethnocentrism believe that products or services from their own country are more superior in comparison to those from foreign country. General trust and ethnocentrism are included in the questionnaire, which in turn will provide more powerful statistical tests for analysis.

The survey questions are based on 3 main models, namely initial trust, general trust, and ethnocentrism.
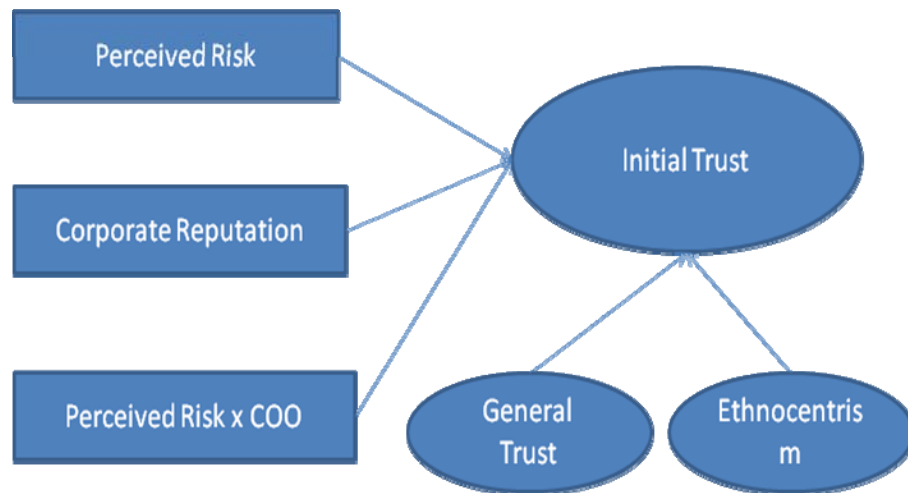
Figure 3. Research Design

The answers to the questions will be using seven-point scare at:
1=strongly disagree, 7=strongly agree.
The original journal used an experimental fixed-factor of 2×2×2 between-subjects factorial research design to test the hypotheses. Scenario-based manipulation of all three factors was used in the experimental research. The stimuli were eight different factious scenarios presented as articles in the well-known and reliable Polish/ German newspaper.

To simplify the research, the author of this research reduced the experimental fixed-factor to 2×2. Respondents are still going to be given a short passage about the company as if they read it in a renowned newspaper; but the short passage only serves as a neutral brief intro to the company stated and the plan to enter and expand the business in Indonesia. As for the company reputation, it will be up to the respondents' perception. Fictional companies are used in this research to evaluate the initial trust as they have no previous interaction with the companies.

**Table 3.** Different scenarios of the survey

	Local	Foreign
High Risk	Airline (Indonesia Airway)	Airline (Singapura Airway)
Low Risk	Donut café (F.CO Donut and Coffees)	Donut café (Sugar Crème Doughnut and Coffee)

DATA AND RESEARCH METHODOLOGY

The main research objective is to uncover Indonesian customers' perceived risk and initial trust on services with the effects of Country of origin and company reputation. Other than country of origin and company reputation, ethnocentrism is also put into consideration to analyze consumers.

To differentiate the perceived risks in different services, this research categorizes services into two distinct categories: high level of risk versus low level of risk. A pilot survey of 25 samples was carried out to discover the perceived risk on the 2 category of services, and awareness on services provided by foreign and local company. In this research, airlines industry is categorized as high risk and donut café categorized as low risk. Initially, a local café is to be compared to foreign café. However, during the initial study, it reveals that consumers are not too aware of local cafés. When it comes to foreign cafés, respondents mostly answered Starbucks or Coffee Bean. Nevertheless, when it comes to local café, respondents seemed to be confused and answers scattered around which are not relevant. Therefore, for the low risk category of service, Donut café is chosen.

