Editorial

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In this third issue of volume 21, the six papers presented cover a wide range of issues broadly falling into two key themes. The first four papers in the issue address a range of consumer behaviours and factors impacting financial decisions, with a strong focus on emotional and psychological factors. The last two papers focus more on strategic decisions and behaviours of financial institutions, in particular relating to segmentation strategy and new product development.

The first two papers explore college students and credit card use. In the first paper, *Sequential Loss of Self-Control: Exploring the Antecedents and Consequences of Student Credit Card Debt*, James Peltier, Andrew Dahl and John Schibrowsky use locus of control theory to test how post-failure self-control lapses negatively impact psychological well-being. The authors test the hypothesis that self-control lapses not only impact credit card debt negatively but also lead to further self-control lapses and financial anxiety, resulting in a sequential loss of self-control and debt.

Based on a survey of 198 students of a Midwestern university, the authors develop and test a causal model to explore college students' pre- and post-debt decisions as a series of sequential losses in self-control, and how initial and post-failure decisions impact financial anxiety. The study uses a comprehensive framework of key social-psychosocial constructs including materialism and impulsivity as two forms of pre-debt loss of control.

The study finds that while materialism did not directly impact credit card debt, it did impact impulsivity and locus of control. This suggests that students higher on the materialism scale find it difficult to control urges when

confronted with purchase opportunities, and are more likely to give way to impulsive behaviour, thus leading to greater debt. The study also reveals that students with higher credit card balances are more susceptible to compounding negative credit behaviours, leading to increased financial anxiety. The paper makes an important theoretical contribution by showing that post-failure loss of control is in part a function of previous self-control breaches.

The paper highlights the significant need for consumer education efforts designed to help students recognise and regulate their materialistic and impulsive consumption behaviours.

The second paper, *College Students and Credit Card Companies: Implications and Attitudes*, by Shweta Singh, David Rylander and Tina Mims examines the impact of college students' attitudes towards credit cards and credit card companies on their use of credit cards. The increasing prevalence of student loans, student borrowing and debt places students in a potentially vulnerable position. In the United States, new legislation has been introduced to regulate credit cards for students and offer protection. The authors argue, though, that more understanding is needed regarding the attitudes of students to credit cards and credit card companies. They argue that investigating college students' attitudes to both credit cards and credit card companies can help understand the determinants of responsible (or irresponsible) use of credit cards.

The study is based on a survey of 280 college students drawn from a single, diverse public university in the United States. The study finds evidence for a strong positive link between students' attitudes towards credit card

companies and responsible credit behaviour. Two distinct groups of students are identified: one group with a positive attitude towards credit card companies and positive credit use behaviours; one group with the opposite attitudes and behaviours.

The number of credit cards, mode of acquisition, awareness about credit card policies, reasons for using credit cards, impulsiveness and a number of student characteristics are all indicated as variables that help discriminate between the two different student groups. In essence, students with positive attitudes tend to use credit cards as a convenient method of payment and are more likely to check their credit card statements regularly and find billing errors and are more likely to be aware of credit card policies. Students with more negative attitudes have a tendency to use credit cards primarily as a means to borrow money and to buy things when cash is low. Findings indicate more responsible use and more favourable attitudes by graduate students compared with undergraduate students, which may be linked to experience. The findings suggest implications for both higher education institutions and credit card firms.

In the third paper, *Customers' Dissatisfaction with Banking Channels and their Intention to Leave Banks: The Moderating Effect of Trust and Trusting Beliefs*, Sertan Kabadayi examines some of the key challenges facing financial institutions in attempting to retain customers and develop their loyalty. Satisfaction is a key antecedent of loyalty, which itself influences profitability. Dissatisfaction with the quality of the service experienced across different banking channels is a major factor contributing to customers' overall dissatisfaction with their banks.

The paper addresses the relationship between individuals' dissatisfaction with their primary banking channels and their intention to leave their banks, and the impact of trust in moderating that relationship. The paper reports on two separate studies. Study 1 was based on a random sample of 225 individuals living in a large northeastern U.S. city. It examined individuals' overall trust in their bank as a

potential moderator of the likelihood of customers leaving the bank when they are dissatisfied with their banking channel. Study 2 was based on a separate random sample of 346 individuals living in a large northeastern U.S. city. It explored how the three different trusting beliefs (benevolence, integrity and competence) individually moderate the channel dissatisfaction-intention to leave relationship.

The research reveals that while customers are likely to leave their banks if they are dissatisfied with their primary banking channels, their overall trust in their bank reduces such likelihood. The more customers trust their bank, the less likely they are to leave, even though they may be dissatisfied with their primary banking channel. The research also highlights the differential effects of the three trusting beliefs on customers' intentions to leave their banks. The greater the perception of benevolence and competence customers have about their bank, the lower the likelihood that they would leave their bank even though they may not be fully satisfied with their primary banking channel. Integrity beliefs do not have the same effect, possibly suggesting that consumers expect integrity from their banks.

