Editorial

Journal of Financial Services Marketing (2007) **12**, 185–188. doi:10.1057/palgrave.fsm.4760078

In this third issue of Volume 12, I am pleased to present seven papers covering a broad range of current marketing concerns for financial firms. The first paper, *Defining the proposed factors for small business online banking: Interviewing the IT professionals*, by Gehling, Turner and Rutherford, presents a preliminary investigation into the factors affecting small businesses and their use of online banking. A growing body of research exists relating to online financial services from a consumer perspective. Yet limited research has focused on online financial services with regard to organisational customers. One type of organisational customer that holds huge potential for the financial service industry online is the small business. The small business sector comprises a diverse range of businesses in terms of scope and size. Online facilities provide a cost-effective means of reaching small businesses and providing further services to them. Despite this potential, little research has been conducted examining the small business segment as a customer base for e-financial services. Based on interviews with 18 IT professionals in central technology offices of large regional financial and banking firms in the southeastern United States, the authors provide an insight into how the interviewees' organisations support, or fail to support, the delivery of electronic banking to small businesses. Six themes emerged from the interviews, which the authors propose are key factors in determining small business online banking: (1) quality of customer experience, (2) degree of customer-perceived security, (3) degree of bank-focused online applications, (4) channel transaction cost, (5) mix of online product offerings, and (6) degree of online competition. The paper

outlines a number of questions under each theme that can be used by financial organisations to benchmark their current online offerings to small businesses. The authors emphasise that this research is a starting point to explore issues relating to small business adoption of online banking. Future research is needed to understand how to properly segment and target these highly profitable small business customers.

The second paper, *The stages of financial services product elimination*, by Harness and Harness, presents a model to understand and explain the process of product elimination for financial services. Theories of product elimination were developed mainly in the physical goods and manufacturing domains, and have been shown to have limited applicability to the ongoing nature of services. One limitation of such theories is that they fail to take account of constraints that prevent the removal of a product to a state of non-existence. Based on extensive research, including both qualitative and quantitative methods, the authors identify four key stages in the financial services elimination process: identification of product elimination need, decision of how the product should be removed to overcome key constraints on the process and achieve customer-oriented objectives, management activities involved in implementing product elimination and post-elimination evaluation. The research finds that financial institutions use either full or partial removal strategies. The concept of partial elimination seems to be a unique solution to the problems faced by the UK's financial services industry, and seems to be the preferred strategy. A couple of key management implications stem from this study. First, the overall emphasis of the

removal activity is determined by the extent to which full or partial elimination can be conducted or is desired. In turn this helps define the individual stages of elimination undertaken and the order in which they are followed. The second implication relates to the involvement of the customer within the process. In the physical goods removal context, the authors argue that customer involvement as a controlling influence is negligible. In financial services, however, the influence of the customer is based on prevailing contractual obligations and regulatory controls combined with the extent to which the organisation seeks to retain the customer after product elimination. This adds a further level of complexity requiring both management effort and the application of resources to deal with the extra time needed to remove the offering and communicate with customers. The findings of the research highlight unique aspects of the financial services sector and relationships with customers, but may also be relevant to other service industries where there is a high level of personal customer care and duty of care inherent within them, such as medical treatments or mobile phone service providers that have ongoing supply contracts.

In the third paper, Song, Adams and Rhee propose a conceptual model for the development of an effective, deep support network to aid individual investors. The need for individuals to take greater responsibility for their own investment and saving for the future is recognised; yet a significant knowledge gap exists for many investors. Providing investment research to meet the needs of the growing number of individual retail investors is an important opportunity. For many individual investors, evaluating stock research is difficult; the development of stock research is complex and is largely an expression of the tacit knowledge of the analysts. The model presented in this paper is designed to aid investors in this process. The authors contend that investors need *deep* information related to the earnings potential

and information processing capabilities *supported* through an integrated *network* of collaborators for *effective* investments. The four areas of the model are outlined and discussed in detail. The model is developed primarily for security analyst firms, but it is also useful for brokerages and financial information portals that seek to take advantage of the emerging opportunity to provide effective investor support. The authors argue that an effective deep support network provides appropriate information from various providers that can be customisable and empowering to the individual investors, allowing them to incorporate their own judgment and to learn through experience. By meeting the real needs of retail investors, an effective deep support network has the potential to provide a competitive advantage for financial services firms.

