
Original Article

The information search process of socially responsible investors

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ABSTRACT Largely fuelled by an increasing social and ethical concern among private investors, socially responsible investment (SRI) has, in many ways, gone from having a marginal role to becoming a 'mainstream' financial service in recent years. SRI is an investment process that, in addition to the 'traditional' financial objective of investment, also uses social, ethical or environmental (SEE) criteria when making investment decisions. However, despite the growth of the market for SRI profiled mutual funds, very little research has been carried out with the objective of understanding the decision-making process of private SR-investors. In order to address this gap in the literature, this article addresses one stage in the SR-investor decision-making process: consumer pre-purchase information search. Using a sample of 369 SR-investors, the results of the study indicate that SR-investors search more for SEE information, such as the criteria used for exclusion of stocks than for 'regular' financial information such as past financial return and level of risk. Moreover, the study also indicates that involvement and perceived knowledge with regard to both financial and SEE issues impact the nature of the information search process of private SR mutual fund investors.

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INTRODUCTION

The market for mutual funds targeted at private investors has shown an incredible

growth since the middle of the twentieth century. The industry has come a long way from its modest beginnings in the mid-1900s, when fewer than 50 mutual funds existed in America.^{1,2} Today, thousands of funds exist, and as many as 45 per cent of US households own mutual funds.¹ Alongside,

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or perhaps because of this growth, the market for investment services has also experienced an increasing product diversification. Private investors now have an abundance of different types of mutual funds to choose from as different mutual funds target different industries, regions, types and sizes of companies.

One of these more specialized types of mutual funds that has received a lot of attention recently is that of socially responsible investment (SRI) profiled mutual funds. In essence, SRI profiled mutual funds are funds that, in addition to the 'traditional' financial objective of investment, also use social, ethical or environmental (SEE) objectives in the investment process.³⁻⁶ Through this investment process, it has become possible for individual consumers to incorporate SEE concerns into their private investment behavior. Considering the numbers, consumers are increasingly using this opportunity to incorporate their SEE concerns into their investments, as the market for SRI profiled mutual funds has grown since being introduced in the 1970s. Recent figures from the Social Investment Forum show that as much as US\$1 out of every \$11 in America is invested according to SRI principles. Moreover, American investors who desired to invest 'with their conscience' had over 200 different SRI profiled mutual funds to choose from.⁶ A similar development can also be seen in Europe where the SRI market now exceeds €2.5 trillion in assets.⁷

Despite the growth and increasing importance of the SRI industry, there is still little research on why and how consumers make decisions about investing in SRI profiled mutual funds. As only a limited number of studies have been published,⁸⁻¹¹ there is still an incomplete understanding of how SEE factors affect the investment decision making of private investors. One area, in particular, that is important in order to understand private investors' SRI decision making, that has almost gone unnoticed in

the literature, is how SR-investors search for information before making an investment in SRI profiled mutual funds. This pre-purchase phase is important for at least two reasons. First, if the SRI industry has an ambition to grow, marketing efforts need to be located *before* investors make their investment decision. A better understanding of the activity of investors before making the SR-investment decision can aid this task. Second, the information search phase is, in many ways, the gateway to investing in SRI and will, as such, influence the rest of the decision-making process. Thus, a better understanding of investor activity before investing in SRI has the potential to shed light on how SEE issues influence the entire decision-making process of SR-investors.

Against this background, this article address two research questions regarding the information search process of private SR-investors:

RQ1: What information do SR-investors collect before making the decision to invest in SRI profiled mutual funds? Is this information more *financial* or *SEE* in nature?

RQ2: What is the impact of *financial* and *SEE* types of involvement and perceived knowledge on the external information search process of SR-investors? That is, do financially involved and knowledgeable investors go through a different search process than SEE involved and knowledgeable investors when choosing to invest in SRI?