Using 7 point scale, 1 being totally disagree and 7 being totally agree, the pilot survey has uncovered different perceived risk in airline and café industry. Airline industry has a mean of 3.15 for perceived risk while donut café has a mean of 1.7. The pilot survey showed that 100% of the respondents are aware of Garuda Indonesia and 85% of the respondents are aware of Singapore Airlines. As for the donut café, 90% of the respondents are aware of J.CO donut café and 70% of the respondents are aware of Krispy Kreme donut café.
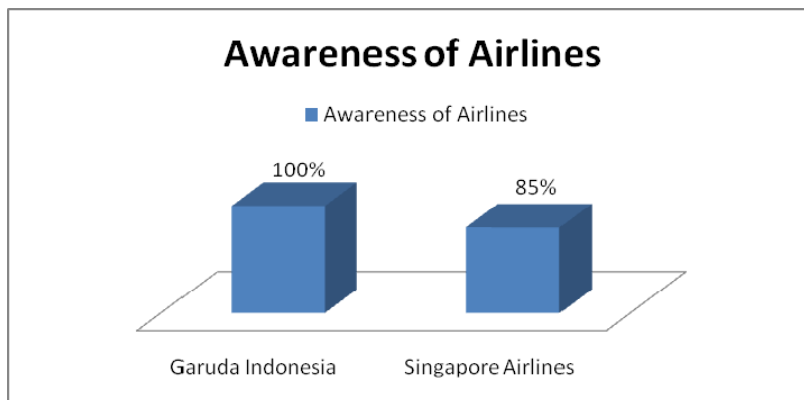
Figure 4. Awareness of Airlines
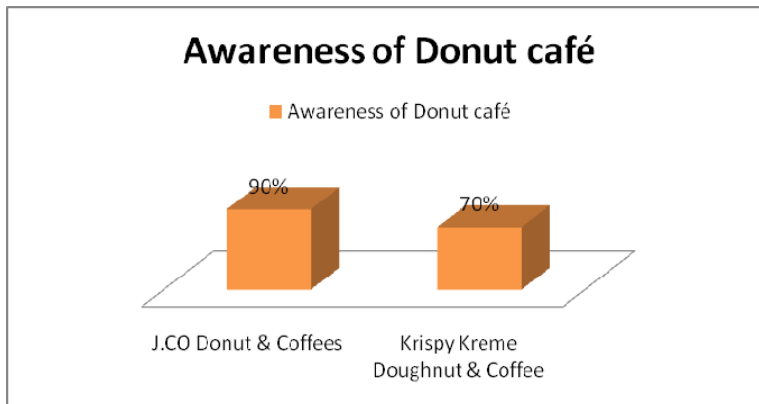
Figure 5. Awareness of Donut café

To complete the research, survey with the predetermined questionnaire had been carried out. The survey was self-completion questionnaire, using the "drop off and collect method". Using the self-completion way avoids any personal influence from the author. All respondents filled up the questionnaires without any input or suggestions from the author. The author only helped to explain the context whenever questions arise.

Both online and traditional ways of sampling were used. Some hardcopies were distributed at BINUS INTERNATIONAL campus and private companies to fill up the questionnaire. Online survey links were distributed through Facebook and posted on forums of websites such as Detik.com and Kaskus.us.

The sampling plan was to collect data from 200 respondents ranging from students, self-employed, employees, to unemployed. The questionnaire was distributed evenly between the four categories of respondents and no one category of respondents should exceed 50% of total number of respondents. 200 questionnaires was divided into 2 different sets of questions; set 1 on Indonesia Airway and F.CO Donuts and Coffees, and set 2 on Singapura Airway and Sugar Crème Doughnut and Coffee. Targeted respondents are Indonesian living around Jabotabek area as this is an experimental evaluation of the perception of Indonesian consumers. A mix of different income level and educational level of respondents was also desired to compare the different perceptions.

