Editorial

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In this second issue of Volume 14 I am pleased to introduce five articles. The first three articles relate to a common theme of ethical and social issues in financial services. In the first article, *The 'Whys' and Hows' of Ethical Investment: Understanding an Early-stage Market Through an Explorative Approach*, Hofmann, Penz and Kirchler investigate the underlying motives for ethical assets of consumers in early-stage markets. Consumers have become more aware of ethical standards and violations of social values and norms, prompting industries to respond accordingly. This impact has also been felt in the financial services sectors and, in recent times markets for investments have changed in Europe to reflect this driver. In some countries, this change took place decades ago; yet the market for ethical investment in Europe is deemed to be still at an early stage. Based on seven interviews with financial experts and five focus groups with ethical and conventional investors, the authors examine how investors view ethical investment, how ethical investors are described in terms of socio-demographics and personality characteristics, and which attitudinal factors are related to ethical investment behaviour. The results reveal that experts and investors define ethical investment according to both negative and positive ethical criteria: the exclusion of companies based on negative ethical criteria and the inclusion of companies based on positive ethical criteria. Moreover, the Austrian participants demanded ethical investments that applied both positive and negative ethical criteria. However, as an early stage market Austria is characterized by investment funds that are defined generally by exclusion criteria

and low choice. Hence, Austrian investors' requirements appear not to be captured in the current investment funds-offer. In addition, data showed that the financial performance of investments is essential to conventional as well as ethical investors. Additionally, the results showed differences between ethical and conventional investors' motivations. While conventional investors were mainly motivated by financial rewards, ethical investors had other motivations, such as sustainability and environmental protection. The findings also revealed that participants did not believe in a stereotype for ethical investors based on socio-demographics. The article raises a number of implications for both fund design and communication with investors.

The next article, *Not Everybody Wants to Save the World*, by Kashyap and Iyer, takes a segmented approach to understanding ethical investing behaviour. The authors contend that investing is a goal directed activity: most investors seek to satisfy multiple economic goals such as maximizing ROI, saving for retirement and increasing personal wealth among others. Yet, an emerging breed of socially responsible investors also embrace a number of social goals, including protecting the environment, advancing social causes and agendas, and censuring socially irresponsible firms. The authors argue that set against this backdrop of multiple, and often conflicting, aspirations there are bound to be differences in importance given to various investing objectives. The article takes a segmented approach to investing behaviour, highlighting differences in individual values and attitudes relating to investors' economic and social investing goals. The article models the

interdependence of economic and social investing goals to provide a richer description of the investing process. Three hundred and forty-eight investors were surveyed as part of the research conducted in the United States. The analysis segmented investors based upon the relative importance they assigned to their economic and social goals. This resulted in four distinct segments according to the emphasis they placed on economic goals (high-low) and social goals (high-low). The four segments are: 'Bleeding Hearts' who scored low in economic goals and high in social goals, 'Unconcerneds' who scored low in both economic and social goals, 'Sustainers' who scored high in both economic and social goals and 'Profiteers' who scored high in economic goals and low in social goals. The Sustainers represented the largest group accounting for 33.5 per cent of the sample, followed by the Unconcerneds at 24.4 per cent, the Bleeding Hearts at 21.3 per cent and finally the Profiteers at 20.8 per cent. The article contains implications for marketing to and communicating with the segments.

In the third article, *Doing Well by Doing Good – Marketing Strategy to Help the Poor: The Case of Commercial Banks in Ghana*, Koku focuses on how banks in Ghana can combine their economic motives with the social imperative for financial inclusion. The article argues that access to capital markets and loans continues to be difficult for the poor in Ghana, despite improvements in the general economic conditions. The insistence of commercial banks on collaterals as a loan requirement, to a large extent, disqualifies the poor in Ghana. Based on a combination of in-depth interviews with bankers, chiefs/tribal elders, and the poor and observing the proceedings at durbars/gatherings of chiefs with their elders and subjects during a period of 3 months, the article provides an insight into both the supply and demand of financial services to the poor. The results revealed that none of the banks surveyed seemed to identify the poor as a target, neither had they any