In this study, we address these research questions by examining the impact of involvement and perceived knowledge on the information search process of private SR-investors. Previous research has highlighted these two concepts as fundamental in understanding consumer information search.¹²⁻¹⁴ However, in contrast to previous research, we separate the

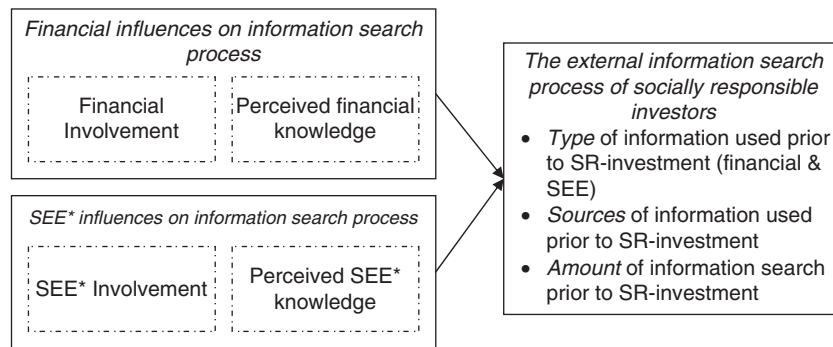


Figure 1: The theoretical model of the study.
 Note: *SEE=Social, ethical and environmental.

constructs and address the impact of both *financial* and *SEE* involvement and knowledge on the information search on private SR-investors. Thus, the underlying notion of the current study is that consumer search behavior for SRI profiled mutual funds could be influenced by both financial and SEE factors. The theoretical model of the study is presented in Figure 1.

The rest of the article is structured as follows. First, we focus on literature review and hypotheses development for the constructs in the theoretical model. Thereafter, the method of the study is presented. After this, the results are presented and discussed.

LITERATURE REVIEW

Previous research with regard to expected influential variables on consumer information search behavior for SRI mutual funds is presented below. First, we focus on previous research on both financial and SEE involvement. Thereafter, we concentrate on the role of perceived financial and SEE knowledge as they relate to search behavior for SRI profiled mutual funds.

The impact of involvement on consumer search behavior for SRI mutual funds

In the literature, several different effects of involvement can be distinguished. One of

the more important consequences of involvement is that it affects consumer search behavior. A highly involved consumer is often considered to increase search, spend more time evaluating alternatives, perceive greater attribute differences between offerings and go through a more complex decision-making process.¹⁵

On this note, there is an extensive body of literature that examines the impact of involvement on the amount (or extent) of external information search.^{13,16,17} In these studies, consumer involvement is generally found to be one of the most important predictors of the extent of external pre-purchase search. As involvement is generally considered to be a construct relating to personal relevance,¹⁸ the link between amount of search and involvement is natural. If something is important and relevant to consumers, they are likely to exert more effort in the amount of search.

In contrast to the research on the impact of involvement on amount of search, there is little research that examines the impact of involvement on the sources used. However, as Jarvis¹⁹ points out, consumers who perform pre-purchase external search must choose among types of information sources. In the complex context of investment decisions, the financial advisor becomes an important source for information for many private investors. Many consumers do not

understand the financial products that they invest in and may therefore rely on advice when gathering information about different financial products. On this note, research has indicated that less-involved consumers are more likely to rely on professional advice. For example, in Martenson,²⁰ 38 per cent of the less knowledgeable and involved investors stated that the contact person had influenced their choice compared to only 16 per cent of the highly involved and knowledgeable group.

As this study deals with the search behavior for SRI profiled mutual funds, one distinction that is important for our study is the difference between financial and SEE types of involvement. With regard to the first of these two, Harrison²¹ argues that involvement could be an important variable for segmenting consumers in financial services. Moreover, Beckett *et al*²² use involvement as one of two main variables for segmenting consumers of financial services. In the segmentation analysis, a highly involved financial consumer is thought to be more 'rational', actively seeking financial information. The less-involved consumer, on the other hand, is described as fairly passive, making few purchases and to a large extent relying on repeat behaviors.

Studies about consumer involvement with SEE products and services are not as common in the literature as involvement with financial services. However, one exception of this is a study by Stanley and Lasonde.²³ Using Zaichkowsky's personal involvement inventory, they found that consumer involvement with SEE issues correlated with different purchase behaviors regarding environmentally conscious goods. Other than this particular study, an abundance of studies have implicitly addressed the influence of SEE involvement by using concepts such as 'environmental concern'.²⁴⁻²⁶ In general, many of these studies have found that consumers are concerned about SEE issues and that SEE involvement impacts several parts of the consumer decision-making process.