FINDINGS AND DISCUSSIONS

Research Data and Analysis of the Result

The analysis for the survey was conducted using several methods: Descriptive, Cross Tabulation, T test, ANCOVA, and ANOVA.

Test of Difference & Descriptive Analysis

Respondents' Perceived Risk on services – Air travel and Donut café

The One Sample T-Test shows that respondents perceived the risk of air travel as higher than the risk of spending time at donut café (mean air travel = 4.37, mean donut café = 3.53).

Table 4. Perceived risk

	N	Mean	Std. Deviation
I associate to very high risk in regards to having to travel frequently for the next 2 years.	180	4.37	1.585
I associate to very high risk in regards to having meetings at doughnut café.	180	3.53	1.368

*1 being totally disagree and 7 being totally agree.

As stated in the objective, this research is to uncover the how the extrinsic cues like COO and corporate reputation affect on initial trust across two service industries – high risk and low risk. Previously, the pilot survey has shown that air travel is perceived as higher risk than spending time at donut café. With the survey, test of difference once again confirmed that air travel is high risk while donut café is low risk. The requirement of large enough variance in the indented independent variable is fulfilled to provide for a meaningful test of the hypothesis of interest (Michaelis, Woisetchlager, Backhaus, & Ahlert, 2008).

Respondents' Perceived Corporate Reputation

Table 5. Reputation of local and foreign airline

		N	Mean
X Airway has a good reputation.	Local	90	4.74
	Foreign	90	5.77

*1 being totally disagree and 7 being totally agree.
P-Value = 0.000, p<0.05.

Table 6. Reputation of local and foreign donut café

	Code Name	N	Mean
X Donut & Coffee has a good reputation.	Local	90	5.27
	Foreign	90	4.83

*1 being totally disagree and 7 being totally agree.
P-Value = 0.05

In the case of airlines as high risk service, foreign airline company has a higher perceived corporate reputation than local airline company (mean Indonesia Airway = 4.74, mean Singapura Airway = 5.77). However, in the case of donut café as low risk service, local donut café has higher perceived corporate reputation comparing to foreign donut café (mean F.CO Donut & Coffees = 5.27, mean Sugar Crème Doughnut & Coffee = 4.83). We can assume that country of origin has more effect in terms of high risk service while not so significant in terms of low risk service.

Cross Tabulation Analysis
Relation between Gender and Initial Trust on Airline
The table below does not show any significance between gender and initial trust on airline service. Thus, we can conclude that gender and initial trust on airline service have no relation.

Table 7. Relation between Gender and Initial Trust on Airline

	P-Value
Gender * X Airway would act in my best interest.	0.630
Gender * If I need help, X Airway would do its best to help me.	0.416
Gender * X Airway would always prioritize customers' needs before X Airway's own needs.	0.605
Gender * X Airway is truthful in its dealings with me.	0.514
Gender * I would characterize X Airway as honest.	0.338
Gender * X Airway would keep its commitments.	0.494
Gender * X Airway is sincere and genuine.	0.292
Gender * X Airway is competent and effective in providing its service. (Timing)	0.393
Gender * X Airway performs its role of offering service very well. (Quality)	0.951
Gender * X Airway is a capable and proficient company.	0.476
Gender * In general, X Airway is very knowledgeable as an airline company. (Aware of the industry policy, safety, and regulations)	0.841
Gender * I trust X Airway.	0.537
Gender * X Airway has a good reputation.	0.218

Relation between Age and Initial Trust on Airline

Table 8. Relation between Age and Initial Trust on Airline

	P-Value
Age * X Airway would act in my best interest.	0.539
Age * If I need help, X Airway would do its best to help me.	0.903
Age * X Airway would always prioritize customers' needs before X Airway's own needs.	0.891
Age * X Airway is truthful in its dealings with me.	0.496
Age * I would characterize X Airway as honest.	0.415
Age * X Airway would keep its commitments.	0.148
Age * X Airway is sincere and genuine.	0.292
Age * X Airway is competent and effective in providing its service. (Timing)	0.608
Age * X Airway performs its role of offering service very well. (Quality)	0.934
Age * X Airway is a capable and proficient company.	0.938
Age * In general, X Airway is very knowledgeable as an airline company. (Aware of the industry policy, safety, and regulations)	0.85
Age * I trust X Airway.	0.667
Age * X Airway has a good reputation.	0.352

The table above does not show any significance between age and initial trust on airline service. Thus, we can conclude that age and initial trust on airline service have no relation.

