Editorial

Editors' introductory comments

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Financial institutions offer products and services which by nature are mostly intangible and have various dimensions of complexity: risk versus return, short-term versus long-term performance, fee structure, and service. Further, the profitability motive compels financial institutions to complement their portfolio of commodity (standardised) products with proprietary (specialised) products that carry more complex features. Complexity increases further as multi-product financial firms have the added incentive to cross-sell their products and services by bundling them in packages offered at various prices. On their part, financial consumers have specific needs, which can be satisfied through customisation. Consequently, educating clients and enabling them to participate in the design of financial products and services they buy emerge as tools for maintaining clients and managing their financial needs. The first paper of this special issue, 'Relationship marketing in the financial services: The importance of customer education, participation and problem management for customer loyalty,' by Eisingerich and Bell addresses the issue of client education in the world of multi-product financial institutions. The four hypotheses developed in this paper relate, in order: customer participation to customer loyalty; problem management to customer participation; customer education to customer participation; and problem management as well as customer education to customer loyalty. The authors find evidence that customer participation is directly linked to customer loyalty, and more customer

education encourages greater participation in the design of products that better meet customer needs. More importantly, the findings suggest that both successful problem management and customer education contribute to customer loyalty. The evidence leads the authors to draw an insightful implication; namely, customer education becomes a value-added service for customers that creates and strengthens loyalty. Therefore, profitability enhancement through greater customer loyalty can justify the incremental costs that financial service firms must dedicate to customer education.

The second paper, 'The Customers' Perspective on Relational Benefits in Banking Activities,' by Martin-Consuegra, Molina, and Esteban provides additional evidence that financial institutions can cultivate long-term client relationships by enriching their services with those qualities appreciated by customers. In particular, the paper argues that a long-term relationship is built when there is a match between the benefits offered by the financial institution and the benefits valued by clients. Therefore, it is important to identify what types of benefits customers perceive to derive from their relationship with a financial firm. The authors distinguish three types of benefits. Special treatment benefits describe transaction-related qualities like quality of service, time efficiency, and economic terms. Confidence benefits are identified with trust, low operation risk, and decreased anxiety for clients. Social benefits are those that describe the enjoyment customers derive from dealing with the institution and its staff. The findings

provide evidence that while confidence and social benefits are valued by customers in a significant scale, this is not so for special treatment benefits. The finding that special treatment (or transaction-related) benefits do not stand out may imply that, in the long run, many financial products are standardised enough across financial vendors so that the customers expect them to have a uniform quality. That leaves the more intangible relational qualities of trust and confidence, and social enjoyment to provide value-added benefits to customers. Further, the study suggests that financial firm clients can be segmented by their preferences in relation to the above three types of benefits. Accordingly, an institution can tailor its benefits to cater to the type of clientele it wishes to attract.

The growing acceptance of on-line banking by financial consumers and its tremendous impact on operations and profitability has made it a popular object of study by academics and practitioners. From a marketing perspective, on-line banking allows institutions to have an inexpensive real-time communication with existing and potential clients, to increase product awareness and promote cross selling, and more importantly to establish barriers to client flight through such programs as bill payment. The low execution cost of on-line transactions also suggests that an institution can offer some on-line services (like bill payment or e-checking) free to customers and hope to more than recover the cost through synergies, especially from cross selling other products. Previous research has investigated the demographic and financial characteristics that contribute to becoming a consumer of on-line banking services. In their study, 'Customer Account Relationship and E-Retail Banking Usage,' Sciglimpaglia and Ely propose that types of banking relationships, like deposits, loans, CD's, and the like, can determine customer propensity

towards the utilisation of electronic services. Indeed, their findings establish a significant relationship between various types of banking relationships and the use of on-line banking. Furthermore, they find that types of banking relationships predict which electronic services customers prefer (ie, funds transfer, balance inquiries, loan applications, or bill payment). Interestingly, they find that demographic or financial customer characteristics have no impact on the demand of some of these electronic services. Based on these findings, a financial institution can determine the strength of demand for different electronic services by analysing the types of banking relationships it maintains with customers.

Changes in the banking sector in India in a way symbolise similar changes taking place in other developing economies and in other sectors in India. Deregulations, dilution of government ownership, and competition from global financial institutions have impacted the way banks do business in India. In their study, 'A comparative study of cross selling practices in public and private sector banks in India,' Vyas and Math examine cross-selling practices in different types of banks. As noted by the authors, despite historical differences between public sector banks and private sector banks, managers in both types of institutions realise the importance of adopting cross-selling strategies. They also understand the importance of adopting their strategies to the local customers (rather than blindly copying strategies used in western countries).

Customer satisfaction and loyalty are key drivers of profitability in the service sector. In their study, 'Customer satisfaction and loyalty derived from the perceived quality of individual banking services: A field study in Eskisehir from Turkey,' Calik and Balta examine the relationships between perceived quality and customer satisfaction and loyalty. Although many banks in advanced economies are focusing on automating routine banking

services (eg, on-line banking), the authors of this study found that human contact still plays an important role in satisfaction and loyalty. The authors of this study did not explore whether the importance of human contact is in some way also related to the stage of economic development. In other words, consumers in more advanced economies don't care so much for human contact as long as they get their banking when they want it and where they want it.

Future researchers might want to examine this possibility.

Guest Editors

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