Editorial

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In this first issue of 2013, I am delighted to present the following six papers. The first paper, *Affect and Marketing Stimuli in Consumer Loyalty Decisions to Automobile Insurers*, by Steven Taylor, examines the factors influencing consumer loyalty in automotive decisions. The author notes that consumer loyalty is recognized as a key measure of service marketing efficacy. Despite this, a complete understanding of consumer loyalty continues to baffle insurance marketers, and churn rates in general insurance, particularly automobile insurance, continue to rise. The author argues that automobile insurance marketers poorly understand the cognitive versus emotional processes that lead to customer loyalty, giving rise recently to behavioural insurance efforts. Set against this background, the paper aims to help reconcile service marketing, judgement and decision making, and behavioural insurance perspectives of consumer loyalty.

On the basis of an experimental study, 315 individuals were asked to respond to an advertisement to switch insurer following a poor service experience. The scenarios were manipulated to assess the influence of both price- and brand-related factors. Hence, the study investigates the relative contributions of cognitive versus affective influences on the desire to be loyal to an automobile insurer after a poor service experience.

The study concludes that both cognitive and affective considerations are important to judgement and decision-making processes in the context of car insurance. Moreover, the models tested in the study suggest that male and female customers may vary in their judgement and decision-making processes in relation to car insurance. Finally, the results

suggest that insurance modellers of judgement and decision-making processes should consider outside influences on consumers in studies, particularly marketing-related brand and price perceptions. The author warns that failure to do so could lead to an incorrect prediction of action versus inaction effects associated with anticipated regret.

The second paper, *Risk Preferences and the Marketing of Financial Services: Segmentation by Birth Order*, by David Rink, Dianne Roden and Steven Cox, discusses the influence of birth order on risk preferences and the implications of segmentation by birth order for the marketing of financial services. The authors note that the financial services industry has traditionally used demographic information as a first step in assessing client risk preferences and financial needs. This has relied on investors' age, gender, marital status, health, income and wealth, often supplemented by questionnaire data to understand risk propensity. However, the authors point out that several studies have found little or no relationship between individuals' risk preferences elicited from such data and their actual risk behaviour in terms of financial decision making. Set against this context, the authors explore the influence of birth order on risk preferences.

The authors suggest that birth order has the potential to provide additional insight into the true nature of customers' risk aversion, thereby assisting financial advisors to formulate the optimal investment portfolio for each client. The literature suggests clear differences between first-born and later-born individuals in terms of a number of factors that are likely to exert an influence on individuals risk preferences and risk

behaviour in terms of financial decision making. A number of the factors are associated with the life experiences of individuals as first or later born and the relative positioning of individuals in the family. The authors outline a number of marketing implications for investment firms that consider customers' birth order differences in risk tolerance, patience, financial goals and conformity.

The third paper, *Establishing Bank-Corporate Relationships and Building Competitive Advantages*, by Yongsheng Guo, investigates how banks build competitive advantage through relationship banking. Relationship banking is a business strategy to establish and maintain long-term customer relationships and to explore information and knowledge advantages. The author argues that despite the importance attached to relationship banking, a limited number of studies have examined how banks establish long-term relationships and thereby create a competitive advantage. This study contributes by investigating the value creation process in relationship banking and, the author suggests, starts to open up the 'black box' of how banks create shareholder value through relationship banking.

The qualitative study was conducted based on 29 interviews with relationship managers and corporate banking directors in 21 case banks to illustrate the value creation process in relationship banking. The research finds that within established long-term relationships with corporate customers, banks are able to obtain information and knowledge about their customers that can be used as a source of competitive advantage. Such information is gathered over time through multiple interactions with customers and through the provision of multiple financial services. This enabled banks to manage credit risk, increase revenue and thereby generate more profit and create shareholder wealth. The authors find that bank employees were the origin of value creation and employee relationship

management facilitated customer relationship management (CRM). The authors conclude that technology has an important role to play in enabling companies to record customer information, but conceptually CRM does not rely on IT: relationship banking is a strategic choice, not a technology solution.