Relation between Profession and Initial Trust on Airline

Table 9. Relation between Profession and Initial Trust on Airline

	P-Value
Profession * X Airway would act in my best interest.	0.614
Profession * If I need help, X Airway would do its best to help me.	0.554
Profession * X Airway would always prioritize customers' needs before X Airway's own needs.	0.725
Profession * X Airway is truthful in its dealings with me.	0.143
Profession * I would characterize X Airway as honest.	0.790
Profession * X Airway would keep its commitments.	0.220
Profession * X Airway is sincere and genuine.	0.577
Profession * X Airway is competent and effective in providing its service. (Timing)	0.181
Profession * X Airway performs its role of offering service very well. (Quality)	0.012*
Profession * X Airway is a capable and proficient company.	0.433
Profession * In general, X Airway is very knowledgeable as an airline company. (Aware of the industry policy, safety, and regulations)	0.401
Profession * I trust X Airway.	0.330
Profession * X Airway has a good reputation.	0.974
Note: * $p < 0.05$	

Out of the 13 items in the table above, 12 items do not show any significance on the relation between profession and initial trust on airline service and therefore no relation between the subjects. However, profession has an effect on the factor "Airway performs its role of offering service very well".

Relation between Income and Initial Trust on Airline
The table below does not show any significance between income and initial trust on airline service. Thus, we can conclude that income and initial trust on airline service have no relation.

Table 10. Relation between Income and Initial Trust on Airline

	P-Value
Income * X Airway would act in my best interest.	0.627
Income * If I need help, X Airway would do its best to help me.	0.159
Income * X Airway would always prioritize customers' needs before X Airway's own needs.	0.172
Income * X Airway is truthful in its dealings with me.	0.392
Income * I would characterize X Airway as honest.	0.105
Income * X Airway would keep its commitments.	0.575
Income * X Airway is sincere and genuine.	0.677
Income * X Airway is competent and effective in providing its service. (Timing)	0.830
Income * X Airway performs its role of offering service very well. (Quality)	0.562
Income * X Airway is a capable and proficient company.	0.473
Income * In general, X Airway is very knowledgeable as an airline company. (Aware of the industry policy, safety, and regulations)	0.438
Income * I trust X Airway.	0.758
Income * X Airway has a good reputation.	0.627

Relation between Education and Initial Trust on Airline

Table 11. Relation between Education and Initial Trust on Airline

	P-Value
Education * X Airway would act in my best interest.	0.582
Education * If I need help, X Airway would do its best to help me.	0.659
Education * X Airway would always prioritize customers' needs before X Airway's own needs.0	0.373
Education * X Airway is truthful in its dealings with me.	0.895
Education * I would characterize X Airway as honest.	0.854
Education * X Airway would keep its commitments.	0.765
Education * X Airway is sincere and genuine.	0.965

	P-Value
Education * X Airway is competent and effective in providing its service. (Timing)	0.344
Education * X Airway performs its role of offering service very well. (Quality)	0.929
Education * X Airway is a capable and proficient company.	0.755
Education * In general, X Airway is very knowledgeable as an airline company. (Aware of the industry policy, safety, and regulations)	0.715
Education * I trust X Airway.	0.877
Education * X Airway has a good reputation.	0.373

The table above does not show any significance between education and initial trust on airline service. Thus, we can conclude that education and initial trust on airline service have no relation.