In all, previous research highlights the importance of both financial and SEE involvement for consumer external search behavior. Against this background, we expect that both involvement with financial services and SEE issues will impact consumer search behavior for SRI profiled mutual funds.

Hypothesis 1: A high level of involvement with personal financial investment issues will lead to:

- (a) a greater focus on financial information (as opposed to SEE information) when searching for information on SRI profiled mutual funds prior to investment;
- (b) less usage of financial advisors when searching information on SRI profiled mutual funds prior to investment;
- (c) a higher level (greater amount) of total information search on SRI profiled mutual funds prior to investment.

Hypothesis 2: A high level of involvement with purchasing SEE products and services will lead to:

- (a) a greater focus on SEE information (as opposed to financial information) when searching for information on SRI profiled mutual funds prior to investment;
- (b) less usage of financial advisors when searching information on SRI profiled mutual funds prior to investment;
- (c) a higher level (greater amount) of total information search on SRI profiled mutual funds prior to investment.

The impact of perceived knowledge on consumer search behavior for SRI mutual funds

There is a large body of consumer behavior research that connects perceived (or subjective) knowledge with information search behavior.¹⁷ The underlying theoretical reasoning for much of this research revolves around the notion that consumers' prior

knowledge will affect the way in which they solve consumption-related problems.

Perceived knowledge has been found to impact information search behavior in many studies.^{12,17} For example, in a study on information search for investments, Lin and Lee¹² found that perceived knowledge is positively correlated with the amount of external search by the consumer. However, previous research on the impact of knowledge on the amount of information search has reached differing conclusions as some studies have found a negative relationship, whereas others argue for a U-(or inverted U) shaped information search response.¹⁷

With regard to the impact of perceived knowledge on the sources used by investors, research has been less frequent. However, within the financial services literature, there is a body of research that addresses the role of knowledge and use of financial advisors in investment decisions. In general, the dominating notion in this research is that consumers low in knowledge will be more likely to depend on advice from financial advisors than highly knowledgeable consumers. This relationship has also been displayed empirically as studies, such as Lee and Cho,²⁷ show that a low level of perceived expertise in financial management increases the likelihood of using information intermediaries (such as financial advisors) when making investment decisions.

Moreover, as mentioned above, Martenson²⁰ shows that less involved and knowledgeable investors use advisors to a greater extent than highly involved and knowledgeable investors.

As with the involvement concept above, one important distinction for this study is the difference between financial and SEE types of perceived knowledge. The first of these, financial knowledge (also known as financial literacy for example, Devlin²⁸), is considered to be an important explanatory variable for consumer behavior in the financial services industry.²⁸⁻³⁰ When consumers perceive that they lack the necessary knowledge, the complex task could become overwhelming,

thereby making them indifferent or apathetic toward the service.³¹ This lack of financial knowledge has also been empirically documented. For example, in Capon *et al.*,³² a large percentage of American investors could not answer basic questions about their investments. Against this background, it seems clear that perceived financial knowledge is relevant for information search behavior with regard to SRI profiled mutual funds.

The second type of knowledge relevant to our study is consumer knowledge with regard to SEE issues. In this domain, knowledge is usually referred to as 'eco-literacy' and refers to knowledge about SEE issues.³³ Several studies have found a positive impact of SEE knowledge on the tendency to purchase SEE profiled goods and services. For example, Amyx *et al.*³⁴ and Chan³⁵ both found a significant correlation between knowledge and some form of consumer behavior with regard to SEE profiled goods or services.

In all, the literature testifies to the importance of both financial and SEE knowledge for consumer external search behavior. Thus, we form the following hypotheses regarding the influence of perceived financial and SEE knowledge:

Hypothesis 3: A high level of perceived financial knowledge will lead to:

- (a) a greater focus on financial information (as opposed to SEE information) when searching for information on SRI profiled mutual funds prior to investment;
- (b) less usage of financial advisors when searching information on SRI profiled mutual funds prior to investment;
- (c) a higher level (greater amount) of total information search on SRI profiled mutual funds prior to investment.

