Editorial

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In this first issue of Volume 19, I am pleased to introduce five papers. The first paper, *Do Customer Profiles Change Over Time? An Investigation of the Success of Targeting Consumers of Australia's Top Ten Banks – 2009 and 2011*, by Gavin Lees and Maxwell Winchester, explores the extent to which Australia's top ten banks segment and target unique customer segments. The authors note that the marketing literature highlights segmentation and targeting as a key part of marketing strategy.

It is assumed that organisations will identify and target unique segments of the market in order to develop and maintain a competitive advantage. The authors test out this assumption by comparing the profiles of Australia's top ten banks over 2 years, 2009 and 2011, using data from the Roy Morgan Single Source Survey. The survey comprises data on 52 000 Australian households over a number of dimensions, out of which a range of demographic measures were explored along with a selection of eight attitudinal measures that related specifically to finances.

The study finds little difference in the profiles of consumers across the Australian banks studied. The *prima facie* evidence suggests that Australia's top banks are not conducting segmentation and targeting. However, what the findings might be showing is that the top banks, which are broad-based universal financial institutions, are targeting a mass market at the organisational level. The authors suggest that further research to examine banks' segmentation and targeting practices at the product level might reveal a more varied picture. The findings may offer further insight into the difficulties that universal banks face in differentiating themselves from one another in a mass consumer market and in offering commodity products.

In the second paper, *Promoting Business Ethics through Annual Reports*, Bruce Huhmann and Suzanne Conner explore the extent to which marketing communication targeted at investors (via company annual reports) promotes ethical activities. Investors are concerned with a number of financial and non-financial criteria when making investment choices. A key non-financial criterion is the extent to which the organisation engages in ethical business practices. The authors note that while much research has been conducted on business ethics in a number of domains, relatively limited attention has been paid to the efforts of companies to promote business ethics activities to potential investors. Given the importance of this as a decision criterion for many investors, we might expect to see companies emphasising this in their communication to potential investors.

The study is based on a comparative analysis of companies listed on the Dow Jones Sustainability Index (DJSI-listed) and non-DJSI-listed companies between 2010 and 2012 in the United States. The study finds that, with the exception of discussion of corporate social responsibility (CSR), DJSI-listed companies were not likely to mention ethics any more than non-DJSI-listed companies, which was contrary to expectations. Interestingly, non-DJSI-listed companies mention corporate governance, code of conduct and ethical treatment of employees more than DJSI-listed companies. Overall, mentions of ethical activities increased over the period studied, although mentions of CSR decreased over the same period.

The authors suggest that companies might be relying on the mere inclusion in the DJSI as demonstration of business ethics activities, yet argue that companies are missing

an opportunity to promote their activities and also perhaps highlight any particular focus that they may have. Moreover, companies may be missing an opportunity to promote to other stakeholders. The paper makes several recommendations.

In the third paper, *Consumer Rationality/Irrationality and Financial Literacy in the Credit Card Market: Implications from an Integrative Review*, Na Shen provides a detailed review of the literature to understand the extent to which credit card consumers make rational decisions, and the impact of financial literacy, cognitive ability, financial knowledge and financial education on credit card decisions and behaviour. The paper recognises the widespread use of credit cards as a payment tool and credit vehicle and the ease of access to credit cards, especially among younger consumers.

Levels of consumer debt are rising internationally and financial institutions globally have been tasked with responsible lending. The review suggests that consumer rationality and irrationality are equally possible in relation to consumer credit card decisions and behaviour. Irrationality creates the potential, if not managed appropriately, for credit card issuers to exploit the limitations of consumers. The situation can be improved by financial literacy. The paper provides a discussion of the key implications of the findings for consumers, credit card issuers, policymakers and researchers, and sets out a useful forward research agenda for researchers interested in pursuing studies in this area.

The fourth paper, *What is Being Exchanged? Framing the Logic of Value Creation in Financial Services*, by Pekka Puustinen, Hannu Saarijärvi and Peter Maas, challenges the concept of customer value in financial services and argues that financial service providers are facing a paradigm shift. The authors suggest that the notion of value-in-exchange, largely built around an economic focus from the provider's perspective, is giving way to the notion of value-in-use that takes into account the ongoing value derived for the customer and

acknowledges that value can be created from processes as well as economic outputs. The analysis suggests that innovative and technology-based mechanisms make it possible for value to be created for both customers and firms in an unorthodox manner.

The aim of the paper therefore is to reframe the logic of value creation in financial services, and the authors provide a tentative framework for value creation logic in financial services. Two central characteristics determine the framework: (i) a reconfiguration of the roles of the customer and the financial services provider highlighting the fact that the customer buys not only financial products but resources or processes that support the customers' value creation in their everyday activities; and (ii) an extension of the traditional economic exchange between products and payments towards value-creating mechanisms that enable access to the customer's or company's sphere.

The paper identifies three managerial implications: (i) financial service providers should not limit their attention and resources to the exchange process, but identify innovative value-creating mechanisms through which they can participate in their customers' value actualisation process; (ii) the potential to view the product as a channel for the service; and (iii) the potential for researchers and service providers to develop their understanding of customers to encompass situations extending beyond the traditional loan, insurance and/or investment product orientation.

The final paper, *Service Transition Strategies in Service-dominant Settings: Towards all Finance Solutions in SME Markets*, by Irinja Valtanen, develops a number of ideas conceptualised in the paper by Puustinen and colleagues. Valtanen argues that many companies have grown beyond their traditional core business by developing value-added service solutions to their customers through the application of service transition strategies. Service transition strategies are consistent with the service-dominant logic, value creation and relationship marketing. The authors question the extent to which financial institutions have

embraced service transition strategies and explore the application of service transition strategies in the context of the small and medium-sized enterprise (SME) customer-provider relationship. The focus on SMEs is important for several reasons, in particular it demonstrates a way in which banks can improve their relationship with SMEs and better meet the needs of small businesses.

Building on the service transition literature, the paper explores the evolution of the basic (single service/product-based) offering into a service solution in terms of three service transition dimensions: the range of the offering, relational focus and customisation and integration of various components within the offering. The paper explores the processes used by financial institutions to move from a basic (single service-based) offering to a service solution and how customers respond to 'all finance' solutions. On the basis of 40 interviews

with managers of financial institutions and their SME customers, the paper provides a discussion of the activities that financial service providers engage in as they transition towards 'all finance' solutions.

The paper concludes that service transition strategies are being used by financial institutions with their SME clients, but the integration of the various components is still at the early stages. The findings suggest that financial institutions still rely heavily on a pure component strategy, where units are offered from within a range, rather than a service solution. The paper outlines a number of managerial implications and highlights a number of examples of good practice.

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