Editorial

Journal of Financial Services Marketing (2011) **16**, 87–89. doi:10.1057/fsm.2011.15

This second issue of Volume 16 contains six papers that span a wide range of issues in the marketing of financial services. The first paper, *Why are some Modes of Acquisition more Profitable? A Study of the Credit Card Industry*, by Steffes, Murthi and Rao explores four modes of acquisition (direct mail, Internet, telesales and direct marketing) in the credit card industry to ascertain their ability to attract profitable customers. The authors argue that managers need to understand the relative effectiveness of different modes of new account acquisition and the impact that the various modes of acquisition may have on overall account profitability. The paper notes that relatively few studies have investigated the relationship between new customer acquisition source and customer profitability. The authors address this gap using credit card transactional data from a major financial services provider in the United States. The data set covers a 3-year time period with 9000 customers all of whom opened their account in the same month and activated their account during the observation period. Customer profitability is measured directly from the transaction amounts and costs associated with each customer. The findings reveal, somewhat surprisingly, that of the four modes of acquisition used to acquire credit card customers, direct mail produces the most profitable customers followed by the Internet, direct sales and telesales. The research also reveals interesting demographic links: older customers generate less profit than younger customers, and families with multiple cards from the same bank generate a higher profit. With respect to the relationship between acquisition mode and profitability elements, the study finds that

direct mail customers and Internet customers generate higher transaction amounts, higher finance charges and greater fees for the bank than customers acquired via direct sales. The findings have important managerial implications for resource allocation among acquisition strategies.

The second paper, *An Empirical Investigation of the Relative Effect of Trust and Switching Costs on Brand Loyalty in the UK Retail Banking Industry*, by El-Manstrly, Paton, Veloutsou and Moutinho explores the relationship and impact of trust and switching costs on loyalty. Following the recent banking crisis, retail banks have to work hard to regain customer trust. The paper examines the relative effect of trust and switching costs (identified as financial, procedural and relational switching costs) on attitudinal and behavioural loyalty. It analyses empirically whether trust exerts a stronger effect than switching costs on loyalty within UK retail banking. The research uses survey data collected from a convenience sample of 290 retail-banking customers in the United Kingdom. The findings reveal that the main drivers of attitudinal loyalty are trust and relational switching costs. By contrast, the main drivers of behavioural loyalty are trust, relational switching costs and attitudinal loyalty. Financial and procedural switching costs were found to exert no significant effect on either attitudinal or behavioural loyalty. Both trust and relational switching costs were found to exert a stronger effect on attitudinal than behavioural loyalty. The findings provide a deeper understanding of the interrelationships between service loyalty, trust and switching costs, and hold important implications for managers in formulating more effective loyalty programmes; in

particular loyalty programmes that address the need to balance decisions regarding investing in building trust versus building financial, relational and procedural switching costs.

Continuing with the theme of loyalty, Ladhari, Souiden and Ladhari's paper, *Determinants of Loyalty and Recommendation: the Role of Perceived Service Quality, Emotional Satisfaction and Image*, develops and tests a model for the determinants of loyalty and recommendation. The authors argue for the need for the banking sector to understand the key determinants of customer loyalty and recommendation, but note that despite research on the determinants of behavioural intentions most studies focus only on the cognitive determinants of behavioural intentions. Hence, empirical studies on the relationships between emotions and behavioural intentions are few. The paper addresses this gap by investigating the determinants of bank loyalty and recommendation, and examining how consumer emotions affect the attitudes and behaviour of bank service users. In particular, the paper proposes and empirically investigates an integrative model of the relationships among perceived service quality, emotional satisfaction, image, loyalty and recommendation. The model was tested using data from a survey of 222 Tunisian bank customers. The research finds that perceived service quality, emotional satisfaction and image are key drivers of loyalty and recommendation. Emotional satisfaction and image act as mediating variables between perceived service quality and loyalty/recommendation. The study also shows that a better understanding of the determinants of behavioural intentions in the banking industry occurs when affective dimensions are considered along with cognitive ones. The findings have a number of implications for practitioners.