Hypothesis 4: A high level of perceived SEE knowledge will lead to:

- (a) a greater focus on SEE information (as opposed to financial information)

when searching for information on SRI profiled mutual funds prior to investment;

- (b) less usage of financial advisors when searching information on SRI profiled mutual funds prior to investment;
- (c) a higher level (greater amount) of total information search on SRI profiled mutual funds prior to investment.

METHOD

Sample and data collection

This study focuses on information search behavior with regard to mutual fund investment and examines the impact of a number of financial and SEE variables on information search behavior for SRI profiled mutual funds. In doing this, the population of interest is investors who have chosen to invest, at least a part of their portfolio, in SRI profiled mutual funds. However, getting access to this population is difficult as the SRI industry is still small. On account of this, generating a sample from the general population is not a good option as this would result in very few SR-investors being included in the sample. In order to address this issue, we generated our sample from the database of a large Swedish mutual fund provider. In this way, we could generate a sample with a group of SR-investors large enough to meet the objective of the study. Although this sampling procedure means that the sample is not fully representative of the investment population in general, the benefit of this method outweighs the disadvantages. Moreover, as the sample is generated from one of the larger providers of investment services in Sweden, we argue that the sample is at least, to a certain extent, representative of the greater private investment population.

A questionnaire was sent by mail to 2000 randomly selected investors in the customer database who currently had invested in at least one SRI profiled mutual fund. A total of 405 questionnaires were returned.

After sorting out unusable questionnaires, 369 remained resulting in a response rate of 18.5 per cent. As can be seen in the results section, the usable response rate varied between the different analyses.

Sample characteristics

The sample was made up of almost equal proportions of men (48 per cent) and women (52 per cent) and had an average age of 62 years. The respondents in the sample were well educated as 49 per cent had a university degree. With regard to SRI, the average respondent allocated between 11 and 20 per cent of their investment portfolio in SRI profiled mutual funds and had been investing in SRI profiled mutual funds for an average of 5–6 years.

Questionnaire design

The main variables in the questionnaire were involvement, perceived knowledge and information search behavior. The manner in which these variables were measured is presented below as well as in Table 1.

The dependent variables – consumer information search

In order to highlight the nature of the consumer information search process for SRI profiled mutual funds, we focus on three aspects of information search behavior. These are (1) the *amount* (or extent) of information gathered (2) the *source* of this information, and (3) the *type* of information (or attributes) that is desired in the search. In measuring the sources and types of information gathered by SR-investors, different sources and types of information were listed in the questionnaire. The respondents were instructed to indicate how much they used a particular source/type of information before investing in the SRI profiled mutual fund. The amount of information was measured with a single item asking the respondents to rate how much information they felt they gathered before investing in the SRI profiled mutual fund.

Table 1: The independent and dependent variables used in the study

<i>Variable</i>	<i>Number of items and scale</i>	<i>Items</i>	<i>Items based on</i>
<i>Independent variables</i>			
Financial Involvement	The 10-item revised PII	'Investing in mutual funds and stocks to me is': (followed by PII scale)	Zaichkowsky ³⁶
SEE involvement	The 10-item revised PII	'Purchasing environmental or ethical goods and services to me is': (followed by PII scale)	Zaichkowsky ³⁶
Perceived financial knowledge	Single item	'I think that my knowledge regarding investments in mutual funds and stocks is':	Similar to Martenson ^{20,37}
Perceived SEE knowledge	Single item	'I think that my knowledge regarding the ethical and environmental guidelines that are used in SRI profiled mutual funds is':	
<i>Dependent variables</i>			
Type of information	11 empirically generated items	Past financial return ^a Risk level ^a Geographic orientation ^a Specific industries ^a Specific stocks included ^a Fund manager ^a Investment fees ^a Criteria for exclusion of stocks ^b Strategies for influencing companies ^b Donations to charity ^b SEE investment guidelines ^b	
Source of information	14 empirically and theoretically generated items	Financial advisor Education/seminars Friends/family Fact sheet about fund Advertising Periodicals Financial press Books Daily papers Fund provider (on the internet) Bank (on the internet) Daily papers (on the internet) Fund comparison services ^c (on the internet) Other internet sources	Jarvis ¹⁹ ; Lin and Lee ¹² ; Lee and Cho ²⁷ ; Capon <i>et al</i> ³²
Amount of information	Single item	'In your own opinion, how much information did you collect prior to deciding which SRI fund to invest in'	

^aFinancial-type information.