The next paper, *The Effect of Firm Characteristics in Accessing Credit for SMEs*, by H. Semih Yildirim, Yavuz Akci and Ibrahim Halil Eksi, examines the key factors affecting SME access to credit from banks. It is widely recognized that small- and medium-sized enterprises play an important role in socio-economic development. Despite their significance, the failure rate for SMEs is considerably high, especially in developing economies. One of the key reasons often associated with the high failure rate is lack of availability of external financing. The authors examine various attributes or characteristics of the firm to assess the impact of the attributes on access to credit.

The study is based on questionnaire data from a sample of 970 SMEs operating across nine provinces of Mediterranean and Southeast Anatolia regions in Turkey. The study suggests that asset size, sales volume and stability, export rate, and legal form are important determinants of access to bank products and services. These results are consistent with the hypothesis that larger firms with high and stable sales revenues are more likely to have better access, and therefore benefit more from credit services offered by their local banks.

The authors highlight important policy implications suggesting that regulators should develop a legal and regulatory framework to create an environment conducive to SME development especially for the smallest businesses. This might include initiatives such as government subsidized lines of credit, innovation funds, public guarantee funds, venture capital, micro finance.

The following paper, *Changes in the Marketing and Operational Capacity of Retail Sector Firms through Corporate Securitization*, by

Laurent Bouvier and Tahir M. Nisar, investigates whether corporate securitization enhances the retail firm's marketing and operational capacity. Corporate securitization is a structured finance product that retail companies use to raise funds on the back of their operating assets. The authors note that corporate securitization can be a means to finance complex operating businesses at high levels of debt leverage on the assumption that it maximizes cash proceeds from that portion of a company that has previously been undervalued; however, the opaque nature of many structured financed products has meant that investors have not always been able to fully appreciate the risks arising from these products. Mortgage-based securities are a good example as they actually turned out to be far riskier than originally conceived.

The authors investigate corporate securitization through a set of structural enhancements including operating covenants that are designed to mitigate the financial and operating risks of a securitized business and improve its marketing potential. Using a case study of Mitchell's and Butler's (MAB), a UK-based public house enterprise that operates 1704 retail outlets, the authors analyse the marketing and performance effects of corporate securitization and whether the inherent business and financial risks of a securitizing entity are sufficiently mitigated through structural enhancements and various other support mechanisms. The research is based on data contained in quarterly reports submitted by MAB to the rating agencies such as Standard and Poor's.

The research suggests that companies with a strong cash flow basis can benefit from such an innovative financial product, as it allows them to further improve their business' strength as well as product marketability in the long term. The paper contributes to a better understanding of these products that is useful in helping design appropriate policy responses to address the concerns of investors and borrowers and how they can be marketed more fruitfully.

The final paper in this issue, *Banking the Unbanked in Rural Southwest Nigeria: Showcasing Mobile Phones as Mobile Banks among Farming Households*, by Isaac Oluwatayo, examines the extent to which mobile phones have facilitated access to financial services among farming households in rural Southwest Nigeria. The author notes that information and communication technology has transformed the Nigerian economy. A recent transformation has been seen in relation to the introduction of mobile and e-banking into the banking industry, which has extended accessibility of banking facilities to many of the previously unbanked Nigerians. The author investigates how mobile phones are being used as mobile banks among farming households and the extent to which this is improving access to financial services.

The study was based on data collected from a random sample of 360 farming households in Ekiti and Osun States of Nigeria. In general, the sample of farmers consisted of middle-aged and low-educated individuals. In terms of financial services used on mobile phones, the greatest use was found to be in relation to transfer of recharge cards, which are later converted into money. A number of key characteristics were found to be highly correlated with the use of mobile phones as mobile banks, including age, years of formal education, membership of cooperative societies, household size and access to power (electricity). The general finding is that use of mobile phones for these services is still very low.

On the basis of the findings the author makes a number of recommendations aimed at building capacity of farming households through education, greater involvement of cooperative activities to raise awareness and encourage use, and improvement of the infrastructure by Government.

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