Relation between Gender and Initial Trust on Donut café

Table 12. Relation between Gender and Initial Trust on donut café

	P-Value
Gender * X Donut & Coffee is competent and effective in providing its service. (Timing)	0.829
Gender * X Donut & Coffee performs its role of offering service very well. (Quality)	0.805
Gender * X Donut & Coffee is a capable and proficient company.	0.699
Gender * In general, X Donut & Coffee is very knowledgeable as a doughnut and coffee provider. (Aware of the policy and regulations)	0.343
Gender * I trust X Donut & Coffee.	0.707
Gender * X Donut & Coffee has a good reputation.	0.731

The table above does not show any significance between gender and initial trust on donut café. Thus, we can conclude that gender and initial trust on donut café have no relation.

Relation between Age and Initial Trust on Donut café

Table 13. Relation between Age and Initial Trust on donut café

	P-Value
Age * X Donut & Coffee is competent and effective in providing its service. (Timing)	0.088
Age * X Donut & Coffee performs its role of offering service very well. (Quality)	0.207
Age * X Donut & Coffee is a capable and proficient company.	0.202
Age * In general, X Donut & Coffee is very knowledgeable as a doughnut and coffee provider. (Aware of the policy and regulations)	0.901
Age * I trust X Donut & Coffee.	0.321
Age * X Donut & Coffee has a good reputation.	0.592

The table above does not show any significance between age and initial trust on donut café. Thus, we can conclude that age and initial trust on donut café have no relation.

Relation between Profession and Initial Trust on Donut café

Table 14. Relation between Profession and Initial Trust on donut café

	P-Value
Profession * X Donut & Coffee is competent and effective in providing its service. (Timing)	0.055
Profession * X Donut & Coffee performs its role of offering service very well. (Quality)	0.445
Profession * X Donut & Coffee is a capable and proficient company.	0.047*
Profession * In general, X Donut & Coffee is very knowledgeable as a doughnut and coffee provider. (Aware of the policy and regulations)	0.189
Profession * I trust X Donut & Coffee.	0.632
Profession * X Donut & Coffee has a good reputation.	0.327
Note: * $p < 0.05$	

Out of the 6 items in the table above, 5 items do not show any significance on the relation between profession and initial trust on donut café and therefore no relation between the subjects. However, profession has an effect on the factor "Donut & Coffee is a capable and proficient company."

Relation between Income and Initial Trust on Donut café

Table 15. Relation between Income and Initial Trust on donut café

	P-Value
Income * X Donut & Coffee is competent and effective in providing its service. (Timing)	0.313
Income * X Donut & Coffee performs its role of offering service very well. (Quality)	0.417
Income * X Donut & Coffee is a capable and proficient company.	0.101
Income * In general, X Donut & Coffee is very knowledgeable as a doughnut and coffee provider. (Aware of the policy and regulations)	0.226
Income * I trust X Donut & Coffee.	0.147
Income * X Donut & Coffee has a good reputation.	0.543

The table above does not show any significance between income and initial trust on donut café. Thus, we can conclude that income and initial trust on donut café have no relation.

Relation between Education and Initial Trust on Donut café

Table 16. Relation between Education and Initial Trust on donut café

	P-Value
Education * X Donut & Coffee is competent and effective in providing its service. (Timing)	0.373
Education * X Donut & Coffee performs its role of offering service very well. (Quality)	0.411
Education * X Donut & Coffee is a capable and proficient company.	0.559
Education * In general, X Donut & Coffee is very knowledgeable as a doughnut and coffee provider. (Aware of the policy and regulations)	0.801
Education * I trust X Donut & Coffee.	0.258
Education * X Donut & Coffee has a good reputation.	0.229

The table above does not show any significance between education and initial trust on donut café. Thus, we can conclude that education and initial trust on donut café have no relation.