^bSocial, ethical and environmental (SEE)-type information.

^cFor example Morningstar.

The predictor variables – involvement and perceived knowledge

The predictor variables in this study focus on two constructs that have been shown to be relevant for consumer search behavior in

general: involvement and perceived knowledge. With regard to involvement, the focus of this study is on both *financial involvement* and *SEE involvement*. The measurements of both of these were based

on the Zaichkowsky³⁶ personal involvement inventory (PII). The PII has been frequently used as a measure of involvement in previous research both in the SEE consumer behavior context²³ and in the financial services context.³⁸ In order to measure financial involvement, the scale was used with the accompanying question ‘investing in mutual funds and stocks to me is’. In order to measure consumers’ involvement while purchasing SEE profiled goods and services, the index was used with the statement ‘purchasing environmental or ethical goods and services to me is’. As in previous research, the scales received high Cronbach alpha values (0.93 for SEE involvement and 0.95 for financial involvement).

As described above, the perceived knowledge construct was divided into two separate parts for the purpose of this study. The two constructs were measured with one item each. For *perceived financial knowledge*, the respondents answered the statement ‘I think that my knowledge regarding investments in mutual funds and stocks is’ on a 5-point Likert scale anchored by very poor and very good. *Perceived SEE knowledge* was measured with the statement ‘I think that my knowledge regarding the ethical and environmental guidelines that are used in SRI profiled mutual funds is’ also on a 5-point Likert scale.

Data analysis

In order to examine the research questions of the study, the analysis was conducted in two steps. First, in order to address the first questions that dealt with what information investors gather before investing in SRI, the means of the different types of information was examined in a descriptive manner. Second, in order to address the influence of different types of involvement and knowledge, we conducted multiple *t*-tests with the different types of knowledge and involvement as independent variables and the three aspects of information search (type, amount and sources) as dependent

variables. However, before doing this, all four independent variables were categorized into ‘high’ and ‘low’ by splitting them at the mean.

RESULTS OF THE STUDY

The type of information and sources used by SR-investors

The results of the study are presented in Tables 2–4. Starting with Table 2, the sample means indicate that SR-investors search more for SEE information than financial information before investing in SRI profiled mutual funds. In fact, the top three types of information categories were all SEE in nature. The category of information most searched for was the criteria for exclusion of stocks used by the mutual fund followed by the SEE guidelines for investment, and the specific strategies for influencing companies. Thus, these results indicate that before investing in SRI profiled mutual funds, investors want to know *what* guidelines the fund has for taking social responsibility, *what* stocks they exclude and *how* the fund attempts to influence corporate behavior. Of the financial information categories, investors searched the most for the funds’ risk level, industries invested in and the fees charged by the mutual fund company.

Turning to Table 3, the sample mean indicate that financial advisors were the most popular source used by SR-investors to get information about the SRI profiled mutual fund. This is not surprising, given the influence of financial advisors documented in previous research.²⁰

Hypotheses tests – the influence of involvement and perceived knowledge on search behavior

After having reviewed the results in a descriptive manner, we turn to the second research question regarding the influence of different types of involvement and knowledge on information search behavior.

