Editorial

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I am very pleased to introduce this third issue of Volume 11. The seven papers in this issue (six analysis and one practice) cover a broad range of topics (from internet banking, to branding to customer retention), types of institutions/financial services (from banks to credit unions to mutual funds) and country contexts (spanning the UK, US, Australia and United Arab Emirates). One of the key themes emerging from the papers is how to continue to meet the changing needs of consumers within the changing technological, social and legal environments while at the same time ensuring the cost effectiveness and competitiveness of marketing actions.

For example, encouraging customers to make greater use of more cost-efficient channels, such as the internet, is a key objective of many financial institutions. In this issue, we have two analysis papers that examine this from very different angles. In their paper, *Switching Customers from Branches to Internet: A Credit Union's Journey*, Katuri and Lam investigate the factors facilitating customers to switch from using branches to using the internet as a means of conducting their financial transactions. Based on an on-site survey of customers in different branches of a credit union, the research captured the opinions of customers towards using the internet. The survey results indicate that different factors are at work for customers with and without internet bank accounts. For customers with internet bank accounts, convenient access from public places, internet and computing proficiency, application security, and bank diversified service are positively correlated with internet banking activities. For customers without internet bank accounts, bank management should focus on enhancing internet access

convenience, application navigation, application accuracy and provide additional online instructions and feedback for complicated transactions. The results reveal that credit union customers have their unique concerns for internet banking as many internet banking variables that feature in the literature were not found to be significant in this study. Individual credit unions should pay attention to their customers' unique understanding and expectation in order to fully realise the benefits from internet banking.

The younger generations generally are thought to be the key to increasing use of internet banking into the future. Heaney's paper, *Generations X and Y's Internet Banking Usage in Australia*, provides a useful insight into the current and potential use of internet banking among two types of younger consumers: Generation X (born between 1965 and 1976) and Generation Y (born since 1977). While use of the internet and internet banking is higher among these consumers than for older consumers, the research shows that less than half of all Generation X and Y surveyed made use of internet banking. A larger proportion of Generation Xers use internet banking compared to Generation Yers, although Generation Yers (the younger of the two segments) use it more frequently and make use of more virtual products. The paper concludes that the image of fully 'online' younger consumers is not yet a reality in the 21st century. The implication for banks is that there is still a need to provide face-to-face tellers and other means of facilitating banking transactions in addition to the internet.

In order to make informed choices, consumers need to be able to access adequate

information to make a rational decision. In the case of mutual funds, a fund's prospectus is the only document, by law, that offers to sell or solicits offers to buy mutual fund shares. Hence, many investors rely on information contained in a mutual fund's prospectus to guide their purchase decisions. Typical information of interest includes fund objective and investment policies, historical returns, expenses and risk factors. Philpot and Johnson, in their paper *Mutual Fund Performance and Fund Prospectus Clarity* examined the readability of fund prospectuses from 20 major US mutual fund families. The method involved using Flesch scores and word counts to measure the clarity of the information provided. The findings reveal considerable variation in readability among funds and fund families. While readability scores did not vary across fund objectives, within funds risk discussions were found to be clearer than discussions of objective/strategy. The readability of a fund's risk discussion was found to be lower for load funds than no-load funds and readability increased with fund size. The variation in terms of the risk discussion across funds has implications for investors in making a judgement based on risk.

The question of how to retain banking customers is one that most banks would like to know the answer to. In order to answer the question, banks need to understand the actions or behaviours affecting customer retention. Banks know that simply satisfying customers is not always enough; research has shown that satisfied customers still defect. In their paper *Customer Retention Measurement in the UAE Banking Sector*, Mohd Kassim and Souiden attempt to understand the complex relationship between image, perceived service quality and satisfaction in the context of customer retention. Using data collected from retail banking customers in the United Arab Emirates, the research finds that image is both directly and indirectly related to retention via satisfaction while perceived service quality is indirectly related to

retention via satisfaction. The paper clearly shows that satisfaction is not the sole determinant of retention in retail banking and highlights the need to understand the mediating effects of image and perceived quality.

How effective are financial institutions at establishing successful brands? Branding is recognised as a key marketing tool, yet financial institutions have been criticised in the past for failing to build brand value. Two papers in this issue discuss the subject of branding: the first examines how effective financial institutions are at branding and the second offers strategies for building and managing brand portfolios.

In their paper *An Analysis of Financial Services Brand Marks*, Miller, Foust and Kilic analyse brands used by companies in the financial services categories of the US Fortune 1000. Focusing primarily on the visual elements of brand design, that is, the pictorial elements and their relationship with the verbal elements, the brands were assessed against a set of normative criteria for effective brand mark design found in the marketing literature. On the positive side, many brands include representational pictorial symbols most of which contain symbols that seem to reflect service benefits. The benefits most often conveyed are protection, financial growth, financial strength, guidance and trust. Despite the existence of several well-designed brands within the sample, results show a low level of adherence to the normative criteria overall. For example, a low proportion of the brands exhibited symbols representative of brand benefits, integrative features such as interactive images and benefit slogan taglines. It seems that there is an opportunity for many financial services companies to improve the design of their brands. Representational highlight marks and logos could increase the likelihood of correct interpretation of offerings and their benefits. Interactive logos and highlight marks could enhance recall for brands while balanced and symmetric logos could improve the affective

response to brand mark clusters reinforcing their recall.

Following deregulation in the late 1980s, many financial service companies rapidly grew their product portfolios. Developing these extensive portfolios has raised complex issues for financial service companies regarding how the new products and services should be marketed and, in particular, how they should be branded. The paper by Harris, *Brand Portfolio Options for UK Retail Banks*, seeks to identify the relevant issues concerning the marketing and branding of large portfolios of financial service products. Using the brand portfolio model developed by Aaker and Joachimsthaler, the paper analyses the brand portfolio strategies adopted by the UK's leading retail banks (Barclays, Lloyds TSB, NatWest/RBS and HSBC). The study concludes that given the complexity of branding as a concept and in predicting how consumers will respond, ultimately all financial services need to experiment more both with how individual brands are positioned and advertised and what portfolios are optimal.

The practice paper, *Bundling in Banking — A Powerful Strategy to Increase Profits*, by Wuebker, Baumgarten and Baillie, assesses the

opportunities and benefits available from product bundling. The authors contend that banks can learn valuable lessons from the bundling models developed successfully in other industries. They argue that bundling core banking products with additional services allows banks to differentiate themselves in a generally homogenous sector. Bundling also increases sales across product areas and aids customer lock-in. Hence, there are many overlaps with customer retention and branding. Based on their commercial experience, the authors provide an overview of how to create attractive and profitable bundles through a systematic, multi-stage approach to customer segmentation, targeting and product positioning.

I am sure you will agree that the small number of papers in this issue cover tremendous ground in their discussion of key concerns to marketers in financial institutions, and offer thoughtful insights and practical solutions based on thorough research and analysis. I hope you enjoy reading them as much as I have.

Tina Harrison
Managing Editor