Relation between Gender and General Trust

Table 17. Relation between Gender and General Trust

	P-Value
Gender * Most people are basically honest.	0.337
Gender * Most people are trustworthy.	0.121
Gender * Most people are basically good and kind.	0.139
Gender * Most people trust others.	0.208

The table above does not show any significance between gender and general trust. Thus, we can conclude that gender and general trust have no relation.

Relation between Age and General Trust

Table 18. Relation between Age and General Trust

	P-Value
Age * Most people are basically honest.	0.111
Age* Most people are trustworthy.	0.691
Age * Most people are basically good and kind.	0.530
Age * Most people trust others.	0.349

The table above does not show any significance between age and general trust. Thus, we can conclude that age and general trust have no relation.

Relation between Profession and General Trust

Table 19. Relation between Profession and General Trust

	P-Value
Profession * Most people are basically honest.	0.067
Profession* Most people are trustworthy.	0.009**
Profession * Most people are basically good and kind.	
	0.04*
Profession * Most people trust others.	0.558

Notes: * $p < 0.05$; ** $p < 0.01$

Out of the 4 items in the table above, 2 items do not show any significance on the relation between profession and general trust and therefore no relation between the subjects. However, profession has an effect on the factor "Most people are trustworthy" and "Most people are basically good and kind".

Relation between Income and General Trust

Table 20. Relation between Income and General Trust

	P-Value
Income * Most people are basically honest.	0.133
Income* Most people are trustworthy.	0.028*
Income * Most people are basically good and kind.	
	0.176
Income * Most people trust others.	0.527

Note: * $p < 0.05$

Out of the 4 items in the table above, 3 items do not show any significance on the relation between income and general trust and therefore no relation between the subjects. However, income has an effect on the factor "Most people are trustworthy".

Relation between Education and General Trust

Table 21. Relation between Education and General Trust

	P-Value
Education * Most people are basically honest.	0.820
Education* Most people are trustworthy.	0.092
Education * Most people are basically good and kind.	
	0.079
Education * Most people trust others.	0.690

The table above does not show any significance between education and general trust. Thus, we can conclude that education and general trust have no relation.

Overall, demographic factors like gender, age, and education level do not show much influence on initial trust and general trust. However, profession and income showed some influence on initial trust and general trust. Perhaps different profession have different standard on trusting how companies perform and trusting other people.

ANCOVA Analysis

The tables below present the results of ANCOVA analysis with trust on the company as dependent variable while risk level of service, corporate reputation, and COO being the independent variables. Four questions on general trust were included in the model as covariate (Disposition to trust) to determine its possible influence and to increase the power of statistical tests.

Risk level of service – "I associate to very high risk in regards to having to travel frequently for the next 2 years" for airline industry as high risk service industry and "I associate to very high risk in regards to having meetings at doughnut café" for donut café industry as low risk service industry.

Reputation – "X company has a good reputation".

Country of origin – "I am very confident that X company has the ability to provide the performance to satisfy my expectation".

Table 22. Results of ANCOVA for high risk service – Air travel

Effect	Factor	d.f.	F-Value	Sig.	Partial Eta Squared
Main effects	Risk level of service	6	1.247	0.289	0.071
	Reputation	6	26.047**	0.000	0.615
	COO	5	1.852	0.110	0.086
Interaction effect	Reputation x COO	11	1.533	0.132	0.147
	Reputation x Risk level of service	18	1.210	0.269	0.182
	COO x Risk level of service	15	1.581	0.093	0.195
	Reputation x COO x Risk level of service	12	1.947*	0.038	0.192
Covariates	Ethnocentrism	1	.969	0.327	0.01
	Disposition to trust	1	1.859	0.176	0.019

Note: * p < 0.05, ** p < 0.01; n = 90

Table 22 indicates one significant main effect of reputation on initial trust and one highly significant interaction effect of Reputation x COO x Risk level of service. Therefore, we can conclude that, when risk level is high, consumers

tend to refer to reputation and COO. However, "ethnocentrism" and "general trust" as covariate do not show significant influence as the significant level is more than 0.05. Partial Eta Squared is presented in the table to support the model. Eta Square represent the strength of effects of X (independent variable) on Y (dependent variable) with 0 weakest to 1 strongest. The main effect of reputation here has Eta Squared value of 0.615. Thus it can be confirmed again that the strength of effect of reputation is very strong.