Table 2: *T*-tests on the influence of the different types of involvement and knowledge on the types of information used by socially responsible investors

Type of information ^a	Sample mean (SD)	Involvement						Perceived knowledge					
		Financial			SEE			Financial			SEE		
		Low	High	<i>n</i>	Low	High	<i>n</i>	Low	High	<i>n</i>	Low	High	<i>n</i>
<i>Financial information</i>													
Past financial return	2.75 (1.2)	2.48	2.98	327	2.85	2.64	331	2.58	2.92	353	2.70	2.77	348
Risk level	3.06 (1.0)	2.86	3.27	325	3.14	3.01	329	2.89	3.21	348	2.96	3.13	344
Geographic orientation	2.64 (1.1)	2.61	2.69	327	2.45	2.77	331	2.51	2.75	349	2.39	2.90	345
Specific industries	2.92 (1.1)	2.82	3.02	327	2.75	3.06	331	2.81	3.02	349	2.71	3.13	344
Specific stocks included	2.68 (1.1)	2.46	2.91	327	2.64	2.69	331	2.47	2.86	350	2.49	2.85	346
Fund manager	2.69 (1.1)	2.54	2.87	326	2.74	2.65	330	2.57	2.80	350	2.53	2.85	346
Investment fees	2.81 (1.2)	2.59	2.98	325	2.78	2.80	328	2.58	3.01	348	2.66	2.96	344
<i>SEE information</i>													
Criteria for exclusion of stocks	3.51 (1.2)	3.53	3.48	327	3.21	3.76	331	3.49	3.53	354	3.24	3.84	350
Strategies for influencing companies	3.20 (1.2)	3.19	3.24	326	2.91	3.42	330	3.10	3.29	351	2.86	3.55	346
Donations to charity	2.85 (1.2)	2.78	2.94	325	2.65	3.01	329	2.88	2.82	350	2.64	3.04	346
SEE investment guidelines	3.29 (1.2)	3.32	3.32	327	2.91	3.60	331	3.32	3.33	352	2.95	3.64	347

^aMeasured on a 5-point scale where 1=very little and 5=very much.

Bold: significant difference at $P < 0.05$.

Tables 2–4 present the means and whether there were any significant differences between the groups.

The impact of involvement on consumer search behavior for SRI mutual funds

The results of the *t*-tests displayed in Tables 2–4 indicate that both financial and SEE involvement plays an important role for the information search process used by SR-investors. Turning, first, to financial involvement and the type of information searched for, the first column of Table 2 shows that financially involved investors search significantly more for the financial information categories of funds' past return, level of risk, fees, specific stocks included and reputation of the fund manager than do less financially involved SR-investors. Moreover, the same column displays that

financial involvement had no effect in search behavior for *any* of the SEE categories of information. In all, this suggests that financially involved investors use financial information more and, thus provides support for Hypothesis 1a. With regard to the sources used before investing (Hypothesis 1b), the first column of Table 3 shows that there was no significant difference in how financially involved investors use financial advisors $t(326) = 1.47, P > 0.05$. Finally, as shown in the first column of Table 4, financial involvement also leads to an increased amount of overall search $t(327) = -2.25, P < 0.05$, providing support for Hypothesis 1c.

Turning to the impact of SEE involvement, the second column of Table 2 shows that investors involved with SEE issues search more for all four SEE categories of information. However, the *t*-tests showed

Table 3: T-tests on the influence of the different types of involvement and knowledge on the sources used by socially responsible investors