The next paper by Wang, *The Effects of Investment Knowledge and Visual Communications on Comprehension of Investment Disclosures*, examines how online investors

process and comprehend mutual fund disclosures via two factors: visual communications (visual priming) and knowledge about investing in mutual funds. Visual priming refers to changes in an investor's ability to identify investment disclosures as a result of visual cues associated with investment disclosures. Visual primes may make investment disclosures more accessible leading to enhanced investor awareness of investment disclosures by making the disclosures more noticeable. Three different types of visual primes were explored: semantic, categorical and feature priming. The study used a pre-experimental design to manipulate visual communications. A total of 178 participants completed the study: almost equal proportions were allocated to each priming condition. The study finds that visual communications of the disclosures does affect investors' attention towards and processing of the disclosures, but not comprehension of the disclosures. Semantic and feature primes seem to influence investors' attention towards the disclosures and processing of the disclosures more than categorical primes. Investment knowledge influences comprehension of the disclosures. The study holds important implications for the promotion of informed investment decisions through two main approaches: adopting effective visual communications of disclosures and implementing investor education initiatives to enhance investors' ability to process disclosures. The author argues that an educated and informed investor provides the best defence against costly mistakes in investing.

The motivation and contribution of the study in the next paper, *Employee Perceptions of Market Orientation in the Banking Industry: A Case from a Developing Country*, by Opoku and Essien stems from the authors' desire to measure the market orientation of banks in a developing country where the concept of market orientation is still a new practice. The majority of market orientation studies

have been conducted in developed country contexts. The authors question whether the situation in Ghana, an emerging sub-Saharan African country, would reveal differences in market orientation practice. The context for the study is the largest indigenous bank in Ghana. The research investigates employee perceptions of market orientation and how they differ in relation to employment status within the bank. Data was gathered using a questionnaire based on 289 responses received across a range of employees. The questionnaire was based on a slightly modified version of the MARKOR market orientation scale. The findings of the study reveal that the MARKOR scale provides a good measure of market orientation in the Ghanaian banking environment. The study shows that management of the bank have a higher perception of market orientation than employees and suggests further work is required within the banks to develop training and internal marketing to develop a market orientation among employees.

The final paper, *Competing for Underwriting Market Share: the Case of Commercial Banks and Securities Firms*, by Papaioannou analyses changes in the underwriting market share of securities firms and commercial banks over a 20-year period encompassing the deregulation period of 1990–1999. The author notes that a wave of deregulation between 1989 and 1999 allowed commercial banks in the United States to enter the underwriting market for corporate securities and compete alongside the traditional securities firms. This posed a challenge to incumbents to defend their market share as well as to new entrants to build market share in a new product market. Hence, the author argues that the deregulation period provides an appropriate setting for the study of the influence of the underwriters' identity and characteristics on underwriting market share. The market share data were drawn

from the League Tables published by the *Investment Dealers' Digest* from 1985 to 2004. Five types of security offerings were investigated: convertible bonds, high-grade bonds, high-yield bonds, SEOs and IPOs. The study finds that, after controlling for firm combination effects, there is no evidence that new entrants (commercial banks) gained share at the expense of traditional underwriters. There is, however, strong evidence that market breadth helps both securities firms and commercial banks to gain market share whereas greater share in the underwriting of a specific security has the opposite effect on next year's market share. There is limited evidence that high-volume years favour commercial banks whereas low-volume years favour prestigious underwriters. The influence of firm-specific factors is limited to a few markets, which may explain the stickiness of underwriting market share of ranked firms over time.

The findings of the paper have useful implications for the cross-sectional distribution of market share in highly concentrated markets. The first relates to the importance of specialized assets that require time and unique managerial skills to build. This suggests that securities firms possessed competitive advantages that enabled them to counter those brought to bear by commercial banks, and explains why commercial banks were forced to seek market share through acquisitions rather than organic growth. The second implication relates to the importance of multi-service organizational structures for success in underwriting and points towards the view that the offering of multiple services in financial intermediation has strategic significance in capturing and maintaining market share in underwriting.

Tina Harrison
Editor-in-Chief