Table 23. Results of ANCOVA for low risk service – Donut & Coffee

Effect	Factor	d.f.	F-Value	Sig.	Partial Eta Squared
Main effects	Risk level of service	6	1.849	0.096	0.094
	Reputation	4	11.165**	0.000	0.294
	COO	6	3.191**	0.006	0.152
Interaction effect	Reputation x COO	11	1.707	0.081	0.149
	Reputation x Risk level of service	14	1.150	0.325	0.131
	COO x Risk level of service	12	.444	0.942	0.047
	Reputation x COO x Risk level of service	13	.453	0.945	0.052
Covariates	Ethnocentrism		.002	0.962	0.000
	Disposition to trust	1	1.097	0.297	0.010

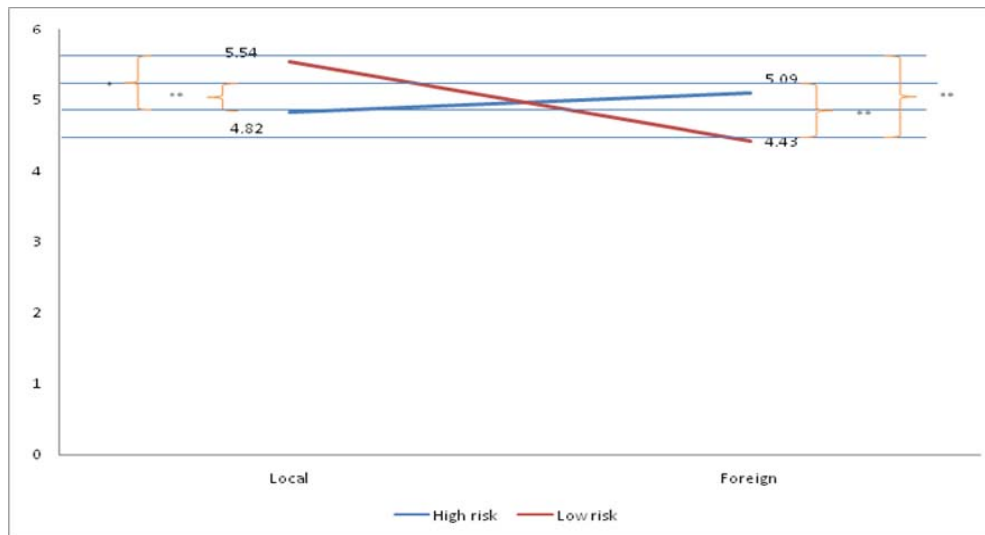Note: * $p < 0.05$, ** $p < 0.01$; n = 90

Table 23 indicates two significant main effect of reputation and country of origin on initial trust while interactions between reputation, COO, and risk level of service have no significant effect with significant level more than 0.05. Moreover, "ethnocentrism" and "general trust" as covariate do not show significant influence as the significant level is more than 0.05. It seems that in low risk, reputation and COO are put into consideration for respondents. Thus, risk level of service does not lead to any positive effect of COO and reputation on initial trust for low risk service. Rather, respondents just put reputation and COO into consideration.