Source ^a	Sample mean (SD)	Involvement						Perceived knowledge					
		Financial			SEE			Financial			SEE		
		Low	High	n	Low	High	n	Low	High	n	Low	High	n
<i>Personal sources</i>													
Financial advisor	2.52 (1.8)	2.65	2.35	328	2.51	2.46	332	2.74	2.32	356	2.53	2.46	352
Education/seminars	0.82 (1.1)	0.85	0.80	322	0.80	0.81	326	0.74	0.91	340	0.75	0.89	337
Friends/family	1.15 (1.3)	1.19	1.10	324	1.08	1.18	328	1.28	1.02	342	1.06	1.22	339
<i>From SRI provider</i>													
Fact sheet about fund	2.37 (1.8)	2.19	2.46	325	2.18	2.45	329	2.05	2.71	350	2.08	2.71	347
Advertising	1.24 (1.3)	1.12	1.31	325	1.18	1.25	329	1.21	1.28	346	1.16	1.31	344
<i>Printed sources</i>													
Periodicals	1.29 (1.5)	1.19	1.35	325	1.25	1.31	330	1.13	1.43	347	1.20	1.41	345
Financial press	1.49 (1.6)	1.08	1.83	325	1.63	1.37	329	1.07	1.88	349	1.36	1.61	346
Books	0.73 (1.0)	0.71	0.74	324	0.73	0.73	329	0.67	0.80	346	0.64	0.83	344
Daily papers	1.97 (1.7)	1.76	2.13	326	1.91	2.00	330	1.80	2.10	350	1.84	2.10	347
<i>Internet sources</i>													
Fund provider	1.62 (1.7)	1.42	1.81	323	1.64	1.61	327	1.38	1.86	346	1.55	1.70	343
Bank	1.59 (1.7)	1.44	1.73	323	1.54	1.62	328	1.41	1.76	347	1.49	1.68	344
Daily papers	1.07 (1.5)	0.90	1.22	324	1.24	0.92	329	0.97	1.16	345	1.00	1.12	342
Fund comparison services ^b	1.00 (1.3)	0.83	1.16	325	1.04	0.95	329	0.76	1.22	348	0.93	1.04	345
Other internet sources	0.88 (1.3)	0.83	0.94	326	0.85	0.93	330	0.70	1.04	349	0.75	0.98	346

^aMeasured on a 6-point scale where 0=not used at all and 5=used a lot.

^bFor example, Morningstar.

Bold: significant difference at $P < 0.05$.

Table 4: T-tests on the influence of the different types of involvement and knowledge on the amount of information gathered prior to investing in SRI profiled mutual funds

Sample mean (SD)	Involvement						Perceived knowledge						
	Financial			SEE			Financial			SEE			
	Low	High	n	Low	High	n	Low	High	n	Low	High	n	
Amount of information ^a	2.52 (1.0)	2.36	2.61	329	2.36	2.60	333	2.36	2.66	362	2.20	2.85	358

^aMeasured on a 5-point scale where 1=very little and 5=very much.

Bold: significant difference at $P < 0.05$.

that SEE involvement also resulted in increased search for some financial information (geographic orientation and industries included). As SEE involvement leads to increased search for SEE as well as some financial information, we conclude that

there is partial support for Hypothesis 2a. As the second column of Table 3 indicates that SEE involvement did not lead to less usage of advice from financial advisors, Hypothesis 2b was not supported $t(330) = 0.26, P > 0.05$. However, as indicated

in the second column of Table 4, SEE involvement did lead to increased search behavior overall $t(331) = -2.17, P < 0.05$, providing support for Hypothesis 2c.

The impact of perceived knowledge on consumer search behavior for SRI mutual funds

Tables 2–4 also display the impact of perceived financial and SEE knowledge on consumer information search behavior. As indicated in the third column of Table 2, perceived financial knowledge had a positive impact on six out of seven financial categories of information. However, the same column reveals that just like financial involvement, perceived financial knowledge did not have a significant impact on *any* of the SEE information categories, providing support for Hypothesis 3a. Moreover, the third column of Table 3 shows that support for Hypothesis 3b was found as investors with high perceived financial knowledge took less advice from financial advisors $t(354) = 2.13, P < 0.05$. Hypothesis 3c is also supported as investors high in perceived SEE knowledge searched for more information overall $t(360) = -2.92, P < 0.05$, as indicated in the third column of Table 4.

With regard to the influence of perceived SEE knowledge on search behavior, the fourth column of Table 2 indicates that consumers high in this type of knowledge search more for both SEE and financial information. The only categories of information that these investors did not search more for was the funds' past return and level of risk. As perceived SEE knowledge generated search for both financial and SEE categories of information, partial support is found for Hypothesis 4a. The fourth column of Table 3 shows that no support is found for Hypothesis 4b as perceived SEE knowledge did not lead to less use of advice from financial advisors $t(350) = 0.32, P > 0.05$. Finally, Hypothesis 4c is supported as respondents high in perceived SEE knowledge also searched for more

information overall $t(356) = -6.31, P < 0.05$, as displayed in the fourth column of Table 4.