The findings suggest important implications for practitioners and a potential two-pronged approach to building customer loyalty based on a combination of service quality and trust building.

Making effective investment decisions is key to financial well-being. Yet, investors, like consumers in general, are prone to biases in their decision-making that can lead to sub-optimal performance. The effect of biases on financial decision-making is arguably greater than in other areas of consumer decision-making. Prior research has found that overconfidence and loss-aversion are the most frequently occurring biases in stock investments. Overconfidence is a bias closely associated with strong positive emotions such as pride. In the fourth paper, *Effect of Emotion Regulation as a De-Biasing Mechanism on Overconfidence in Investment Behavior*, JaeEun Oh and Meeja Im hypothesise that if investors with a pronounced

tendency towards overconfidence can regulate strong positive emotions, they will be able to reduce bias and avoid subpar investment performance.

Overconfidence is defined as a cognitive bias in which subjective certainty is higher than objective accuracy. Stock investment is recognised as an area of financial activity in which individuals may be more susceptible to an overconfidence bias.

Based on an experimental design involving two studies of 60 and 80 participants, respectively, the authors measured the overconfident tendencies of investors and investigated their emotional experience following a gain.

The research reveals that investors with different tendencies of overconfidence exhibited differences in their use of cognitive regulation strategies after experiencing positive emotions. The types of cognitive thinking and emotional regulation strategies used after a gain experience affected the level of overconfidence tendency. The authors suggest de-biasing mechanisms should be used to counteract overconfidence bias. There are important implications for investment managers in guiding investors to prevent them from being carried away by the positive emotions caused by previous gains.

The final two papers focus on financial institutions and their strategic decisions and behaviours. The first paper, *Involving High Net Worth Individuals (HNWI) for Financial Services Innovation* by Dieter De Smet, Anne-Laure Mention and Marco Torkkeli, explores banks' decisions to involve customers in new product development processes. Previous research findings provide mixed evidence of the extent to which involvement of customers in the innovation process is beneficial. Given the recent focus and interest in services on co-creation, the paper provides an insight into the role that customers play in the development of new financial services. It addresses three key questions: What type of customer contributes more to service innovation? To what extent can customers of financial institutions be a source of original, valuable and realisable ideas

for new products? To what type of innovation do customers usefully contribute in the financial services industry?

The study was based on a survey of 25 banks in Luxembourg, all members of the Luxembourg Bankers' Association. The sample captured a quarter of the total number of banks in Luxembourg. The survey data were analysed using qualitative comparative analysis and descriptive statistics.

The research reveals that around half of the banks studied did involve customers in new product development. However, while the banks believed that customers can be a source of product ideas, they nonetheless had doubts about the ability of customers to be a source of ideas that can be realised. This is perhaps truer for completely new-to-the world innovations than modifications to existing products. The study finds that some customers are a more useful source of new product innovation than others. The research highlights the importance of having High Net Worth Individuals in the customer base to foster innovation. Such customers are more likely to demand complex services; execute high volume transactions; have longstanding relationships; ask for tailored services and have a strong motivation to find solutions to their context. These characteristics are particularly valuable in engaging in new product ideas.

In the final paper in this issue, *Demographic Product Segmentation in Financial Services Products in Australia and New Zealand*, Maxwell Winchester, Gavin Lees and Sidath DeSilva explore the extent to which customer segmentation by product is evident among banks.

Segmentation is a cornerstone of corporate strategy. It is widely assumed in marketing that different competing brands appeal to different consumers. This is especially so in many FMCG markets. In the context of financial services, though, branding tends to occur at the corporate level rather than the product level. Previous research by the authors indicates that in mass markets corporate brand segmentation in financial services is not evident. Set against this context, this paper seeks to explore the

extent to which segmentation is evident at the product level. A range of financial products are considered across a range of banks in Australia and New Zealand using a range of demographic segmentation variables.

The research was based on the data collected through Roy Morgan's 2011 Single Source Survey. The data were collected via personal interview with individual respondents comprising a sample of around 52,000 in Australia and 12,000 in New Zealand.

The results indicate that some degree of segmentation is evident in a limited number of banking products, but for the most part there was little difference in customer profile across

comparable products offered by Australian and New Zealand banks. The findings highlight a significant challenge to corporate strategy that assumes firms can position themselves competitively by offering alternative product offerings to the market. The paper raises some interesting questions about how banks can compete effectively on this basis in mass markets and the role of segmentation as a competitive strategy.

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