Independent-Samples T test

Table 24. Mean value of initial trust based on the variables

Independent variable	Initial trust (interaction effect) MV (SD)		
COO x			t-value
Risk level of service	Risk level of service		
	High	Low	
t-value	-4.092**	4.381**	
Local	4.82 (1.259)	5.09 (1.098)	-2.13*
Foreign	5.54 (1.103)	4.43 (1.900)	8.971**

Note: *p < 0.05, **p< 0.01, MV = Meanvalue, SD = Standarddeviation

Note: *p < 0.05, **p< 0.01,

Figure 6. Meanvalue of initial trust based on the variables

With the four different scenarios interacting between COO and risk level of service to test on respondents' initial trust, research analysis shows that for high risk service, foreign company has a higher mean for initial trust; for low risk service, local company has a higher mean for initial trust.

Research Model Analysis
H1. Perceived risk of a service has a negative influence on initial trust.
Looking at table 22, the analysis shows that there is no significant influence of Risk Level of Service on initial trust for high risk service – Air travel. As for low risk service, donut café, table 23 also shows no significant influence by Risk Level of Service on initial trust. Since risk level of service has no significant influence on both high risk and low risk service industry, it can be concluded that risk level of service has no influence on initial trust across different categories of services. Thus, H1 is rejected.

H2. Corporate reputation has a positive impact on initial trust.
As shown in table 16 and table 17, main effect of corporate reputation is significant with $p < 0.01$ for both high risk and low risk service industries. Therefore, we can conclude that corporate reputation has a positive impact on initial trust. The research findings confirmed H2.

H3. Perceived risk of a service enforces the positive relationship of COO on initial trust.
The COO effect was analyzed in both cases for:
- A service with a high perceived risk (air travel); and
- A service with a low perceived risk (donut café).

Looking at the results of ANCOVA analysis presented in table 22 and table 23 for both high risk and low risk services, the interaction effect of COO x Risk level of service is not significant.
As shown in Figure 6:
- Singapura Airway (MV = 5.54) is trusted significantly higher than Indonesia Airway (MV = 4.82). Therefore, a positive COO effect leads to a higher level of trust in the case of high risk service.
- In comparison, F.CO Donut & Coffees which represents local company (MV = 5.09) is evaluated better than the Sugar Crème Doughnut & Coffee which represent foreign company (MV = 4.43). Nevertheless, the difference between F.CO and Sugar Crème is significantly different. So COO also important to respondent in building their initial trust when it is low risk service.

In conclusion, COO effect has a positive influence for building initial trust when respondents making decision regardless of risk of service. Therefore, the research finding confirms hypothesis H3.

CONCLUDING REMARKS

Conclusion

As stated before, the objective of this research is to uncover how external factors like country of origin and corporate reputation affect customers' initial trust on services and to compare them across high risk and low risk services. The research questions cover questions on ethnocentrism, risk tendencies, general trust, risk related to situations, initial trust, and demographics. In the original journal, COO and corporate reputation were found to have significant effect on initial trust. Moreover, ANCOVA analysis has indicated highly significant interaction effect of COO x Risk Level of Service. As expected, COO does have some degree of effect on initial trust. However, the findings in the original journal shows that COO only has effect in terms of high risk service, but not so much in low risk service. The survey was done in Poland, with Polish company served as local company and German company representing foreign company. In this research, COO and corporate reputation also found to have effect on initial trust in service industry. The ANCOVA analysis shows high main effect of Reputation on initial trust. Means on initial trust with different scenarios (COO x Risk level of service) are also different. As for corporate reputation, respondents evaluate foreign company better than local company in the case of high risk service. Research findings show that respondents put into considerations for COO regardless of risk level of service. Thus, we can conclude that COO has a positive effect on initial trust in service industry for both high risk and low risk.

Comparing to the original research, this research only agrees with two of the three hypotheses stated. It is proven that country of origin and corporate reputation are put into considerations when customers are to engage in services provided by companies.

Overall, the research does not find significant high ethnocentrism in respondents, but risk tendencies of respondents is high. From the survey, the author finds that respondents are cautious towards purchases, they would like to be sure before purchase and high tendencies to avoid risky things. In conclusion, initial trust is dependent on, country of origin and corporate reputation.

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