DISCUSSION

This study is an investigation into the information search behavior of SR-investors, which has previously been a scarcely researched area in the literature. One of the more interesting results of the study is that SR-investors, in general, search more for information regarding SEE aspects of the SRI profiled fund than traditional financial criteria. The fact that SEE issues seem to be *more* important in the information search process is somewhat surprising, given the importance of the financial aspects of any investment decision. One likely explanation of this behavior is that SR-investors may very well have a greater interest for SEE issues than for financial issues. Previous research has indicated that many consumers are not very interested in investments.^{28,32} For SEE issues, however, the case is reversed as studies report that as much as 90 per cent of the population is concerned about the environment.³⁹ Thus, investors may enjoy searching for information regarding SEE characteristics of the SRI profiled mutual fund as this is seen as more interesting.

With regard to the influence of the financial and SEE predictors on search behavior, this study shows that both financial and SEE predictors do have an effect on how private investors search for information before investing in SRI profiled mutual funds. For example, involved and knowledgeable consumers search for more information overall than consumers that were less involved and perceived themselves to have less knowledge. This is largely in line with previous research that highlights perceived knowledge and involvement as two main predictors of information search behavior.^{12,16,17}

However, this study goes one step further than many previous studies on information search, in that it divides these constructs into

two distinct parts: financial and SEE. In doing this, this study has highlighted that different *types* of involvement and perceived knowledge actually lead to different search behaviors. Financial involvement and knowledge largely lead to an external search process that is focused on financial aspects of the mutual fund. Investors in this group want to know how the fund has performed in the past and its level of risk, most likely in order to make a good financial choice when they invest their money. SEE involved and knowledgeable investors, on the other hand, search more for the relevant SEE information. These investors want to know the guidelines the fund has for practicing social responsibility and the criteria that are used for excluding stocks, most likely in order to make an investment decision that is good with regard to SEE standards. Taken together, a final conclusion of the study revolves around the notion that although some consequences of the different types of involvement and knowledge are similar, financially involved and knowledgeable investors go through a different external information search process than SEE involved and knowledgeable investors. Against this background, it is likely that the rest of the decision-making process is also different for these groups of investors.

On the basis of the above discussion, this study makes at least two contributions to the literature. First, it highlights the information search process of SR-investors, which has not previously been addressed in the SRI or financial services literature. Second, and on a more general level, this study also contributes by separating the involvement and knowledge constructs into two different parts (SEE and financial) and shows that these different types of involvement and knowledge impact the search process in different ways.

Managerial implications

For practitioners within the SRI industry, this study contributes with a number of

insights. First, the average SR-investor searches more for information about SEE characteristics than financial characteristics before investing in SRI. Thus, SRI providers within the industry should give SEE information a central role in their marketing and communication efforts. Second, the results show that the source used most by SR-investors was financial advisors. Previous research has shown that financial advisors may not give accurate advice regarding SR-investments.⁴⁰ It could therefore be of importance to make sure that this group has sufficient understanding and knowledge of SR-investment options. A final implication for practitioners within the industry is that SR-investors are not similar in their information needs. SRI providers, therefore, need to be prepared to generate customized information for different types of SR-investors.

Limitations of the study

There are a couple of limitations of the study that deserve mention. First, the sample of the study was generated from only one SRI provider and the average age was high. It is possible that these two sample-related issues could have had an impact on the results. Moreover, it is possible that the respondents could have been affected by the general instability that was present when the questionnaire was sent out (Spring 2009). However, as the questions largely dealt with past behavior, this is most likely to be a minor concern.

Suggestions for future research

Academia has only started to scratch the surface of generating an understanding of private investment in SRI. One important issue that has been brought up in this study is the complex interaction between the purely financial aspects and the SEE concern that investors deal with when making their decision to invest in an SRI profiled mutual fund. This interaction needs to be examined further in order to understand why consumers choose SRI profiled mutual funds.

This study has addressed one stage of the decision-making process with this complex interaction in mind. Future research could focus on doing this with regard to the other stages in the decision-making process. This is likely to generate a deeper understanding of the investment behavior of private SR-investors.

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