The fourth paper, by Abdul-Muhmin and Umar, explores credit card ownership and usage behaviour in Saudi Arabia. Credit cards are an important and integral part of the financial and payment systems of modern societies, used both as a means of providing payment convenience and as a means of obtaining short-term revolving credit. In some of the developed countries of the world, credit card ownership is so widespread among consumers that penetration rates are approaching 100 per cent. In Saudi Arabia there has long been debate about the acceptability of owning and using credit cards, due to the Islamic Shari'ah principles that prohibit interest. Despite this, available industry statistics suggest that card ownership and usage may be on the rise. In their paper, *Credit card ownership and usage behaviour in Saudi Arabia: The impact of demographics and attitudes towards debt*, the authors explore the extent and nature of credit card usage in this context and the influence of demographics and attitudes towards debt. A total of 774 banking consumers in Saudi Arabia took part in the survey, which revealed that while credit card penetration in the sample was just under two-thirds, women are more likely

than men to own a credit card. Card usage tends to be selective; attitudes towards debt seem to be a significant determinant of card ownership, but not usage behaviour. Around a third of the sample can be classified as revolvers. This relatively low figure may be explained by the Islamic prohibition of paying interest. The tendency to revolve was found to be significantly higher among males and respondents with relatively lower education. These and other more detailed findings contained within the paper are useful for card marketers in Saudi Arabia and other Islamic countries in understanding how consumers in this context relate to credit cards as they struggle to balance the necessity of owning them in the modern global financial system within the guiding Shar'iah principles.

The fifth paper in this issue, by Moschis and Burkhalter, focuses on mature consumers and their saving and spending patterns in later life. Many countries are experiencing ageing populations. This poses challenges in terms of the provision of retirement and health services from public or state funds, and is placing increasing pressure on individuals to make their own financial provision for old age. In their paper, *Making ends meet: How will the elderly manage their finances and post-retirement expenses?*, the authors investigate how older consumers plan to fund their retirement. Based on a national survey of 20,000 Americans, the research compares and contrasts both the patronage preferences and behavioural intentions of older individuals (over the age of 55) with those of younger individuals (under the age of 55). The paper also adds to the current body of knowledge by investigating the financial services patronage preferences and post-retirement spending plans of older consumers by focusing on differences between various segments. There is a tendency to treat consumers over the age of 55 as a single homogeneous segment, yet earlier work by the authors has shown that the older consumer market can be segmented into four

consumer groups: Healthy Hermits, Ailing Outgoers, Frail Reclusers and Health Indulgers. The segments differ in terms of lifestyle characteristics that define individuals' gerontographic profiles. The paper reports that broad differences in patronage preferences exist for financial advice between older and younger consumers, as well as between the older age segments. The research also reveals some interesting differences between older and younger consumers in terms of how they plan to fund their retirement expenses, and highlights differences between the gerontographic segments. The findings hold important implications for financial services organisations that want to tap into the mature consumer market. The research suggests that older consumers attach different levels of importance to the institutions they rely on for advice regarding financial management. Additionally, these consumers appear to have distinct differences in the ways they will tap into their assets in order to cover post-retirement expenses. By understanding and applying this information, financial services institutions should be able to develop more informed strategies to assist in the development and modification of their product offerings targeted for mature consumers.

The role of advertising as an information source is widely acknowledged in the consumer behaviour literature. In the decision-making process, it is assumed that consumers make use of advertising and other sources to make informed decisions. The relationship between advertising, product quality and price has long been debated. Given the complexity of the mutual fund purchase decision for investors, *Mutual fund advertising: Should investors take notice?*, by Jones, Lesseig, Smythe and Taylor, provides an initial investigation into whether investors can infer mutual fund quality and price from the presence of mutual fund advertising. The paper examines the relationship between mutual fund advertising and fund characteristics of both equity and fixed

income mutual funds. Findings are based on analyses comparing mutual funds that advertised in the US Money magazine with mutual funds that did not advertise in the same magazine on a broad set of characteristics. The research investigates the relationship between mutual fund advertising and quality (as measured by return and risk), and between mutual fund advertising and price (as measured by expense ratio). Consequently, the research considers whether mutual funds that advertise are higher quality funds than those that do not advertise, as well as whether mutual funds that advertise are higher priced than those that do not advertise. These relationships are considered in the three-year period both prior to the advertisement and following the advertisement. The research finds a negative relationship between advertising and fund quality in the post-advertisement period, indicating that previously advertised funds exhibit weaker performance than non-advertised funds. During the post-advertisement period, both equity and fixed income funds exhibit lower expenses (ie, price) than non-advertised funds. The detailed research findings and implications for theory are discussed in the paper.

The final paper in this issue, by Laukkanen and Pasanen, looks at mobile banking users and how they differ from other online users. The rapid pace of technological development has created opportunities for financial service providers to offer their services via multiple

electronic channels. The mobile phone is one of the most promising but so far marginally adopted channels for using financial services by consumers. Earlier literature on innovation adoption argued that those among the first to adopt new innovations possess unique characteristics compared to the majority of consumers. In their paper, *Mobile banking innovators and early adopters: How they differ from online users*, the authors investigate whether innovators and early adopters of mobile banking differ significantly from online users in general. Based on an internet survey of customers of a large bank in Finland yielding 2,675 responses, the study investigated a number of demographic and socioeconomic variables. It was found that only age and gender differentiate these two groups of customers, while education, income, occupation and size of the household were found to be insignificant in differentiating the groups. However, contrary to general assumptions, it seems that mobile services are not the exclusive domain of the younger age groups. The results of this study show that the mobile banking users in the sample are dominated by the 30–49-year-old age group. The results offer service providers better knowledge of the typical mobile banking user, thus adding value to their marketing actions in the field of electronic banking.

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