services specifically designed for the poor. The reason for this seemed to be based on the need to manage the bank's risk exposure and the view that the poor are inherently more risky than other more affluent groups. The findings suggest that the inability of the poor to post the required collateral for loans is being confused with their ability to meet their financial obligations. From the perspective of the poor, a common theme that emerged was a need for 'seed capital' because they did not have the requisite collaterals, guarantors and a steady income. Moreover, difficulties in accessing the banks located in towns some distance from the village acted as an inhibitor because of the loss of earnings incurred in travelling to the town and also the lack of familiarity of bank staff created a further social barrier. The article proposes a strategy for future growth that makes commercial banking accessible to the poor. In doing so, the author hopes to draw attention not only to the plight of the unbanked and under-banked, but also to argue that serving this segment of the population can be a viable business operation.

The article by Gough and Nurullah, *Understanding What Drives the Purchase Decision in Pension and Investment Products*, seeks to understand consumer decision making in the purchase of pension and investment products including how decision making affects the consumer's choice of distribution route. Pension provision in the United Kingdom is a cause for concern. There is shifting emphasis from the State to the private sector and greater responsibility is being placed on the individual in making pension choices and arrangements. Hence, understanding the factors that influence decision making in this context is increasingly important. Based on focus groups and a survey of 421 individuals, the article provides an insight into what drives decision making. The analysis uses a classical decision-making model that breaks decision making down into several

stages: problem recognition, information search, evaluation and post purchase. The findings reveal that decision-making processes differ depending on the distribution route chosen. For example, many individuals changed channels for information search, but then tended to settle with an Independent Financial Adviser. Younger individuals were more likely to make use of more remote channels, particularly the telephone. This was found to be motivated by a lack of trust for financial advisers and the belief that they had more control of the process through the telephone. With regards to evaluation, the two main evaluation criteria used were 'charges' and 'historic fund performance', yet, few seemed to keep an eye on the ongoing performance of the investment fund and even fewer had any intention of changing product provider. Analysis according to the level of 'financially literacy' revealed interesting differences in decision-making behaviour. Respondents who scored high in financial literacy were more inclined to be on a higher income, less inclined to evaluate on charges and more proactive in discussing the investment strategy of their pension fund. Respondents who scored low in financial literacy had the opposite results. The findings will be of help to industry in appreciating the dominance of the IFA channel by providing an explanation of why consumers choose this route and, additionally, can assist direct marketing managers in identifying customers who will be more likely to use multi-channel or single channel options. There is an opportunity for information and communication to be linked more specifically with the distribution route.

In the final article, *Comparison Websites in UK Retail Financial Services*, Laffey and Gandy seek to explore why comparison websites have been so successful in retail financial services and what the implications

are of comparison websites for financial services organizations. Comparison websites have become a fundamental part of UK retail financial services. Such websites appeal to both buyers and sellers. For buyers, they provide the ability to enter their details once and then quickly compare a range of products, usually ordered by price. For sellers they offer a supply of potential customers who have refined their needs through the comparison process and are thus more likely to complete a purchase. The research used a case-based approach, focusing on three comparison websites. Based on an analysis of the websites and interviews with senior management, the article analyses the role of comparison websites according to a number of intermediary functions they perform: facilitation costs, aggregation, matching and trust. The findings raise a number of implications for consumers and management. For example, use of comparison websites can be seen as a positive development if it increases the levels of financial knowledge in consumers. Opponents of comparison websites, however, argue that comparison websites do not offer accurate enough descriptions of products; hence, search processes may be comprised by incomplete information. One of the key functions of a comparison website is to aggregate the market. This can only be achieved if product providers either work collaboratively to provide rates and product features to the sites or do not resist the technique of 'screen scraping' such information. Some significant players continue to resist the re-intermediation of financial markets through comparison websites following a general trend to disintermediate during the early phase of the e-commerce revolution.

Tina Harrison
Editor